Perimeter Solutions, Société Anonyme and subsidiaries

Annual Consolidated financial statements and Consolidated management report for the year-ended 31 December 2022 with the report of the réviseur d'entreprises agréé thereon

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Report of the Board of Directors for the financial year ended December 31, 2022.

The Board of Directors of the Company, Perimeter Solutions, SA (the "Company") takes pleasure in presenting its annual report for the year ended December 31, 2022.

Situation and activities of the Company

Perimeter Solutions, SA, ("PSSA"), a public company limited by shares (société anonyme) registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B256.548 was incorporated on June 21, 2021 under the laws of the Grand Duchy of Luxembourg. PSSA is headquartered in the Grand Duchy of Luxembourg with global operations in North America, Europe, and Asia Pacific, with approximately 74% of our annual revenues derived in the United States, approximately 15% in Europe, approximately 5% in Canada and approximately 2% in Mexico, with and the remaining approximately 4% spread across various other countries. Our ordinary shares are listed on the New York Stock Exchange and trade under the symbol "PRM."

We are a global solutions provider for the fire safety and specialty products industries and our business is organized and managed in two reporting segments: Fire Safety and Specialty Products (formerly Oil Additives segment). The Fire Safety business is a formulator and manufacturer of fire management products that help the Company's customers combat various types of fires, including wildland, structural, flammable liquids and other types of fires. The Company's Fire Safety business also offers specialized equipment and services, typically in conjunction with its fire management products to support firefighting operations. The Company's specialized equipment includes air base retardant storage, mixing, and delivery equipment; mobile retardant bases; retardant ground application units; mobile foam equipment; and equipment that it custom designs and manufactures to meet specific customer needs. Significant end markets include primarily government-related entities and are dependent on approvals, qualifications, and permits granted by the respective governments and commercial customers around the world.

In June 2022, the Oil Additives segment, which produces and sells P_2S_5, was renamed the Specialty Products segment to better reflect the current and expanding applications for P_2S_5 in several end markets and applications, including lubricant additives, various agricultural applications, various mining applications, and emerging electric battery technologies. Within the lubricant additive end market, currently the Company's largest end market application, P_2S_5 is primarily used in the production of a family of compounds called ZDDP, which is considered an essential component in the formulation of engine oils with its main function to provide anti-wear protection to engine components. In addition, ZDDP inhibits oxidation of engine oil by scavenging free radicals that initiate oil breakdown and sludge formation, resulting in better and longer engine function. P_2S_5 is also used in pesticide and mining chemicals applications. We offer several grades of P_2S_5 with varying degrees of phosphorus content, particle size, distribution, and reactivity to global customers.

During the third quarter of 2022, we completed a re-organization into seven business units within our two reporting segments. The business unit structure is meant to promote the decentralized execution and accountability, and maintain the geography- and product-specific focus and granularity, necessary to drive continued improvement in our key operational value drivers. Our key operational value drivers are profitable new business, pricing our products and services to the value they provide, and continued productivity improvements. Each business unit has a business unit manager, who is responsible for achieving targeted financial and operational results.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). Subsidiaries are all entities over which the group has control. The consolidated financial statements present the results of the Group and its subsidiaries as if they formed a single entity. The consolidated financial statements include the accounts of the Group and its subsidiaries after elimination of intercompany transactions and balances.

For the financial year ended December 31, 2022, we had net sales of $360.5 million of which the Fire Safety segment contributed $226.6 million and the Specialty Products segment contributed $133.9 million. We ended the December 31, 2022 financial year with a net income of $100.1 million and net equity of $1,130.0 million.

Principal Risks and Uncertainties

We are exposed to market risk from changes in foreign currency exchange rates, short-term interest rates and price fluctuations of certain material commodities in the ordinary course of our business. We have not engaged in hedging activities since inception and currently, do not expect to engage in any hedging activities with respect to the market risk to which we are exposed.

Foreign Currency Risk

Foreign currency exchange risks are attributable to sales to foreign customers and purchases from foreign suppliers not denominated in a location's functional currency, foreign plant operations, intercompany indebtedness, intercompany investments and include exposures to the Euro, Canadian dollar, Norwegian krone and Australian dollar. We have elected to use the U.S. dollar for our Luxembourg entities. Transactions that are paid in a foreign currency are remeasured into U.S. dollars and recorded in the consolidated financial statements at prevailing currency exchange rates. A reduction in the value of the U.S. dollar against currencies of other countries could result in the use of additional cash to settle operating, administrative and tax liabilities.

Interest Rate Risk

For variable rate debt, interest rate changes generally do not affect the fair market value of such debt, but do impact future earnings and cash flows, assuming other factors are held constant. We are subject to market risk exposure related to changes in interest rates on borrowings under the Revolving Credit Facility. Interest on borrowings under the Revolving Credit Facility is based on adjusted LIBOR plus or base rate plus an applicable margin. At December 31, 2022, we had no borrowings outstanding under the Revolving Credit Facility.

On November 9, 2021, in connection with the Business Combination, SK Intermediate II assumed the Senior Notes. Our Senior Notes bear interest at a fixed rate of 5.00% p.a..

In addition, on November 9, 2021, in connection with the Business Combination, Redeemable Preferred Shares valued at $100.0 million were issued. The holders of Redeemable Preferred Shares are entitled to a preferred annual cumulative right to a dividend equal to 6.50% of its nominal value. The Redeemable Preferred Shares are mandatorily redeemable on occurrence of certain events as defined in the Business Combination Agreement, but no later than November 8, 2029. If we fail to timely redeem the Redeemable Preferred Shares, the dividend on Redeemable Preferred Shares will permanently increase to the interest rate currently being paid (whether default or not) under the Revolving Credit Facility plus 10.00%.

Due to our minimal exposure to interest rate risk, we have not prepared any sensitivity analysis.

Commodity Price Risk

Our realized margins depend on the differential of sales prices over our total supply costs. Generally, we attempt to maintain an inventory position that is substantially balanced between our purchases and sales, including our future delivery obligations. However, market, weather or other conditions beyond our control may disrupt our expected supply of product, and we may be required to obtain supply at increased prices that cannot be passed through to our customers. For example, some of our material supply contracts follow market prices, which may fluctuate through the year, while our product sales prices may be fixed on a quarterly or annual basis, and therefore, fluctuations in our material supply may not be passed through to our customers and can produce an adverse effect on our margins.

Credit Risk

Financial instruments that potentially subject the Company to credit risk primarily consist of cash and cash equivalents, and accounts receivable.

At December 31, 2022, the Company had $126.8 million of cash and cash equivalents. The Company's cash and cash equivalents are maintained with various financial institutions and the deposits with these institutions may exceed the amount of insurance provided on such deposits. However, the Company regularly monitors the financial stability of its financial institutions and believes that the Company is not exposed to any significant default risk. At December 31, 2022, 47% of the Group's cash was held in a bank that has a credit rating of A+ and 26% of cash was held in a bank that had a credit rating of A-.

For accounts receivable, the Company is exposed to credit risk in the event of nonpayment by customers to the extent of the amounts recorded on the consolidated balance sheets. One of the Company's customers in the Fire Safety segment and two in the Specialty Products segment accounted for 48% of total sales during the year ended December 31, 2022. One customer within the Fire Safety segment and two within the Specialty Products segment represent 44% (18%, 16%, and 10%, respectively) of the total accounts receivable balance as of December 31, 2022.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations when due. We believe that our existing cash and cash equivalents of approximately $126.8 million as of December 31, 2022, net cash flows generated from operations and availability under the Revolving Credit Facility will be sufficient to meet our current capital expenditures, working capital, founders' advisory fee payments and debt service requirements.

Effects of Inflation

We are subject to inflationary pressures with respect to raw materials, labor and transportation. Accordingly, we continue to take actions with our customers and suppliers to mitigate the impact of these inflationary pressures in the future. Actions to mitigate inflationary pressures with customers include contractual price escalation clauses and negotiated customer recoveries. Actions to mitigate inflationary pressures with suppliers include aggregation of purchase requirements to achieve optimal volume benefits, negotiation of cost-reductions and identification of more cost competitive suppliers. While these actions are designed to offset the impact of inflationary pressures, the Company cannot provide assurance that it will be successful in fully offsetting increased costs resulting from inflationary pressure.

Russia's Invasion of Ukraine

In February 2022, Russia invaded Ukraine. While Perimeter has limited exposure in Russia and Ukraine, the Company continues to monitor any broader impact to the global economy, including with respect to inflation, supply chains and fuel prices. The full impact of the conflict on the Company's business and financial results remains uncertain and will depend on the severity and duration of the conflict and its impact on regional and global economic conditions.

Ordinary Shares

As of December 31, 2022, there were 163,234,542 and 156,797,806 Ordinary Shares issued and outstanding, respectively. The Company repurchased 6,436,736 Ordinary Shares for the year ended December 31, 2022, of which 597,513 Ordinary Shares were repurchased on behalf of a wholly-owned subsidiary. The repurchased Ordinary Shares were recorded at cost and are being held in treasury. We refer to note 9 of the consolidated financial statements.

Activities of the Company in the field of research and development

Our research and development expenses are primarily comprised of costs of our research and development personnel and product development-related expenses. Research and development costs are expensed when incurred, except to the extent that such costs qualify for capitalization. We believe continued investments in research and development are important to maintain our competitive strengths and expect research and development costs to increase in absolute dollars, but to decrease as a percentage of total revenues.

Going Concern

The financial statements for the financial year ended December 31, 2022 have been prepared assuming that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business.

As of December 31, 2022, we had cash and cash equivalents of approximately $126.8 million and availability under the Revolving Credit Facility, accordingly, we have determined that the Company has the ability to fund the working capital, capital expenditures, founders' advisory fee payments and debt service requirements, accordingly, we currently do not have any concern regarding continuing as a going concern.

Intellectual Property Portfolio

Our intellectual property rights are valuable and important to our business, and we rely on copyrights, trademarks, trade secrets, non-disclosure agreements and electronic and physical security measures to establish and protect our proprietary rights. We intend to continue to pursue additional intellectual property protection on product and equipment enhancements to the extent we believe it would be beneficial and cost-effective.

As of December 31, 2022, our intellectual property portfolio consisted of the following:

- for the Fire Safety business, 11 owned U.S. patents, of which we expect 2 to expire in 5 years or less and 9 to expire in more than 5 years, and 33 owned foreign counterpart patents in certain foreign jurisdictions, of which we expect 16 to expire in 5 years or less and 17 to expire in more than 5 years, and
- for the Specialty Products business, 2 owned U.S. patents we expect to expire in 15 or more years. All of our patents and trademarks are registered or pending approval with the U.S. Patent and Trademark Office and in select international offices.

Our patent portfolio covers 20 countries and the protection is focused on key retardant technology and advancements, including corrosion inhibitors, fugitive color systems and liquid fire retardant compositions and improvements in firefighting foam compositions.

Environmental and Regulatory

We are subject to extensive federal, state, local and international laws, regulations, rules and ordinances relating to safety, pollution, protection of the environment, product management and distribution, and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. In the ordinary course of business, we are subject to frequent environmental inspections and monitoring and occasional investigations by governmental enforcement authorities. In addition, our production facilities require operating permits that are subject to renewal, modification and, in certain circumstances, revocation. Actual or alleged violations of safety laws, environmental laws or permit requirements could result in restrictions or prohibitions on plant operations or product distribution, substantial civil or criminal sanctions, as well as, under some environmental laws, the assessment of strict liability and/or joint and several liability. Moreover, changes in environmental regulations could inhibit or interrupt our operations or require us to modify our facilities or operations. Accordingly, environmental or regulatory matters may cause us to incur significant unanticipated losses, costs or liabilities.

We are committed to manufacturing high quality products while at the same time protecting and preserving the earth’s natural resources and maintaining compliance with all applicable Environmental, Health and Safety Systems ("EHS") legal requirements. We have developed policies and management systems that are intended to identify the multitude of EHS legal requirements applicable to our operations, enhance compliance with applicable legal requirements, improve the safety of our employees, contractors, community neighbors and customers and minimize the production and emission of wastes and other pollutants. Although EHS legal requirements are constantly changing and are frequently difficult to comply with, these EHS management systems are designed to assist us in our compliance goals while also fostering efficiency and improvement and reducing overall risk to us.

Human Capital Management

Employees

As of December 31, 2022, we had 226 full-time employees and 14 temporary, seasonal or part-time employees. Our employees are not represented by any labor union, and we have never experienced a work stoppage or strike.

Health and Safety

Our commitment to safety is an essential part of our operating model with a zero-incident culture. We are dedicated to building, designing, maintaining, and operating our facilities to effectively manage process safety and other hazards, and to minimize risks. By partnering with our employees, we are able to maintain a safe work environment while meeting the needs of our customers. Our safety focus has never been more critical since the early days of the COVID-19 pandemic. We have been following guidance from the World Health Organization and the U.S. Center for Disease Control to protect employees and prevent the spread of the virus within all of our facilities globally.

Talent Development

We consider our employees to be our most valuable asset. The development, attraction and retention of employees is a critical success factor. To support the advancement of our employees, we offer training and development programs encouraging advancement from within and continue to fill our team with strong and experienced management talent.

Benefits

We offer attractive benefits packages that attract, retain, motivate and reward our talent, and we are committed to providing our employees and their families with programs that support their health and overall well-being. To assist employees with financial empowerment, we offer a 401(k) program. We also offer members the ability to save money on a tax-free basis through flexible spending accounts and health savings accounts. We offer competitive compensation programs that includes base pay, bonus and equity grants. Our full-time employees also receive paid time off and holidays.

Our equity compensation plans are designed to assist in attracting, retaining, motivating and rewarding key employees and directors, and promoting the creation of long-term value for our shareholders by closely aligning the interests of these individuals with those of our shareholders. Equity compensation, and specifically performance-based stock options, is a significant component of our equity-based compensation strategy and value-based culture.

Diversity

We value the uniqueness of each individual, new ideas, different experiences and fresh perspectives, and firmly believe that a diverse workforce fosters an environment of collaboration and innovation where everyone can perform to their highest potential and achieve personal and profession growth. Diversity and inclusion make us stronger as a company. We are committed to diversity at all levels of management and leadership, and our leadership team and our Board are committed to improving diversity throughout the Company and fostering a more inclusive and open environment. Our workforce includes talented people from many backgrounds. We do not tolerate discrimination and are committed to high ethical standards and equal employment opportunities in all personnel actions without regard to race, color, religion, gender, national origin, citizenship status, age, marital status, gender identity or expression, sexual orientation, physical or mental disability, or veteran status.

Key Market Drivers and Outlook

There are several key market drivers, which are further explained below, for our business in the Fire Safety and Specialty Products segments.

Higher Acres Burned and Longer Fire Seasons

The USDA Forest Service data of the last 39 years shows that the acreage burned in the United States has increased over time. While there is variability in the acreage burned in any given year, the five-year trailing average of acres burned in the United States has increased from a five-year trailing average of 3.3 million acres burned in 1997, to a five-year trailing average of 7.6 million acres burned in 2022. The year 2020 was the most intense fire year recorded in U.S. history with over 10 million acres burned. The U.S. fire season is also lengthening on a consistent basis – according to a 2016 report published by Climate Central, the U.S. fire season is on average 105 days longer than it was in 1970. Climate Central also reported that the average number of large fires (larger than 1,000 acres) burning each year had tripled between the period of 1970s to 2010s, and the acres burned by such fires showed a six-fold increase in the 2010s compared to the 1970s. If acreage burned continues to increase and the fire season continues to lengthen, we expect the demand and usage of fire retardant to increase.

Increasing Wildland Urban Interfaces

Urban development is pushing farther out of cities and into the wilderness for both primary and secondary residences. For example, according to Proceedings of the National Academy of Sciences of the United States of America (“PNAS”), the Wildland-Urban Interface (“WUI”), an area where houses and wildland vegetation meet and intermingle, grew rapidly from 1990 to 2010 in terms of both number of new houses and land area, such that it was the fastest-growing land use type in the conterminous United States, with 97% of that growth the result of new housing. As of 2018, the WUI now includes one-third of all homes in the United States although it occupies less than one-tenth of the land area in the U.S. According to PNAS, when homes are built in the WUI, there will be more wildfires due to human ignitions, and wildfires that occur will pose a greater risk to lives and homes, they will be hard to fight, and letting natural fires burn becomes impossible. As the WUI expands and the number of homes at risk from wildland fires increases, we expect the use of retardant to protect property and life from threatening wildfires to increase.

Increasing Firefighting Aircraft Capacity and Usage

The size and capacity of the firefighting aircraft fleet is a key driver of the amount of fire retardant consumed annually, as demand for retardant typically outpaces available aircraft capacity, as evidenced by data regarding unable to fill aerial firefighting requests published by the National Interagency Fire Center. Since 2010, U.S. aircraft capacity increased significantly and is expected to further increase. Increasing air tanker capacity and modernization is a global trend, with more, larger, and more sophisticated tankers are being used in various parts of the world.

Value-Based and Dynamic Pricing Model Protects Attractive Margins

We believe that our comprehensive and closely intertwined product, equipment, and service offering (described above) provides tremendous value to our customers and serves as an important differentiator and margin enhancement tool. Furthermore, we are able to structure tiered pricing and annual pricing escalators with key customers, allowing the business to cover a portion of certain fixed costs in lower-volume years and protect margins over time.

Comprehensive Product Offering

We are a full-service turnkey supplier to many of our key customers. In the Fire Safety segment, in addition to providing fire retardant, we also provide specialized air base equipment including storage, mixing and loading equipment, as well as the air base management and training services necessary for land and aerial wildland firefighting. Our supply chain network also provides a critical service to our customers – we are able to deliver retardant within hours to over 150 air tanker bases in North America, often in emergency situations as our customers are fighting active and threatening wildfires.

In the Specialty Products segment, our competitive advantage is based primarily on our long-standing record of reliability and customer support, our global supply capability for critical, high quality raw materials, and our technical expertise to handle and transport hazardous products and manage complex logistics. We have the largest fleet of specialized tote bins in the world that utilize patented technology to ensure safe handling and transport of P_2S_5.

Move toward Fluorine Free Firefighting Foams

There is an accelerating transition in the fire suppression market towards products that do not contain intentionally added PFAS. We expect Fluorine-Free Foams (“FFF”) to account for a growing percentage of the firefighting foam market over the next several years. We are positioned to be one of the key players in the FFF market. For example, we introduced SOLBERG® AVIGARD™ 3B and 6B for the aviation market, SOLBERG® VERSAGARD™ AS-100 for use wherever flammable and combustible liquids are stored, transported, or processed, SOLBERG VERSAGARD 1x3 FFF, the first 1x3 FFF, on the market for the emergency response, and SOLBERG® RE-HEALING SP-100 for sprinkler applications, with the latter being the latest addition to the most comprehensive FFF platform in the market. We expect to continue to invest to advance fluorine-free foam technology, enhance our third-party certifications like Underwriters Laboratory UL162, Factory Mutual (FM5130), and EN1568 for our FFF and equipment providing innovative, sustainable solutions protecting people, property, assets and ensuring business continuity for our customers.

We are also in a unique position to assist customers in their transitions to FFF. We provide a variety of specialized equipment to customers, including fire suppression system components used in conjunction with our fluorine free offerings. We are also experienced in transition activities, including advising on system modifications associated with transition to fluorine free solutions, as well as performance testing to verify compliance with national and industry standards for new fluorine-free systems. For example, in the past, we have assisted Brisbane Airport (Australia), Schiphol Airport (Netherlands) and Transport Canada in their respective transitions to fluorine-free foams and systems.

Growth in Miles Driven, Opportunities in Secondary Markets

Within the lubricant additive end market, currently the Company's largest end market application, P_2S_5 is primarily used in the production of family of compounds called ZDDP, which is considered an essential component in the formulation of engine oils. The consumption of ZDDP and other lubricant additives is driven by the social and economic trends globally of increased vehicle production and miles driven. Over the past 30 years, the number of global miles driven has increased resulting in more engine wear and tear and increased demand for motor oil. Secondary markets for P_2S_5 include agricultural applications in the production of intermediates for pesticides and insecticides, flotation chemistry in the mining industry, and for hydraulic and cutting fluids. A significant development opportunity exists for P_2S_5 in the emerging technology of lithium sulfide solid state electrolytes used in batteries for the electric vehicle market.

Nighttime Retardant Operations Opportunity

Nighttime retardant operations represent a significant expansion in the wildfire business and has been studied for several years, but has been limited to water. In 2021, a cooperative initiative among California counties, a helicopter company and the Company was created to provide limited retardant support for night operations. If the nighttime operations program is continued and expanded, this could add materially to our revenues.

Luxembourg, June 21, 2023

On behalf of the Board of Directors

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of
Perimeter Solutions
Société anonyme
12E, rue Guillaume Kroll
L-1882 Luxembourg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Perimeter Solutions and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

We draw your attention to the fact that we have not audited the corresponding figures of the Group as at 31 December 2021 and for the period from 21 June 2021 (date of incorporation) to 31 December 2021, or any of the related notes, and accordingly, we do not express an opinion on them.

BDO Audit, Société Anonyme
R.C.S. Luxembourg B 147.570
TVA LU 23425810

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "*réviseur d'entreprises agréé*" for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*réviseur d'entreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on Other Legal and Regulatory Requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 21 June 2023

BDO Audit
Cabinet de révision agréé
represented by

Anke Schelling

PERIMETER SOLUTIONS SA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in thousands, except share and per share data)

	Note	December 31, 2022	December 31, 2021	June 21, 2021
ASSETS				
Current assets:				
Cash and cash equivalents		$ 126,750	$ 225,554	$—
Accounts receivable, net	4	26,646	22,774	—
Inventories	4	142,961	106,910	—
Income tax receivable	7	214	816	—
Prepaid expenses and other current assets	4	11,951	14,161	—
Total current assets		308,522	370,215	—
Property, plant and equipment, net	4	58,846	62,247	—
Right-of-use assets	16	17,507	18,764	—
Goodwill	5	1,033,005	1,042,870	—
Customer lists, net	5	710,329	753,459	—
Technology and patents, net	5	232,818	247,368	—
Tradenames, net	5	94,293	100,005	—
Other assets, net		1,766	2,219	—
Total assets		$ 2,457,086	$ 2,597,147	$ —
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable		$ 36,794	$ 27,469	$ —
Accrued expenses and other current liabilities	4	32,771	22,497	—
Founders advisory fees payable - related party	11	4,655	53,547	—
Deferred revenue		—	445	—
Total current liabilities		74,220	103,958	—
Non-current Liabilities:				
Long-term debt	6	665,280	664,128	—
Lease liabilities	16	15,418	15,292	—
Deferred income taxes	7	279,809	297,308	—
Founders advisory fees payable - related party	11	170,718	312,242	—
Redeemable preferred shares	6	101,279	96,867	—
Redeemable preferred shares - related party	6	3,209	3,699	—
Warrant liability	6	7,790	17,513	—
Other non-current liabilities	4	9,322	22,195	—
Total liabilities		1,327,045	1,533,202	—
Commitments and Contingencies	8			
Shareholders' equity:				
Ordinary shares, $1 nominal value per share, 4,000,000,000 shares authorized; 163,234,542 and 157,237,435 shares issued; 156,797,806 and 157,237,435 shares outstanding at December 31, 2022 and 2021, respectively	9	163,235	157,237	—
Treasury shares, at cost; 6,436,736 shares at December 31, 2022 and no shares at December 31, 2021	9	(49,341)	—	—
Additional paid-in capital		1,684,028	1,656,365	40
Note receivable from EverArc Holdings, Ltd		—	—	(40)
Accumulated other comprehensive loss		(25,471)	(7,135)	—
Accumulated deficit		(642,410)	(742,522)	—
Total shareholders' equity		1,130,041	1,063,945	—
Total liabilities and shareholders' equity		$ 2,457,086	$ 2,597,147	$ —

The accompanying notes are an integral part of the consolidated financial statements.

PERIMETER SOLUTIONS SA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)
(in thousands, except share and per share data)

	Note	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
Net sales	13	$ 360,505	$ 21,023
Cost of goods sold		217,928	23,605
Gross profit		142,577	(2,582)
Operating expenses:			
Selling, general and administrative expense	10	73,363	16,812
Amortization expense	5	55,105	8,004
Founders advisory fees - related party	12	(117,302)	652,990
Other operating expense		465	92
Total operating expenses		11,631	677,898
Operating income (loss)		130,945	(680,480)
Other expense (income):			
Interest expense, net	6	43,515	6,432
(Gain) loss on contingent earn-out	11	(12,706)	198
Unrealized foreign currency loss (gain)		3,462	1,006
Other (income) expense, net	6	(10,286)	4,038
Total other expense (income), net		23,985	11,674
Income (loss) before income taxes		106,960	(692,154)
Income tax (expense) benefit	7	(6,848)	6,000
Net income (loss)		100,112	(686,154)
Other comprehensive (loss) income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		(18,336)	(7,135)
Total comprehensive income (loss)		$ 81,776	$ (693,289)
Earnings (loss) per share:	14		
Basic		$ 0.62	$ (4.37)
Diluted		$ 0.57	$ (4.37)
Weighted average number of ordinary shares outstanding:			
Basic		160,937,575	157,158,579
Diluted		175,079,941	157,158,579

The accompanying notes are an integral part of the consolidated financial statements.

PERIMETER SOLUTIONS SA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands, except share data)

	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance, June 21, 2021	40,000	$ —	—	$ —	$ —	$ —	$ —	$ —
Business Combination	156,937,410	156,897	—	—	1,376,312	—	(56,368)	1,476,881
Sale of ordinary shares issued to Director Subscribers	200,000	200	—	—	1,800	—	—	2,000
Share-based compensation	—	—	—	—	290,651	—	—	290,651
Ordinary shares issued related to share-based compensation	100,000	100	—	—	1,075	—	—	1,175
Warrants exercised	25	—	—	—	(13,473)	—	—	(13,473)
Net loss	—	—	—	—	—	—	(686,154)	(686,154)
Other comprehensive loss	—	—	—	—	—	(7,135)	—	(7,135)
Balance, December 31, 2021	157,237,435	157,237	—	—	1,656,365	(7,135)	(742,522)	1,063,945
Share-based compensation	—	—	—	—	13,623	—	—	13,623
Liability portion of founders advisory fees - related party reclassified to APIC	5,952,992	5,954	—	—	(5,954)	—	—	—
Liability portion of founders advisory fees reclassified to equity	—	—	—	—	19,568	—	—	19,568
Warrants exercised	44,115	44	—	—	426	—	—	470
Ordinary shares repurchased	—	—	6,436,736	(49,341)	—	—	—	(49,341)
Net income	—	—	—	—	—	—	100,112	100,112
Other comprehensive loss	—	—	—	—	—	(18,336)	—	(18,336)
Balance, December 31, 2022	163,234,542	$ 163,235	6,436,736	$ (49,341)	$ 1,684,028	$ (25,471)	$ (642,410)	$ 1,130,041

The accompanying notes are an integral part of the consolidated financial statements.

PERIMETER SOLUTIONS SA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Note	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
Cash flows from operating activities:			
Net income (loss)		$ 100,112	$ (686,154)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Founders advisory fees – related party (change in accounting fair value)	11	(117,302)	—
Depreciation and amortization expense	5, 16,	71,330	9,687
Interest and payment-in-kind on preferred shares	6	6,537	944
Lease interest expense	16	930	80
Share-based compensation	10	3,840	8,666
Share-based compensation - Founders advisory fees - related party (equity	10	—	287,200
Deferred income taxes	7	(15,621)	(1,995)
Amortization of deferred financing costs	6	1,602	224
Amortization of acquisition related inventory step-up	3	24,796	6,125
(Gain) loss on contingent earn-out	11	(12,706)	198
Unrealized loss (gain) on foreign currency	4	3,462	1,006
Loss on disposal of assets		9	—
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable		(6,190)	27,977
Inventories	4	(61,934)	(13,259)
Prepaid expenses and other current assets		1,923	(5,230)
Other assets		—	54
Accounts payable	18	9,696	8,194
Deferred revenue		(383)	332
Income taxes payable, net	7	8,920	(8,985)
Accrued expenses and other current liabilities		(647)	436
Founders advisory fees - related party (cash settled)	11	(53,547)	365,789
Other liabilities		73	3,458
Net cash (used in) provided by operating activities		(35,100)	4,747
Cash flows from investing activities:			
Acquisition of SK Invictus, net of cash acquired	3	—	(1,209,155)
Purchase of property and equipment	4	(8,613)	(1,468)
Purchase price adjustment under Business Combination Agreement	3	(1,638)	—
Purchase of businesses, net of cash acquired		—	—
Net cash used in investing activities		(10,251)	(1,210,623)

The accompanying notes are an integral part of the consolidated financial statements.

PERIMETER SOLUTIONS SA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
(in thousands)

	Note	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
Cash flows from financing activities:			
Principal lease payments	16	(5,072)	(388)
Ordinary shares repurchased	10	(49,341)	—
Proceeds from exercise of warrants	6	529	—
Sale of Ordinary Shares issued to Director Subscribers	10	—	2,000
Proceeds from revolving credit facility	6	—	40,000
Repayments of revolving credit facility	6	—	(40,000)
Repayments of long-term debt	6	—	(696,971)
Payment of debt issue costs	6	—	(2,250)
Net cash used in financing activities		(53,884)	(697,609)
Effect of foreign currency on cash and cash equivalents		431	(738)
Net change in cash and cash equivalents		(98,804)	(1,904,223)
Cash and cash equivalents, beginning of period		225,554	2,129,777
Cash and cash equivalents, end of period		$ 126,750	$ 225,554
Supplemental disclosures of cash flow information:			
Cash paid for interest		$ 35,488	$ 174
Cash paid for income taxes		$ 13,488	$ 4,517
Non-cash investing and financing activities:			
Liability portion of founders advisory fees - related party reclassified to additional paid in capital		$ 19,568	$ —
Redeemable preferred shares issued as consideration for business combination		$ —	$ 100,000
Management Subscribers rollover contribution		$ —	$ 11,048

The accompanying notes are an integral part of the consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Organization and General

Perimeter Solutions, SA, ("PSSA" or "Perimeter" or "the Company"), a public company limited by shares (*société anonyme*) was incorporated on June 21, 2021 under the laws of the Grand Duchy of Luxembourg for the purpose of effecting a business combination. PSSA is headquartered at 12E rue Guillaume Kroll, L-1882 Luxembourg in the Grand Duchy of Luxembourg with global operations in North America, Europe, and Asia Pacific. PSSA is registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés) under number B 256.548. The Company has been listed on New York Stock Exchange since 9 November 2021, under the symbol "PRM".

The Company together with all its subsidiaries are considered as "Group".

EverArc Holdings Limited, the former parent company of PSSA ("EverArc"), was formed for the purpose of undertaking an acquisition of one target company or business.

EverArc (BVI) Merger Sub Limited, incorporated in the British Virgin Islands and a wholly-owned subsidiary of PSSA (the "Merger Sub"), was also formed solely in contemplation of a business combination. The Merger Sub had not commenced any operations, had only nominal assets and had no liabilities or contingent liabilities, nor any outstanding commitments other than those in connection with contemplated business combination.

The Group's fiscal year is from January 1 through December 31, which is reflected herein, with the exception of fiscal year 2021, where information is only included from June 21, 2021, the date of incorporation, through December 31, 2021.

Business Operations

Perimeter Solutions is a global solutions provider for the fire safety and specialty products industries. As of December 31, 2022, the Group had an average of 226 full-time employees and 14 temporary, seasonal or part-time employees. Approximately 74% of the Group's annual revenues is derived in the United States, approximately 15% in Europe, approximately 5% in Canada and approximately 2% in Mexico, with the remaining approximately 4% spread across various other countries. The Group's business is organized and managed in two reporting segments: Fire Safety and Specialty Products (formerly Oil Additives).

The Fire Safety business is a formulator and manufacturer of fire management products that help the Group's customers combat various types of fires, including wildland, structural, flammable liquids and other types of fires. The Group's Fire Safety business also offers specialized equipment and services, typically in conjunction with its fire management products to support firefighting operations. The Group's specialized equipment includes air base retardant storage, mixing, and delivery equipment; mobile retardant bases; retardant ground application units; mobile foam equipment; and equipment that it custom designs and manufactures to meet specific customer needs. Significant end markets include primarily government-related entities and are dependent on approvals, qualifications, and permits granted by the respective governments and commercial customers around the world.

In June 2022, the Oil Additives segment, which produces and sells Phosphorus Pentasulfide ("P_2S_5"), was renamed the Specialty Products segment to better reflect the current and expanding applications for P_2S_5 in several end markets and applications, including lubricant additives, various agricultural applications, various mining applications, and emerging electric battery technologies. Within the lubricant additive end market, currently the Group's largest end market application, P_2S_5 is primarily used in the production of a family of compounds called Zinc Dialkyldithiophosphates ("ZDDP"), which is considered an essential component in the formulation of engine oils with its main function to provide anti-wear protection to engine components. P_2S_5 is also used in pesticide and mining chemicals applications.

The financial statements were approved by the Board of Directors and authorized for issue on June 21, 2023.

Global Economic Environment

Russia's Invasion of Ukraine

In February 2022, Russia invaded Ukraine. While Perimeter has limited exposure in Russia and Ukraine, the Group continues to monitor any broader impact to the global economy, including with respect to inflation, supply chains and fuel prices. The full impact of the conflict on the Group's business and financial results remains uncertain and will depend on the severity and duration of the conflict and its impact on regional and global economic conditions.

Inflationary Cost Environment

During fiscal 2021 and continuing into the current fiscal year, global commodity and labor markets experienced significant inflationary pressures attributable to ongoing economic recovery and supply chain issues. Perimeter is subject to inflationary pressures with respect to raw materials, labor and transportation. Accordingly, the Group continues to take actions with its customers and suppliers to mitigate the impact of these inflationary pressures in the future. Actions to mitigate inflationary pressures with suppliers include aggregation of purchase requirements to achieve optimal volume benefits, negotiation of cost-reductions and identification of more cost competitive suppliers. While these actions are designed to offset the impact of inflationary pressures, the Group cannot provide assurance that they will be successful in fully offsetting increased costs resulting from inflationary pressure. Interest payments for borrowings under the Group's revolving credit facility are based on variable rates. As a result, an increase in interest rates may reduce the Group's cash flow available for other corporate purposes

Ongoing COVID-19 Pandemic

The pandemic caused by an outbreak of a novel strain of coronavirus, SARS-CoV-2, which causes COVID-19 ("COVID-19") that began in December 2019 introduced significant volatility to the global health and economic environment, including millions of confirmed COVID-19 cases, business slowdowns or shutdowns, government challenges and market volatility throughout 2020 into 2022.

While the ongoing impact from the COVID-19 pandemic has subsided, disruptions to supply chains, transportation efficiency, and availability of raw materials and labor continue to persist. The exact pace and timing of the economic recovery remains uncertain and is expected to continue to be uneven depending on various factors.

Basis of Presentation

The accompanying consolidated financial statements (hereafter: "financial statements") have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) and Interpretations (collectively IFRS).

The Group is required to prepare consolidated financial statements in accordance with art. 1711-1 of the amended Law of 10 August 1915. The Group has accordingly prepared these consolidated financial statements in accordance with IFRS (EU) on a going concern basis. These consolidated financial statements are the first IFRS consolidated financial statements issued by the Group. As the Group was initially incorporated on June 21, 2021, during the comparative period presented, the

Group has accounted for all transactions since inception under IFRS. At inception, the Group was funded with $40.0 thousand of cash receivable from the sponsor company and 40,000 ordinary shares.

The financial statements have been prepared on the historical cost basis, except for the following items: financial instruments – fair value through profit or loss, contingent consideration, warrants, and cash settled share-based payment liabilities, as explained in the accounting policies below.

It also requires management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 2, Summary of Significant Accounting Policies and Recent Accounting Pronouncements.

The financial statements are presented in U.S. Dollars, rounded off to the nearest thousand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Summary of Significant Accounting Policies

Principles of Consolidation

Subsidiaries of the parent company are all entities over which the group has control. The group controls an entity if all three of the following elements are present: power over the investee; exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed when facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Group and its subsidiaries as if they formed a single entity. The consolidated financial statements include the accounts of the Group and its subsidiaries after elimination of intercompany transactions and balances. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates made by management in connection with the preparation of the accompanying consolidated financial statements include the fair value of purchase consideration and assets acquired and liabilities assumed in a business combination, the useful lives of long-lived assets, inventory valuations, the allocation of transaction price among various performance obligations, the allowance for credit losses, the fair value of financial assets and liabilities, valuation of goodwill, stock options, founder advisory fees, contingent earn-out liability and realizability of deferred tax assets. Actual results could differ from those estimates. Please refer to the accounting policies listed below for additional information on each applicable source of estimation uncertainty.

Estimates underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, and any future periods affected.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. The principal accounting policies adopted are set out below.

Business Combinations

The Group accounts for its business combinations using the acquisition method, which requires it to determine the fair value of identifiable assets acquired and liabilities assumed, including any contingent consideration, to properly allocate the purchase price to the individual assets acquired and liabilities assumed and record any residual purchase price as goodwill. The Group records assets acquired and liabilities assumed at their respective fair value at the date of acquisition. Management uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date. Such estimates are inherently uncertain and may be subject to refinement. If the initial accounting for the business combination has not been completed by the end of the reporting period in which the business combination occurs, provisional amounts are reported to present information about facts and circumstances that existed as of the acquisition date. During the measurement period of up to one year from the acquisition date, the Group records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill, to the extent such information was not available to the Group at the acquisition date to determine such amounts.

Accounting for business combinations requires the Group to make significant estimates and assumptions at the acquisition date, including estimates of the fair value of acquired inventory, property and equipment, identifiable intangible assets, contractual obligations assumed, preacquisition contingencies, where applicable, and equity issued. Significant assumptions relevant to the determination of the fair value of the assets acquired and liabilities assumed include, but are not limited to, future expected cash flows, discount rates, royalty rates, and other assumptions. The approach to valuing an initial contingent consideration associated with the purchase price also uses similar unobservable factors such as projected revenues and expenses over the term of the contingent earn-out period, discounted for the period over which the initial contingent consideration is measured, and relevant volatility rates. Based upon these assumptions, the initial contingent consideration is then valued using a Monte Carlo simulation.

All acquisition-related costs, other than the costs to issue debt or equity securities, are accounted for as expenses in the period in which they are incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss. Changes in the fair value of contingent consideration arrangements that are not measurement period adjustments are recognized in earnings.

Goodwill

Goodwill is deemed to have an indefinite life and is subject to at least annual impairment assessments at the cash-generating unit level or more frequently when events or circumstances occur that indicate the cash-generating unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to other assets in that cash-generating unit on a pro-rata basis. The recoverable amount is the higher of the cash-generating unit's fair value less costs of disposal or the value in use. The value in use is the present value of future cash flows expected to be derived from the cash-generating unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. The Group conducts an annual impairment test on October 1st each year.

The Group's cash-generating unit are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Group estimates the fair value based on present value techniques involving future cash flows. Future cash flows for all cash-generating units include assumptions about revenue growth rates, adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") margins, discount rate as well as other economic or industry-related factors. Significant management judgment is involved in estimating these variables and they include inherent uncertainties since they are forecasting future events. The Group performs a sensitivity analysis by using a range of inputs to confirm the reasonableness of these estimates being used in the goodwill impairment analysis. The Group uses a Weighted Average Cost of Capital ("WACC") approach to determine its discount rate for goodwill recoverability testing. WACC calculation incorporates industry-weighted average returns on debt and equity from a market perspective. The factors in this calculation are largely external to the Group and, therefore, are beyond its control.

Financial Instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. At December 31, 2022, the Group's financial instruments include financial assets and financial liabilities. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows: accounts receivables, cash and cash equivalents, accounts payable, accrued expenses, other current liabilities, contingent earn out, founders advisory fees payable – related party, long-term debt, lease liabilities, redeemable preferred shares, redeemable preferred shares – related party, and warrants. All financial instruments listed above are categorized as amortized cost, except those disclosed in Note 11.

Financial Assets

At December 31, 2022, financial assets include cash and cash equivalents and accounts receivable. At December 31, 2022 the carrying values of the Group's cash and cash equivalents and accounts receivable approximate their fair values due to the short-term nature of the instruments. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are measured subsequently in their entirety at either amortized cost ("AC") or fair value, depending on the classification of the financial assets.

The Group recognizes a loss allowance for expected credit losses on , accounts receivable and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit losses (ECL) for accounts receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- An actual or expected significant deterioration in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event (see (ii) above)
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, i.e., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial Liabilities

At December 31, 2022, the Group's financial liabilities include accounts payable, accrued expenses, other current liabilities, contingent earn out, founders' advisory fees payable – related party, long-term debt, lease liabilities, redeemable preferred shares, redeemable preferred shares – related party, and warrants.

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss ("FVTPL"). All financial liabilities are recognized initially at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities at FVTPL are measured at fair value and gains and losses resulting from changes in fair value are recognized in finance income or expenses in the consolidated statement of profit or loss and other comprehensive income (loss). The Group accounts for warrants and founders' advisory fees payable – related party as financial liabilities at FVTPL with changes to the fair value recorded as operating expenses within general and administrative expenses and founders advisory fees payable – related party expenses, respectively. See further description of accounting for warrants in Note 2, Summary of Significant Accounting Policies and Recent Accounting Pronouncements. The carrying values of all other financial liabilities approximate their fair values due to the short-term nature of the instruments.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of cash in banks. For purposes of reporting cash and cash equivalents, the Group considers all deposits with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are stated at the amounts due from customers for products or services provided. The Group maintains an allowance for credit losses for estimated losses inherent in its accounts receivable. Such allowance is based on credit losses expected to arise over the life of the asset's contractual term. The Group evaluates the collectability of its accounts receivable based upon a number of factors, including historical experience, the likelihood of payment from its customers, and any other known specific factors associated with its customers. Account balances are charged-off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Group had an allowance for credit losses of $0.9 million and $1.0 million as of December 31, 2022 and December 31, 2021, respectively.

Inventories

Inventories are measured at the lower of cost and net realizable value using the weighted-average cost method. The Group evaluates inventories periodically during each reporting period for obsolete, excess, or slow-moving products and will record any adjustment, if necessary, to report these items at an estimated net realizable value. As of December 31, 2022 and 2021, the reserve for inventory obsolescence was insignificant.

Property, Plant and Equipment, Net

Property, plant and equipment acquired in business combinations are recorded at fair value at the date of acquisition. All other property, plant and equipment, including the subsequent measurement of assets recorded in a business combination, are stated at cost less accumulated depreciation and accumulated impairment losses. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any accumulated impairment losses are removed from the consolidated balance sheets and the resulting gain or loss is reflected in the consolidated statement of profit or loss and other comprehensive income (loss) in the period realized. Costs of maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	30–40 years
Furniture and fixtures	1–8 Years
Machinery and equipment	1–26 Years
Vehicles	1–8 Years
Leasehold improvements	Shorter of remaining lease term or estimated useful life

The assets residual values and useful lives are reviewed and adjusted on a prospective basis if appropriate at each reporting date.

Leases

The Group's leases have been accounted for and reported in accordance with IFRS 16, Leases. The Group recognizes right of use assets ("ROU") and lease liabilities for leases related to real estate, vehicles, and field equipment. The lease payments are discounted using the interest rates implicit in the leases. If the rate cannot be readily determinable, then we utilize the incremental borrowing rate to discount the lease payments. Leases that have an initial term of twelve months or less and do not include a purchase option ("short-term leases") are not recorded on the balance sheet. For short-term leases, we recognize lease expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost which is comprised of: the initial measurement of the lease liability, any lease payments made at or before the commencement date, less lease incentives, any initial direct costs, and costs to prepare the leased asset for intended use. The right-of-use asset is subsequently depreciated from the commencement date to the end of the lease term, on a straight-line basis, unless the lease transfers ownership of the underlying asset to the Group, at the end of the lease, or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In such an instance, the right-of-use asset will be depreciated over the useful life of the underlying asset.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date also include amounts expected to be payable under any residual value guarantee, the exercise price of any purchase option granted in favor of the group if it is reasonable certain to assess that option and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised. The lease payments are discounted at the rate implicit in the lease or the Group's incremental borrowing rate, if the implicit rate is not readily determinable. The Group's incremental borrowing rate is the rate that the Group would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognized where the group is contractually required to dismantle, remove or restore the leased asset.

Variable lease payments

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Lease modifications

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognized in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount. For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the lease asset.

Intangible Assets excluding Goodwill

Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which vary depending on the type of intangible assets. Costs to maintain and extend intangible assets are expensed as incurred. In determining the estimated useful lives of definite-lived intangibles, the Group considers the nature, competitive position, life cycle position and historical and expected future operating cash flows of each acquired assets, as well as its commitment to support these assets through continued investment and legal infringement protection.

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized initially at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The Group has no indefinite life intangible assets other than goodwill.

Impairment of Long-Lived Assets

Long-lived assets include acquired property, plant, and equipment and intangible assets subject to amortization. The Group evaluates the recoverability of long-lived assets for possible impairment at least once a year or earlier when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Such events and changes may include significant changes in performance relative to expected operating results, significant changes in asset use, significant negative industry or economic trends, and changes in the Group's business strategy. The recoverable amount is defined as the greater of the fair value less cost to sell or the sum of future discounted cash flows (i.e. value in use). If the recoverable amount of the cash-flow generating unit's assets is less than its carrying value, the carrying value will be reduced to its recoverable amount. As such, an impairment amount for such reduction will be recognized in the consolidated statement of profit or loss and other comprehensive income (loss). There were no impairments of non-current assets during the 2022 and 2021 periods.

Revenue Recognition

The Group recognizes revenue in accordance with IFRS 15, *Revenue from Contracts with Customers*, which requires a company to recognize revenue when the performance obligation(s) has been satisfied, either at a point in time or over time.

Revenue is recognized at an amount that reflects the consideration a company expects to receive in exchange for those goods or services. A company also is required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Group derives its revenue from contracts with customers, which comprise of following principal activities as described:

- Full-service air base fire retardant includes sales from the supply and service of fire retardant to designated air tanker bases. The Group provides fire retardant product, the related equipment, and service personnel who operate the related equipment at the designated air tanker bases for the period specified in the contract with respect to each designated air tanker base. Product revenues are recognized at the point in time when product is shipped and control is transferred to the customer, typically when the product is consumed by the customer. The component of service revenue is recognized ratably over time as the customer simultaneously receives and consumes the services. The Group has entered into full-service U.S. Forest Service ("USFS") contracts. These contracts are between Perimeter Solutions and the USFS for supply and service of long-term fire retardant to the designated air tanker bases of certain U.S. Government agencies. The revenue derived from these contracts is comprised of three performance obligations, namely product sales, providing operations and maintenance personnel services and leasing of specified equipment. The performance obligation for product sales is satisfied at a point in time, while for services and leases it is a "stand-ready obligation" and the revenue is recognized straight-line over the service period. Control of a product is deemed to be transferred to the customer upon shipment or delivery.
- Fire retardant, suppressant, and related equipment includes domestic and international sales of fire retardant and fire suppressant products. Product revenues are recognized at the point in time when control of the product is transferred to the customer which is upon shipment or delivery of the product to the customer, depending on the underlying contract terms.
- Specialty products includes domestic and international sales of oil additive products by the Group entities in the U.S. and Germany. Product revenues are recognized at the point in time when control of the product is transferred to the customer which is upon shipment or delivery of the product to the customer, depending on the underlying contract terms.

The transaction price of a contract, or the amount the Group expects to receive upon satisfaction of all performance obligations, is determined by reference to the contract's terms and includes adjustments, if applicable, for any variable consideration, such as sales incentives, wherever these adjustments are material. The transaction price is variable and is based upon gallons of product consumed by the customer during the service period i.e., mobilization period, which typically lasts during May through September. The Group includes the estimated amount of variable consideration in transaction price that it expects to receive to the extent it is probable that a significant revenue reversal will not occur.

Sales and other taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, which are collected by the Group from a customer, are excluded from revenue.

Payment terms vary by contract and sales to customers are deemed collectible at the time of sale based on customer history, prior credit checks, and controls around customer credit limits. The Group does provide for the right to return; however, most of the product is used at the point of purchase and returns are minimal. Therefore, there is no estimated obligation for returns. Standard terms of delivery are generally included in the Group's contracts of sale, order confirmation documents and invoices.

Cost to Obtain Contract

Incremental costs of obtaining a contract include only those costs that are directly related to the acquisition of contracts, including sales commissions, and that would not have been incurred if the contract had not been obtained. The Group recognizes an asset for the incremental costs of obtaining a contract with a customer if it is expected that the economic benefit and amortization period will be longer than one year. Costs to obtain contracts were not material in the periods presented.

Deferred Revenue

Deferred revenue represents billings under noncancelable contracts before the related product or service is transferred to the customer. The portion of deferred revenue that is anticipated to be recognized as revenue during the succeeding twelve-month period is recorded as deferred revenue and the remaining portion is recorded as deferred revenue, non-current.

The contracts entered by the Group have duration of one year or more. Any billings made to the customer during the financial year for which the related product or service is yet to be delivered on the cutoff date, i.e., December 31, is recognized as deferred revenue. There was no deferred revenue as of December 31, 2022 and $0.4 million as of December 31, 2021.

For full-service fire-retardant contracts, the Group identifies the fire-retardant product and the services as separate units of account. Substantially all performance obligations are satisfied by the end of the annual financial reporting period and the allocation of transaction price to each performance obligation does not have an impact on the recognition and measurement of revenues for the annual reporting period. There were no contract assets, contract obligations, or material rights as of December 31, 2022 and 2021.

Deferred Financing Fees

As of December 31, 2022, and 2021, unamortized debt issue costs of $9.7 million and $10.9 million, respectively, for the Group's Senior Notes were set off against the related debt and are amortized over the term of the related debt using the effective interest method. As of December 31, 2022 and 2021, unamortized deferred financing costs of $1.7 million and $2.2 million, respectively, for the Group’s five-year revolving credit facility (the “Revolving Credit Facility”) were carried as a long-term asset and were amortized on a straight-line basis into interest expense over the term of the Revolving Credit Facility. Amortization of deferred financing fees was $1.2 million and $0.2 million for Senior Notes and $0.5 million and $0.1 million for the Revolving Credit Facility during the year ended December 31, 2022 and the period of June 21, 2021 through December 31, 2021, respectively, and is presented as a component of interest expense in the consolidated statement of profit or loss and other comprehensive income (loss).

Income Taxes

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net income (loss) as reported in the consolidated statement of profit or loss and other comprehensive income (loss) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of management within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognized in net income (loss), except when they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income (loss) or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax Cuts and Jobs Act

Under the Tax Cuts and Jobs Act of 2017 (“TCJA”) in the USA, the Global Intangible Low-Taxed Income (“GILTI”) provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. No deferred taxation is recognized on temporary differences that are liable to be subject to GILTI provisions. The related tax expense is recognized in the year in which it is declared in the tax return to the extent that it arises from the existence of non-US profits that exceed the theoretical return on investment specified in the GILTI provisions and are taxed at a rate lower than the applicable US tax rate.

Taxation Provisions

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognizes liabilities and contingencies for anticipated tax audit issues based on the Group's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Group records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company will recognize deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Foreign Currencies

The functional and reporting currencies for all Luxembourg entities are in U.S. dollars. The functional currency for the Group's remaining non-U.S. subsidiaries is the local currency. The assets and liabilities of foreign subsidiaries are translated into U.S. dollars using the exchange rate in effect as of the balance sheet date except for non-monetary assets and liabilities, which are measured at historical exchange rates and revenues and expenses are translated at the average exchange rates for each respective reporting period. Adjustments resulting from translating local currency financial statements into U.S. dollars are reflected in accumulated other comprehensive loss in shareholders' equity. The Group does not recognize deferred taxes on translation adjustments from its investments in foreign subsidiaries that are essentially permanent in duration.

Transactions denominated in currencies other than the functional currency are translated based on the exchange rates at the time of the transaction. Foreign currency gains and losses arising primarily from changes in exchange rates on foreign currency denominated intercompany loans and other intercompany transactions and balances between foreign locations are recorded in the consolidated statement of profit or loss and other comprehensive income (loss). Realized and unrealized gains (losses) resulting from transactions conducted in foreign currencies for the years ended December 31, 2022 and December 31, 2021 were $(4.0) million and $(5.1) million, respectively.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'Other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Share-Based Compensation

Performance stock options

The performance-based non-qualified stock options ("PBNQSO") granted to employees and non-employees are subject to performance conditions such that the number of awards that ultimately vest depends on the calculation of annual operational performance per diluted share ("AOP") during the performance period compared to targets established at the award date. The performance-based stock options are classified as equity-settled share-based payment arrangements. Because the terms of the PBNQSO provide discretion to make certain adjustments to the performance calculation, the service inception date of these awards precedes the grant date. Accordingly, the Group recognizes compensation expense beginning on the service inception date with a corresponding increase in equity and remeasures the fair value of the awards until a grant date is established. The estimate of the awards' fair values will be fixed in the period in which the grant date occurs, and cumulative compensation expense will be adjusted based on the fair values calculated using the Black-Scholes option-pricing model at the grant date. The fair value for PBNQSO for which a grant date has not been established is estimated on the last date of the reporting period using the Black-Scholes option-pricing model. The Group includes estimates of forfeitures based on the number of awards for which it is probable that the requisite service will be rendered and updates that estimate as new information becomes available through the vesting date. The fair value of PBNQSO is expensed proportionately for each tranche over the applicable service period in which the performance conditions are deemed probable of achievement. The assumptions used in the Black-Scholes option-pricing model are as follows:

- *Exercise price.* The Group's ordinary share's fair market value on the date of grant.
- *Fair Market Value of Common Stock.* Subsequent to the Business Combination, the grant date fair market value is the quoted market price of the Group's ordinary shares.
- *Expected term.* The expected term of stock options represents the period that the stock options are expected to remain outstanding and is based on vesting terms, exercise term and contractual lives of the options. The expected term is based on the simplified method and is estimated as the average of the weighted average vesting term and the time to expiration as of the period end date. The simplified method was used due to the lack of historical exercise information.
- *Expected volatility.* As the Group does not have sufficient historical stock price information to meet the expected life of the stock option grants, it uses a blended volatility, based on Group's short trading history and on the trading history from the common stock of a set of comparable publicly listed companies.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield with a maturity equal to the expected term of the stock options in effect at the time of grant.
- *Dividend yield.* The expected dividend is assumed to be zero as the Group has never paid dividends and has no current plan to pay any dividends on its Ordinary Shares.

Restricted stock units

Restricted stock units are valued using the market price of the Group's Ordinary Shares on the grant date. The group separately determines the fair value of each award with a different vesting period and recognizes the expense over the vesting period.

Founder Advisory Fees

An advisory agreement was entered into on December 12, 2019 by EverArc ("Founder Advisory Agreement") with EverArc Founders, LLC, a Delaware limited liability company ("EverArc Founder Entity"). Upon consummation of the Business Combination, the Group assumed the Founder Advisory Agreement. The EverArc Founder Entity, for the services provided to the Group, including strategic and capital allocation advice, will be entitled to receive both a fixed amount (the "Fixed Annual Advisory Amount") and a variable amount (the "Variable Annual Advisory Amount," each an "Advisory Amount" and collectively, the "Advisory Amounts") until the years ending December 31, 2027 and 2031, respectively. Under the Founder Advisory Agreement, at the election of the EverArc Founder Entity, at least 50% of the Advisory Amounts will be paid in Ordinary Shares and remainder in cash. The Advisory Amounts to be paid in Ordinary Shares is recorded within shareholders' equity at grant date fair value and the Advisory Amounts to be paid in cash is recorded as liability in the accompanying consolidated balance sheets. For the Advisory Amounts classified as liability, the Group will remeasure the fair value at each reporting date. The Fixed Annual Advisory Amount will be equal to 2,357,061 Ordinary Shares (1.5% of 157,137,410 Ordinary Shares outstanding as of November 9, 2021) for each year through December 31, 2027 and valued using the period end volume weighted average closing share price for ten consecutive trading days of Ordinary Shares. The Variable Annual Advisory Amount for each year through December 31, 2031 is based on the appreciation of the market price of Ordinary Shares if such market price exceeds certain trading price minimums at the end of each reporting period and is valued using a Monte Carlo simulation model.

Warrants

The Group accounts for warrants as a financial liability measured at fair value through profit or loss. Given the warrants include a net settlement clause, management concluded that, in line with IAS 32 Financial Instruments: Presentation, the warrants will be accounted for as derivative financial instruments and presented as a liability on the consolidated balance sheet with the changes in fair value recognized in the consolidated statement of comprehensive income/(loss). Refer to Note 18 –Market Risk for more information.

Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable, costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Fair Value Measurements

The Group determines the fair value of financial and non-financial assets and liabilities using the fair value hierarchy, which establishes three levels of inputs that may be used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Refer to Note 11 – Fair Value Measurements for more information.

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject the Group to credit risk primarily consist of cash and cash equivalents and accounts receivable.

At December 31, 2022, the Group had $126.8 million of cash and cash equivalents and $225.6 million at December 31, 2021. The Group's cash and cash equivalents are maintained with various financial institutions and the deposits with these institutions may exceed the amount of insurance provided on such deposits. However, the Group regularly monitors the financial stability of its financial institutions and believes that the Group is not exposed to any significant default risk. At December 31, 2022, 47% of the Group's cash was held in a bank that has a credit rating of A+ and 26% of cash was held in a bank that had a credit rating of A-.

For accounts receivable, the Group is exposed to credit risk in the event of nonpayment by customers to the extent of the amounts recorded on the consolidated balance sheets. One of the Group's customers in the Fire Safety segment and two in the Specialty Products segment accounted for 48% of total sales during the year ended December 31, 2022. Three of the Group's customers in the Fire Safety segment accounted for 25% of total sales during the period of June 21, 2021 through December 31, 2021.

One customer within the Fire Safety segment and two within the Specialty Products segment represent 44% (18%, 16%, and 10%, respectively) of the total accounts receivable balance as of December 31, 2022. Two customers within Fire Safety segment and one within Specialty Products segment represent 39% (23%, 10%, and 6%, respectively) of the total accounts receivable balance as of December 31, 2021.

Earnings (Loss) Per Share of Ordinary Shares

The Group's basic earnings per share ("EPS") is computed based on the weighted average number of Ordinary Shares outstanding for the period. Diluted EPS includes the effect of the Group's outstanding performance-based stock options, Warrants and founders advisory fees for Ordinary Shares if the inclusion of these items is dilutive. The treasury stock method is used in determining the number of Ordinary Shares assumed to be issued from the exercise of ordinary share equivalents.

Recently Issued Accounting Standards

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- *Amendments to IFRS 3 Reference to the Conceptual Framework:* The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

- *Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use:* The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

  The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

  If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

- *Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract:* The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle: The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

IFRS 9 Financial Instruments: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases: The amendment removes the illustration of the reimbursement of leasehold improvements.

Standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided to not adopt early.

The following amendments are effective for period beginning January 1, 2023:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2):* The amendments replace the term 'significant accounting policies' with 'material accounting policy information". The amendments further describe that accounting policy information is material if, when reviewed in conjunction with other information in the financial statements, it can reasonably be expected to influence decisions of the primary users of the financial statements. The amendments also explain and provide examples of the 'four-step materiality process';
- *Definition of Accounting Estimates (Amendments to IAS 8):* The amendments replace the definition of a change in accounting estimates with a new definition. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty; and
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12):* The amendments introduced an exception to the initial recognition exemption in IAS 12. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The following amendments are effective for the period beginning January 1, 2024:

- *IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)*: The amendment modifies IFRS 16 to require a seller-lessee to subsequently recognize and measure lease liabilities arising from a sale and leaseback transaction in a way that does not result in a gain or loss related to the right of use retained; and
- *IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current):* The amendment clarifies that the classification of liabilities (i.e., current and non-current) is based upon the rights that exist as of the end of the reporting period. The amendment further introduces the definition of settlement and specifies that the classification of liabilities is unaffected by the expectations of whether an entity will exercise its rights to defer the settlement of the liability;
- *IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants):* The amendment modifies IAS 1 to specify that only those covenants that an entity must comply with on or before the reporting period should affect classification of the liability (i.e., current and non-current). An entity is required to disclose the information in a way that enables the users of the financial statements to understand the risk of non-current liabilities with covenants becoming repayable within 12 months.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

3. BUSINESS ACQUISITIONS

Business Combination – Perimeter Solutions

Pursuant to the Business Combination Agreement, each of the following transactions occurred, in the following order:

- On November 8, 2021:
  - the Merger Sub merged with and into EverArc, with EverArc surviving such merger as a direct wholly-owned subsidiary of PSSA. 40,832,600 EverArc ordinary shares outstanding immediately prior to the Merger were exchanged for an equal number of PSSA Ordinary Shares;
  - pursuant to the Subscription Agreements, the private investment in public equity ("PIPE") Subscribers purchased an aggregate of 115,000,000 EverArc ordinary shares at $10.00 per share that were converted into PSSA Ordinary Shares pursuant to the Merger;
  - 34,020,000 outstanding EverArc warrants were converted into the right to purchase a PSSA Ordinary Share with each whole warrant entitling the holder thereof to purchase one-fourth of a PSSA Ordinary Share at an exercise price of $12.00 per whole PSSA Ordinary Share; and
- On November 9, 2021:
  - SK Holdings (i) along with officers and certain key employees of SK Intermediate contributed a portion of their ordinary shares in SK Intermediate to PSSA in exchange for 10 million Redeemable Preferred Shares of PSSA, nominal value of $10.00 per share, valued at $100.0 million and (ii) sold its remaining ordinary shares in SK Intermediate for approximately $1,900.0 million in cash subject to certain customary adjustments for working capital, transaction expenses, cash and indebtedness;
  - PSSA's Ordinary Shares, nominal value, $1.0 per share, listed and began trading on the NYSE under the symbol "PRM"; and
  - the Management Subscribers were granted an aggregate of 1,104,810 PSSA Ordinary Shares at $10.00 per share as consideration and the Director Subscribers purchased an aggregate of 200,000 PSSA Ordinary Shares at $10.00 per share.
  - $675.0 million Senior Notes issued by the Escrow Issuer was assumed by SK Intermediate II.

The cash consideration for the Business Combination was funded through cash on hand, proceeds from the sale of the ordinary shares, proceeds from the issuance of Senior Notes and borrowing under the revolving credit facility. The cash balance on the Closing Date consisted of the following (in thousands):

	Amount
Capital contribution from EverArc	$ 315,807
Proceeds from PIPE Subscribers	1,150,000
Senior Notes, net of issue costs	663,970
Total	$ 2,129,777

The Merger between PSSA and EverArc was accounted for as a common control transaction, whereby all of the net assets of PSSA were those previously held by EverArc at historical cost, with no goodwill or other intangible assets recorded. The acquisition of SK Intermediate was accounted for under the acquisition method. The acquisition method of accounting is based on IFRS 3, Business Combinations ("IFRS 3"), and uses the fair value concepts defined in IFRS 13, Fair Value Measurements. IFRS 3 requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date including an amount for goodwill calculated as the difference between the acquisition consideration and the fair value of the identifiable net assets. The purchase price has been preliminarily allocated to tangible and identifiable intangible assets acquired and liabilities assumed.

The preliminary purchase price consideration and allocation for SK Intermediate was as follows (in thousands):

		At November 9, 2021
Preliminary Purchase Consideration:		
Cash consideration	$	1,220,103
Management Subscribers rollover contribution		11,048
Redeemable Preferred Shares		100,000
Fair value of total consideration transferred	$	1,331,151
Estimated Fair Value of Identifiable Assets Acquired and Liabilities Assumed:		
Property, plant and equipment	$	62,689
Inventory		100,246
Tradenames		101,000
Customer lists		761,000
Existing technology and patents		250,000
Working capital		25,834
Other assets (liabilities), net		(832)
LaderaTech contingent earn-out (1)		(19,781)
Long-term debt		(696,971)
Deferred tax liabilities		(299,474)
Total fair value of net assets acquired		283,711
Goodwill (2)		1,047,440
Total	$	1,331,151

(1) Represents an earn-out liability associated with a historical acquisition made by SK Holdings.

(2) Of the total goodwill amount herein, $872.9 million has been allocated to Fire Safety segment and $174.5 million has been allocated to Specialty Products segment.

In accordance with the acquisition method of accounting, the purchase price for the SK Intermediate acquisition has been allocated to the assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. The fair value estimates were based on, but not limited to quoted market prices, where available; expected future cash flows based on estimated growth in sales for the Group's products over the next five years; estimated costs to develop, procure, produce and deliver its products; current replacement cost for similar capacity for certain fixed assets; market rate assumptions for contractual obligations and appropriate discount rates and growth rates. The excess of the total consideration over the estimated fair value of the amounts initially assigned to the identifiable assets acquired and liabilities assumed has been recorded as goodwill. The goodwill is primarily related to extensive industry expertise and continuing innovation at SK Intermediate, resulting in sales growth from future products and service offerings as well as new customers, together with certain intangible assets that do not qualify for separate recognition. Goodwill recorded in connection with the acquisition is not deductible for income tax purposes.

During 2022, the post-Closing purchase price adjustments under the Business Combination Agreement were finalized. Approximately $7.6 million held in escrow was released and an additional $2.4 million related to the difference in estimated and actual working capital as of the Closing Date was recognized with $1.6 million paid to SK Holdings and $0.8 million of uncollectable accounts and notes receivable were written-off.

Transaction costs associated with the Business Combination were $59.5 million. Of this amount, $56.4 million was incurred by EverArc through the Closing Date and is included in accumulated deficit as of November 9, 2021 in the accompanying consolidated statement of changes in equity. The Group also incurred a total of $13.3 million of debt issuance costs in connection with the consummation of the Business Combination related to the establishment of the Revolving Credit Facility and the issuance of the Senior Notes.

4. BALANCE SHEET COMPONENTS

Details of certain balance sheet items are presented below (in thousands):

	December 31, 2022	December 31, 2021
Inventory:		
Raw materials and manufacturing supplies	$ 65,968	$ 34,008
Work in process	248	213
Finished goods	76,745	72,689
Total inventory	$ 142,961	$ 106,910
Prepaid Expenses and Other Current Assets:		
Advance to vendors	$ 2,047	$ 2,984
Prepaid insurance	5,870	8,441
Prepaid value-added taxes	2,872	1,202
Other	1,162	1,534
Total prepaid expenses and other current assets	$ 11,951	$ 14,161
Property, Plant and Equipment:		
Buildings	$ 3,948	$ 4,021
Leasehold improvements	2,333	2,301
Furniture and fixtures	344	558
Machinery and equipment	58,314	50,177
Vehicles	4,106	4,579
Construction in progress	1,953	1,983
Total property, plant and equipment, gross	70,998	63,619
Less: Accumulated depreciation	(12,152)	(1,372)
Total property, plant and equipment, net	$ 58,846	$ 62,247
Accrued Expenses and Other Current Liabilities:		
Accrued bonus	$ 3,278	$ 7,728
Accrued salaries	2,332	900
Accrued employee benefits	846	591
Accrued interest	8,235	5,341
Accrued purchases	1,790	1,930
Accrued taxes	11,000	355
Lease liabilities	3,607	3,472
Other	1,683	2,180
Total accrued expenses and other current liabilities	$ 32,771	$ 22,497
Other Non-Current Liabilities:		
LaderaTech contingent earn-out	$ 7,273	$ 19,979
Other	2,049	2,216
Total other non-current liabilities	$ 9,322	$ 22,195

Depreciation expense related to property, plant and equipment was $10.7 million and $1.4 million for the year ended December 31, 2022 and the period December 31, 2021, respectively, substantially all of which was presented in cost of goods sold in the accompanying consolidated statement of profit or loss and other comprehensive income (loss).

Additions related to property, plant and equipment were $9.1 million and $1.5 million for the year ended December 31, 2022 and the period ended December 31, 2021, respectively. Disposals related to property, plant and equipment were $0.5 million and $0.0 million for the year ended December 31, 2022 and the period ended December 31, 2021, respectively.

Accounts receivable, net, and movements in the impairment allowance for accounts receivable, net are as follows (in thousands):

	2022	2021
Accounts receivable, net	$ 26,646	$ 22,774
Opening provision for impairment of accounts receivable, net	$ 1,560	$ 1,560
Increase during the year	44	-
Receivable written off during the year as uncollectible	(624)	-
Unused amounts reversed	-	-
Impairment loss during the year	$ 980	$ 1,560

5. PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND OTHER INTANGIBLE ASSETS

Property and equipment, gross, consisted of the following as of December 31:

	Land & Buildings	Leasehold improvement	Furniture and fixtures	Machinery and equipment	Vehicles	Construction in progress	Total
Balance, June 21, 2021	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Business Acquisition	4,050	2,333	565	49,368	4,601	1,772	62,689
Additions	—	5	—	1,018	—	445	1,468
Foreign currency	(29)	(42)	(6)	(407)	(39)	(15)	(538)
Transfers	—	—	—	219	—	(219)	—
Balance, December 31, 2021	4,021	2,296	559	50,198	4,562	1,983	63,619
Additions	—	168	7	4,718	—	4,240	9,133
Disposals	—	(4)	(4)	(258)	8	(272)	(530)
Transfers	—	(210)	(194)	4,575	(214)	(3,957)	-
Foreign currency	(73)	83	(24)	(919)	(250)	(41)	(1,224)
Balance, December 31, 2022	$ 3,948	$ 2,333	$ 344	$ 58,314	$ 4,106	$ 1,953	$ 70,998

Accumulated depreciation and net book value for property and equipment consisted of the following as of December 31, 2022 and 2021:

	Buildings	Leasehold improvement	Furniture and fixtures	Machinery and equipment	Vehicles	Construction in progress	Total
Balance, June 21, 2021	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Depreciation	(16)	(23)	(9)	(1,238)	(86)	—	(1,372)
Balance, December 31, 2021	(16)	(23)	(9)	(1,238)	(86)	—	(1,372)
Depreciation	(90)	(296)	(98)	(9,728)	(568)	—	(10,780)
Balance, December 31, 2022	$ (106)	$ (319)	$ (107)	$ (10,966)	$ (654)	$ —	$ (12,152)
Net book value, June 21, 2021	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net book value, December 31, 2021	4,005	2,273	550	48,960	4,476	1,983	62,247
Net book value, December 31, 2022	3,842	2,014	237	47,348	3,452	1,953	58,846

On October 1, 2022, the Group performed an impairment assessment for its Fire Safety and Specialty Products cash-generating units to determine whether impairment exists from the most recent valuation date due to current adverse macro-economic conditions, including but not limited to supply chain delays, geopolitical conflict and more recently from unfavorable changes in foreign exchange rates due to strengthening of the U.S. dollar, steady increase in federal funds rates by Federal Reserve and decline in market price of the Group's Ordinary Shares. In determining the recoverable amount of the cash-generating unit, the Group used a combination of the income and market approaches to estimate the cash-generating unit's recoverable value. Other key assumptions are as follows:

	Fire Safety	Specialty Products
2022		
Discount rate	14%	13.5%
Long-term growth rate	3.0%	3.0%
2021		
Discount rate	15.5%	10.5%
Long-term growth rate	3.0%	2.0%

The estimated recoverable amount for the Fire Safety and Specialty Products cash-generating units exceeded their related carrying values as of October 1, 2022. As a result, no goodwill impairment was recorded. There was no impairment of goodwill during the 2022 and 2021 periods.

The changes in the carrying amount of goodwill by cash-generating unit ("CGUs") are as follows (in thousands):

	Fire Safety	Specialty Products	Total
Balance, June 21, 2021	—	—	—
Additions (Note 3)	$ 872,970	$ 174,470	$ 1,047,440
Foreign currency translation	(3,618)	(952)	(4,570)
Balance, December 31, 2021	869,352	173,518	1,042,870
Purchase price adjustment under Business Combination Agreement	2,356	—	2,356
Foreign currency translation	(9,844)	(2,377)	(12,221)
Balance, December 31, 2022	$ 861,864	$ 171,141	$ 1,033,005

Definite Lived Intangible Assets and related accumulated amortization as of December 31, 2022 and 2021 are as follows (in thousands):

	Existing Technology and Patents	Customer Lists	Tradenames	Total
Gross Amount				
As at June 21, 2021	$ -	$ -	$ -	$ -
Additions	250,000	761,000	101,000	1,112,000
Foreign Currency Translation	(836)	(2,059)	(268)	(3,163)
Balance, December 31, 2021	249,164	758,941	100,732	1,108,837
Foreign Currency Translation	(2,193)	(5,392)	(702)	(8,287)
Balance, December 31, 2022	$ 246,971	$ 753,549	$ 100,030	$ 1,100,550
Accumulated amortization				
As at June 21, 2021	$ -	$ -	$ -	$ -
Amortization charge	(1,796)	(5,482)	(727)	(8,005)
Balance, December 31, 2021	(1,796)	(5,482)	(727)	(8,005)
Amortization charge	(12,357)	(37,738)	(5,010)	(55,105)
Balance, December 31, 2022	$ (14,153)	$ (43,220)	$ (5,737)	$ (63,110)
Net Book Value/Carrying Amount				
21-Jun-21	-	-	-	-
31-Dec-21	247,368	753,459	100,005	1,100,832
31-Dec-22	232,818	710,329	94,293	1,037,440

The estimated useful life of each of the Group’s definite-lived intangible assets is 20 years. Amortization expense for definite-lived intangible assets for the year ended December 31, 2022 and the period of June 21, 2021 through December 31, 2021 was $55.1 million and $8.0 million, respectively. There were no impairments or additions to defined-lived intangible assets for the periods presented.

Estimated annual amortization expense of intangible assets for the five years subsequent to December 31, 2022 and thereafter is as follows (in thousands):

Years Ending December 31:	Amount
2023	$ 55,600
2024	55,600
2025	55,600
2026	55,600
2027	55,600
Thereafter	759,440
Total	$ 1,037,440

6. LONG-TERM DEBT, REDEEMABLE PREFERRED SHARES, AND WARRANTS

Long-term debt consists of the following (in thousands):

	December 31, 2022	December 31, 2021
Senior Notes	$ 675,000	$ 675,000
Less: unamortized debt issuance costs	(9,720)	(10,872)
Long-term debt	$ 665,280	$ 664,128

Maturities of long-term debt as of December 31, 2022 are as follows (in thousands):

Years Ending December 31,	Amount
2023	$ —
2024	—
2025	—
2026	—
2027	—
Thereafter	675,000
Total	$ 675,000

Revolving Credit Facility

In connection with the consummation of the Business Combination, SK Intermediate II, as borrower, entered into a five-year Revolving Credit Facility, which provides for a senior secured revolving credit facility in an aggregate principal amount of up to $100.0 million.

The Revolving Credit Facility matures on November 9, 2026. The Revolving Credit Facility includes a $20.0 million swingline sub-facility and a $25.0 million letter of credit sub-facility. The Revolving Credit Facility allows SK Intermediate II to increase commitments under the Revolving Credit Facility up to an aggregate amount not to exceed the greater of (i) $143.0 million and (ii) 100.00% of consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") for the most recent four-quarter period (minus the aggregate outstanding principal amount of certain ratio debt permitted to be incurred thereunder). All borrowings under the Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties, subject to customary exceptions.

Borrowings under the Revolving Credit Facility bear interest at a rate equal to (i) an applicable margin, plus (ii) at SK Intermediate II’s option, either (x) LIBOR determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs (but which will not be less than a 0.00% LIBOR floor) or (y) a base rate determined by reference to the highest of (a) the prime commercial lending rate published by the Wall Street Journal, (b) the federal funds rate plus 0.50%, (c) the one-month LIBOR rate plus 1.00% and (d) a minimum floor of 1.00%. The applicable margin is 3.25% in the case of LIBOR-based loans and 2.25% in the case of base rate-based loans, with two step downs of 0.25% each based upon the achievement of certain leverage ratios.

In addition, on a quarterly basis, SK Intermediate II will be required to pay each lender under the Revolving Credit Facility a commitment fee of 0.50% in respect of the unused portion of the commitments under the Revolving Credit Facility, which fee will be subject to two step downs of 0.125% based upon the achievement of certain leverage ratios. SK Intermediate II will be required to pay customary agency fees as well as letter of credit participation fees computed at a rate per annum equal to the applicable margin for LIBOR borrowings on the dollar equivalent of the face amount of each undrawn letter of credit, plus such letter of credit issuer's customary administration and issuance fees and charges and a fronting fee in an amount equal to 0.125% per annum of the face amount of each letter of credit.

Solely to the extent that on the last day of the applicable fiscal quarter, the utilization of the Revolving Credit Facility (excluding cash collateralized letters of credit and up to $10.0 million of undrawn letters of credit) exceeds 40% of the aggregate commitments, the Revolving Credit Facility requires compliance on a quarterly basis with a maximum secured net leverage ratio of 7.50:1.00. In addition, for purposes of determining compliance with such financial maintenance covenant for any fiscal quarter, SK Intermediate II will be able to exercise an equity cure by SK Intermediate II issuing certain permitted securities for cash or otherwise receiving cash contributions to the capital of SK Intermediate II that will, upon the receipt by SK Intermediate II of such cash, be included in the calculation of consolidated EBITDA solely for the purpose of such financial maintenance covenant. SK Intermediate II will not be able to exercise the equity cure right in more than two fiscal quarters during any period of four consecutive fiscal quarters or more than five fiscal quarters during the term of the Revolving Credit Facility. Under the Revolving Credit Facility, SK Intermediate II may also be required to meet specified leverage ratios in order to take certain actions, such as incurring certain debt or making certain acquisitions. In addition, the Revolving Credit Facility includes a customary holding company covenant that restricts the activities of SK Intermediate II and other negative covenants, subject to customary exceptions, restricting or limiting SK Intermediate II's ability and the ability of its restricted subsidiaries to, among other things: (i) make non-ordinary course dispositions of assets; (ii) participate in certain mergers and acquisitions; (iii) pay dividends or make distributions and stock repurchases and optional redemptions (and optional prepayments) of certain subordinated, junior lien or unsecured debt; (iv) incur, assume or guarantee indebtedness; (v) make certain loans and investments; (vi) grant, assume or incur liens; (vii) transact with affiliates; (viii) change its business and the business of its restricted subsidiaries; or (ix) enter into negative pledges or restrictions on its ability or the ability of restricted subsidiaries to pay dividends, make distributions, repay or guarantee indebtedness, or make intercompany investments or transfers.

The Revolving Credit Facility is fully and unconditionally guaranteed by the Group and each of SK Intermediate II's existing and future wholly-owned material restricted subsidiaries, subject to customary exceptions, and is secured by a first priority lien, subject to certain permitted liens, on substantially all of SK Intermediate II's and each of the guarantors' existing and future property and assets, subject to customary exceptions.

Deferred financing costs incurred in connection with securing the Revolving Credit Facility were $2.3 million, which is carried as a long-term asset and is amortized on a straight-line over the term of the Revolving Credit Facility and included in interest expense in the accompanying consolidated statement of profit or loss and other comprehensive income (loss).

The Group borrowed $40.0 million under the Revolving Credit Facility to finance a portion of the costs and expenses in connection with the consummation of the Business Combination. On December 9, 2021, the Group repaid the full drawdown of $40.0 million.

As of December 31, 2022 and 2021, the Group did not have any outstanding borrowings under the Revolving Credit Facility and was in compliance with all covenants, including the financial covenants.

Bridge Facility

In connection with entering into the Business Combination Agreement, EverArc entered into a commitment letter, dated June 15, 2021, with Morgan Stanley Senior Funding, Inc., Barclays Bank PLC and Goldman Sachs Bank USA (collectively, the "Commitment Parties") pursuant to which the Commitment Parties had, with respect to bridge financing, committed to provide up to $600.0 million in bridge loans (the "Bridge Loan Commitment") to ensure financing for the Business Combination. Effective November 9, 2021, the Bridge Loan Commitment was fully terminated as a result of the $675.0 million in committed amounts available under the Senior Notes, as described below. The Group did not make any borrowings under the Bridge Loan Commitment and incurred a commitment fee of $7.5 million which was recorded as part of the November 9, 2021 accumulated deficit balance in the accompanying consolidated statement of changes in equity.

Senior Notes

In order to finance a portion of the cash consideration payable in the Business Combination and the costs and expenses incurred in connection therewith, on October 5, 2021, Escrow Issuer launched a private offering of $600.0 million, which was subsequently updated to $675.0 million, principal amount of 5.00% Senior Notes due October 30, 2029 pursuant to that certain indenture dated as of October 22, 2021 ("Indenture") between SK Intermediate II and U.S. Bank National Association, as Trustee and Collateral Agent (the "Trustee"). Upon the consummation of the Business Combination, SK Intermediate II assumed the Escrow Issuer's obligations under the Senior Notes.

The Senior Notes bear interest at an annual rate of 5.00%. Interest on the Senior Notes is payable in cash semi-annually in arrears on April 30 and October 30 of each year, commencing on April 30, 2022.

The Senior Notes are general, secured, senior obligations of SK Intermediate II; rank equally in right of payment with all existing and future senior indebtedness of SK Intermediate II (including, without limitation, the Revolving Credit Facility); and together with the Revolving Credit Facility, are effectively senior to all existing and future indebtedness of SK Intermediate II that is not secured by the collateral. The Senior Notes are effectively subordinated to all existing and future indebtedness of SK Intermediate II that is secured by assets other than the collateral, to the extent of the collateral securing such indebtedness, are structurally subordinated to all existing and future indebtedness, claims of holders of any preferred stock that may be issued by, and other liabilities of, subsidiaries of SK Intermediate II that do not guarantee the Senior Notes. The Senior Notes are senior in right of payment to any future subordinated indebtedness of SK Intermediate II and are initially guaranteed on a senior secured basis by the guarantors discussed below and will also be guaranteed in the future by each subsidiary, if any, that guarantees indebtedness under the Revolving Credit Facility.

On or after October 30, 2024, SK Intermediate II may on any one or more occasions redeem all or a portion of the Senior Notes at the redemption prices, expressed as percentages of principal amount set forth the Indenture, plus accrued and unpaid interest, if any, on the Senior Notes redeemed. In addition, prior to October 30, 2024, SK Intermediate II may, at its option, redeem up to 40% of the aggregate principal amount of the Senior Notes with funds in an aggregate amount not exceeding the net cash proceeds from certain equity offerings at a redemption price equal to 105.00% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest, if any.

The Senior Notes are fully and unconditionally guaranteed on a senior secured basis, jointly and severally, by all of SK Intermediate II's existing or future restricted subsidiaries (other than certain excluded subsidiaries) that guarantee the Revolving Credit Facility. The Senior Notes contain certain covenants limiting SK Intermediate II's ability and the ability of the restricted subsidiaries (as defined in the indenture governing the Senior Notes) to, under certain circumstances, prepay subordinated indebtedness, pay distributions, redeem stock or make certain restricted investments; incur indebtedness; create liens on the SK Intermediate II's' assets to secure debt; restrict dividends, distributions or other payments; enter into transactions with affiliates; designate subsidiaries as unrestricted subsidiaries; sell or otherwise transfer or dispose of assets, including equity interests of restricted subsidiaries; effect a consolidation or merger; and change the Group's line of business.

Deferred financing costs incurred in connection with securing the Senior Notes were $11.0 million, which were capitalized and will be amortized using the effective interest method over the term of the Senior Notes and included in interest expense in the accompanying consolidated statement of profit or loss and other comprehensive income (loss). The unamortized portion of the deferred financing costs is included as a reduction to the carrying value of the Senior Notes which have been recorded as long-term debt, net on the consolidated balance sheets as of December 31, 2022.

Redeemable Preferred Shares

In connection with the Business Combination, SK Holdings along with officers and certain key employees of SK Intermediate contributed a portion of their investment in ordinary shares of SK Intermediate to the Group in exchange for 10 million Redeemable Preferred Shares, nominal value $10 per share, valued at $100.0 million. The Redeemable Preferred

Shares are entitled to a preferred annual cumulative right to a dividend equal to 6.50% of its nominal value. The preferred dividend will generally be paid 40.00% in cash and 60.00% in kind each year within three business days following the Group's annual general meeting. Approximately, $4.5 million and $0.9 million of preferred dividends were in arrears at years ended December 31, 2022 and December 31, 2021, respectively.

The Group, under its articles of association (the "Articles") is mandatorily required to redeem the Redeemable Preferred Shares at any time prior to the earliest of (i) six months following the latest maturity date of the above-mentioned Senior Notes, (ii) nine years after the date of issuance of the Redeemable Preferred Shares or (iii) upon the occurrence of a change of control, as defined in the Group's Articles. The redemption price per share would be equal to the nominal value of the Redeemable Preferred Shares plus any accrued and unpaid preferential dividend, if any. If the Group fails to redeem the Redeemable Preferred Shares at the times noted above, the preferred dividend rate will permanently increase to the interest rate currently being paid (whether in default or not) under the Senior Credit Agreement plus 10.00%.

Due to the fact that the Redeemable Preferred Shares are mandatorily redeemable, the Redeemable Preferred Shares are classified as a liability on the accompanying consolidated balance sheets, and $6.5 million and $0.9 million of dividends on these Redeemable Preferred Shares are classified as interest expense in the accompanying consolidated statement of profit or loss and other comprehensive income (loss) as of years ended December 31, 2022 and December 31, 2021, respectively.

Holders of the Redeemable Preferred Shares generally have no voting rights. However, without the prior consent of the holders of a majority of the outstanding Redeemable Preferred Shares, the Group is prohibited from (i) issuing any shares ranking pari passu or senior to the Redeemable Preferred Shares, (ii) enter into a credit agreement or amend the terms of the Senior Notes in a manner that would adversely affect the redemption of Redeemable Preferred Shares by extending the maturity date under such credit facility or increase the restrictions on the Group's ability to pay the cash portion of the preferred dividend, (iii) amending the Group's charter or entering into, amending or altering any other agreement in any manner that would adversely affect Redeemable Preferred Shares or (iv) pay a cash dividend on PSSA Ordinary Shares until such time the Group has paid the cash portion of the preferred dividend in arrears.

The Redeemable Preferred Shares have an aggregate liquidation preference of $100.0 million, plus any accrued and unpaid dividends thereon and is senior to the Group's ordinary shares with respect to dividends and with respect to dissolution, liquidation or winding up of the Group. The redemption price was $104.5 million and $100.9 million at years ended December 31, 2022 and December 31, 2021, respectively.

Warrants

In connection with the Merger, 34,020,000 EverArc Warrants issued and outstanding on the Closing Date were converted into the right to purchase Ordinary Shares, entitling the holder thereof to purchase one-fourth of one Ordinary Share at an exercise price of $12.00 per whole Ordinary Share. The warrant subscription period ends on the earlier of the third anniversary of the Closing Date or such earlier date as determined by the warrant instrument.

The Group's Warrants are subject to mandatory redemption at $0.01 per Warrant if at any time the average price per Ordinary Share equals or exceeds $18.00 for a period of ten consecutive trading days subject to any prior adjustment in accordance with the terms of the Warrant Instrument. Management considers this feature to be an early exercise contingency.

The Warrants are classified within liabilities as there are provisions that would require net share settlement of the Warrants under IAS 32 Financial Instruments: Presentation ("IAS 32"). In accordance with IAS 32, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statement of operations and other comprehensive income (loss) at each reporting date. As of December 31, 2022, the Group received $0.5 million for 176,460 warrant exercises and issued 44,115 Ordinary shares and there were 33,843,440 Warrants issued and outstanding.

The outstanding warrants are measured on a recurring basis in the consolidated balance sheet and are Level 3 financial instruments recognized at fair value through the consolidated statement of operations. The warrants are valued using a Black-Scholes option-pricing model, which includes inputs determined from models that include the value of the Group's ordinary shares, as determined above and additional assumptions used to estimate the fair value of the warrants in the option pricing model as follows:

	2022	2021
Expected term (years)	1.86	2.86
Risk-free rate (%)	4.41	0.97
Volatility (%)	43.0	38.0
Share price (US$)	9.14	13.89

Significant changes in the risk-free rate, the volatility, or the share price would have a material impact on the fair value of the warrants.

The table below presents the changes in the warrant liability:

	2022	2021
	(in thousands)	
January 1	$ (17,513)	$ —
Issuance of warrant for cash	—	(13,473)
Issuance of shares upon exercise of, or net settlement of, warrants	59	—
Noncash changes recognized in profit or loss		
Changes in fair value recognized in consolidated statement of operations	9,664	(4,040)
At December 31	$ (7,790)	$ (17,513)

The warrant liability is included in warrant liability on the consolidated balance sheet. The change in estimated fair value is recognized within other (income) expense, net in the consolidated statement of profit or loss and other comprehensive income (loss).

A 10% decrease or increase in the Group's ordinary share price would have resulted in a fair value of the warrants ranging from $5.9 million to $9.8 million at December 31, 2022 and $14.6 million to $20.3 million at December 31, 2021.

7. INCOME TAXES

Income Tax Expense

The Group's income tax benefit (expense) consisted of the following components (in thousands):

	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
Current:		
Current year	$ (22,666)	$ 4,005
Adjustment in respect of prior years	197	—
Total current	(22,469)	4,005
Deferred:		
Origination and reversal of temporary differences	14,702	2,155
Effect of changes in tax rates	919	(160)
Total deferred	15,621	1,995
Total income tax (expense) benefit	$ (6,848)	$ 6,000

The income tax benefit (expense) for the year can be reconciled to the profit before taxes as follows:

	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
Profit (loss) before tax on continuing operations	106,960	(692,154)
Tax at the Luxembourg corporation tax rate of 24.94% (2021: 24.94%)	(26,676)	172,623
U.S. state and local income taxes, net	138	933
Effect of different tax rates of subsidiaries operating in other jurisdictions	(345)	(686)
Transaction Costs	-	(752)
Founders Advisory Fees	29,255	(162,894)
Nontaxable Gain/Loss on Earnout Liability	2,631	-
Section 250 deduction	687	(312)
Nondeductible Officer Compensation	(1,544)	-
Tax on Unremitted Earnings	(3,622)	-
Tax Rate Changes	919	-
Changes in Prior Year Estimates	1,894	-
Change in unrecognised deferred tax assets	(10,599)	(486)
Other, net	414	(2,426)
Effective tax expense	$ (6,848)	$ 6,000

Deferred Tax Assets and Liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. Significant portions of the Group's deferred tax assets and deferred tax liabilities are as follows (in thousands):

	2022			
Deferred Tax Assets and Liabilities	**January 1**	**Recognized in profit or loss**	**FX**	**December 31**
Net operating losses	$ 1,762	$ (1,432)	$ (78)	$ 252
Inventory	-	610	-	610
Interest	4,161	(1,592)	(67)	2,502
Accrued Liabilities	2,197	(1,050)	(3)	1,144
Intangibles & Goodwill	35	(30)	-	5
Lease Liability	5,599	5,055	-	10,654
Other, net	1,821	1,722	(93)	3,450
Total Gross Deferred Tax Assets	15,575	3,283	(241)	18,617
Deferred Tax Liabilities:				
Fixed Assets	(10,077)	101	119	(9,857)
Intangibles & Goodwill	(284,297)	13,984	1,895	(268,418)
Inventory	(6,620)	6,520	100	-
Unremitted Earnings	(6,000)	(3,622)	-	(9,622)
Right of Use Asset	(5,641)	(4,653)	-	(10,294)
Other, net	(248)	8	5	(235)
Net Deferred Tax Liability	(312,883)	12,338	2,119	(298,426)
Total Net Deferred Tax Asset / (Liability)	$ (297,308)	$ 15,621	$ 1,878	$ (279,809)

	2021			
Deferred Tax Assets and Liabilities	**June 11**	**Acquisition**	**Recognized in Profit or Loss**	**December 31**
Net operating losses	$ -	$ 1,841	$ (79)	$ 1,762
Inventory	-	-	-	-
Interest	-	4,224	(63)	4,161
Accrued Liabilities	-	2,297	(100)	2,197
Intangibles & Goodwill	-	33	2	35
Lease Liability	-	5,306	293	5,599
Other, net	-	1,766	55	1,821
Total Gross Deferred Tax Assets	-	15,467	108	15,575
Deferred Tax Liabilities:				
Fixed Assets	-	(10,063)	(14)	(10,077)
Intangibles & Goodwill	-	(285,049)	752	(284,297)
Inventory	-	(8,109)	1,489	(6,620)
Unremitted Earnings	-	(6,000)	-	(6,000)
Right of Use Asset	-	(5,306)	(335)	(5,641)
Other, net	-	(243)	(5)	(248)
Net Deferred Tax Liability	-	(314,770)	1,887	(312,883)
Total Net Deferred Tax Asset / (Liability)	$ -	$ (299,303)	$ 1,995	$ (297,308)

At December 31, 2022, the Group had net operating loss carryforwards in Luxembourg of $58.0 million, which will expire, if unused, starting in 2034 and $0.3 million, which can be carried forward indefinitely. No deferred tax asset has been recognized in respect of these losses. The Group has U.S. state net operating loss carryforwards of approximately $4.0 million on a net, post-apportionment basis, that will expire, if unused, starting in 2041. Deferred tax assets have been recognized in respect of all of these losses. The Group has other foreign net operating loss carryforwards of $5.8 million, of which, the majority can be carried forward indefinitely. No deferred tax asset has been recognized in respect of $3.4 million of these losses.

On August 15, 2022, President Biden signed the Inflation Reduction Act into law. Management has reviewed the tax provisions of this legislation and has determined that there are no provisions that would have a material impact on the Group.

As of December 31, 2022, the Group has provided deferred taxes of $9.6 million associated with withholding taxes on accumulated undistributed earnings generated by foreign subsidiaries. Earnings of countries within the European Union would be subject to zero withholding tax on future distributions of unremitted earnings. The Group continues to assert permanent reinvestment of the remaining undistributed earnings for which deferred taxes have not been provided for as of December 31, 2022. The computation of the potential deferred tax liability associated with these undistributed earnings is not practicable. If there are policy changes, the Group would record the applicable taxes in the period of change.

Uncertain Tax Benefits

The Group evaluates its tax positions and recognizes only tax benefits that, more likely than not, will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax position is measured at the largest amount of benefit that has a greater than 50.0% likelihood of being realized upon settlement. As of December 31, 2022, the Group had $36.3 million of uncertain tax positions that, if recognized, would not affect the effective tax rate. The Group believes that it is reasonably possible that the Group's uncertain tax benefits of $36.3 million may decrease by up to $34.0 million within twelve months, with no net impact on overall tax expense. The Group did not have any uncertain tax benefits as of December 31, 2021. As of December 31, 2022 and 2021, the Group had no accrued interest or penalties related to uncertain tax positions and no amounts had been recognized in the consolidated statement of operations and comprehensive income (loss).

The following table summarizes the activity related to the Group's unrecognized tax benefits (in thousands):

	2022	2021
Balance at beginning of year	$ —	$ —
Increase in prior years' tax positions	36,257	—
Balance at end of year	$ 36,257	$ —

The Group files income tax returns in Luxembourg, U.S. federal and state jurisdictions, and other foreign jurisdictions. As of December 31, 2022, tax years 2019 through 2021 are subject to examination by the tax authorities in the U.S.

8. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Group is involved in various claims, actions, and legal proceedings arising in the ordinary course of business, including a number of matters related to the aqueous film forming foam litigation consolidated in the District of South Carolina multi-district litigation and other similar matters pending in other jurisdictions in the United States. The Group's exposure to losses, if any, is not considered probable or reasonably estimable at this time.

Commitments

The Group has a supply agreement to purchase elemental phosphorus (P4) from a supplier through 2023. The contract price is tied to the contract year cost times a multiplier, subject to a market-driven benchmark price adjustment, which is generally settled once per year. The Group did not purchase the anticipated minimum pounds of P4 during the year ended December 31, 2022 or the period of June 21, 2021 through December 31, 2021. Further, the Group has no obligation to record, as there is no financial penalty owed to the vendor. Costs incurred under this supply agreement were $43.9 million and $7.7 million during the year ended December 31, 2022 and the period of June 21, 2021 through December 31, 2021, respectively.

The Group also has an agreement to purchase various types of capital equipment up to $5.0 million through October 2027. In 2022, the Group paid $2.0 million to the supplier and the remaining $3.0 million will be paid through October 2027.

9. EQUITY

Ordinary Shares

The Group’s authorized share capital is $4,100.0 million, consisting of 4.0 billion Ordinary Shares, with a nominal value of $1.00 per share and 10.0 million Redeemable Preferred Shares with a nominal value of $10.00 per share as at June 21, 2021. Each ordinary share entitles the holder thereof to one vote.

Due to the fact that the Redeemable Preferred Shares are mandatorily redeemable, the Redeemable Preferred Shares are classified as a liability on the accompanying consolidated balance sheet. Refer to Note 6, “Long-Term Debt, Redeemable Preferred Shares and Warrants” for additional information about the Redeemable Preferred Shares.

The Group's board of directors (the "Board") is authorized, up to the maximum amount of the authorized capital, to (i) increase the issued share capital in one or several tranches by way of issuance of ordinary or preferred shares with such rights as freely determined by the Board at its discretion, with or without share premium, against payment in cash or in kind, by conversion of claims on the Group or in any other manner (ii) issue subscription and/or conversion rights in relation to new shares or instruments within the limits of the authorized capital under the terms and conditions of warrants (which may be separate or linked to Shares), bonds, notes or similar instruments issued by the Group, (iii) determine the place and date of the issue or successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares and instruments and (iv) remove or limit the statutory preferential subscription right of the shareholders and of the holders of instruments issued by the Group that entitle them to a preferential subscription right.

As of December 31, 2022, there were 163,234,542 and 156,797,806 Ordinary Shares issued and outstanding, respectively and 157,237,435 Ordinary Shares issued and outstanding as of December 31, 2021. The share capital amounts to $163.2 million as of December 31, 2022 and $157.2 million as of December 31, 2021. The remaining authorized capital as of December 31, 2022 amount to $ 3,736,765,458 (December 31, 2021: $ 3,742,762,565.00).

On December 7, 2021, subject to the approval of the shareholders of the Group, the Board authorized a share repurchase plan (the “Share Repurchase Plan”). Under the Share Repurchase Plan, the Group is authorized to repurchase up to $100.0 million of its issued and outstanding Ordinary Shares at any time during the next 24 months or, if different, such other timeframe as approved by the shareholders of the Group. Until such time as the Share Repurchase Plan was approved by the shareholders of the Group, the Board authorized any subsidiary of the Group to take such actions necessary to purchase Ordinary Shares of the Group. Repurchases under the Share Repurchase Plan may be made, from time to time, in such quantities, in such manner and on such terms and conditions and at prices the Group deems appropriate. The Share Repurchase Plan does not obligate the Group to acquire any particular amount of Ordinary Shares and may be modified or suspended at any time and could be terminated prior to completion. The repurchase program will be funded with cash on hand or borrowings under the Group's revolving credit facility.

On July 21, 2022, subject to certain limits, the shareholders' of the Group approved a proposal authorizing the Board to repurchase up to 25% of the Group's Ordinary Shares outstanding as of the date of the shareholders' approval, being 40,659,257 Ordinary Shares, at any time during the next five years. On November 3, 2022, the Board re-established the limit for Ordinary Share repurchases at \$100.0 million, which is within the repurchase limit approved by Group's shareholders' on July 21, 2022.

The Group repurchased 6,436,736 Ordinary Shares for the year ended December 31, 2022, of which 597,513 Ordinary Shares were repurchased on behalf of a wholly-owned subsidiary. The repurchased Ordinary Shares were recorded at cost and are being held in treasury.

In accordance with the Luxembourg company law, from the annual net profits of the Group, at least 5% shall each year be allocated to a reserve (the "Legal Reserve"). That allocation to the Legal Reserve will cease to be required as soon and as long as the Legal Reserve amounts to 10% of the amount of the share capital of the Group. The general meeting of shareholders, upon the recommendation of the Group's Board, shall resolve how the remainder of the annual net profits, after allocation to the Legal Reserve, will be disposed of by allocating the whole or part of the remainder to a reserve, by carrying it forward to the following financial year or by distributing it, together with carried forward profits, to the shareholders. As of December 31, 2022, the Group has not made any allocation to the Legal Reserve. However, there is additional paid in capital available to the Group, if needed, and there are no restrictions on the source of such additional paid in capital.

10. SHARE-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Equity Plan

In connection with the Business Combination, the Group's Board adopted, and its shareholders approved, the 2021 Equity Incentive Plan (the "2021 Equity Plan"). A total of 31,900,000 Ordinary Shares are authorized and reserved for issuance under the 2021 Equity Plan which provides for the grant of stock options (either incentive or non-qualified), stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance shares, performance share units and other share-based awards with respect to the Ordinary Shares. Shares associated with underlying awards that are expired, forfeited, or otherwise terminated without the delivery of shares, or are settled in cash, and any shares tendered to or withheld by the Group for the payment of an exercise price or for tax withholding will again be available for issuance under the 2021 Equity Plan. The purpose of the 2021 Equity Plan is to promote the interests of PSSA and its shareholders by providing the Group with a means to attract and retain employees, officers, consultants, advisors and directors who will contribute to its long-term growth and success and providing such individuals with incentives that will align with those of the Group's shareholders.

As of December 31, 2022, the Group granted approximately 11,342,921 performance-based non-qualified stock options ("PBNQSO") to its executive officers, non-employee directors and other members of senior management under the 2021 Equity Plan. The exercise prices of these PBNQSOs ranged from \$8.36 to \$14.00 per Ordinary Share and consist of two types of vesting criteria. Of the aggregate number of PBNQSO granted, 245,004 PBNQSOs are eligible to vest based on the achievement of certain performance goals for fiscal year 2021 (the "Bridge Option"), and the remaining 11,097,917 PBNQSOs are eligible to vest based on the achievement of certain performance goals for fiscal years 2022-2026 (the "5.-Year Option"). The PBNQSOs expire ten years from the grant date.

The Bridge Option vest and became exercisable upon (i) the Group achieving an EBITDA target of \$136.0 million for fiscal year 2021; and (ii) the recipient remaining in continuous service through the first anniversary of the grant date. As of December 31, 2022, all the Bridge Options vested and became available to exercise.

The 5-Year Option will be eligible to vest over a five-year period in equal annual tranches based on the achievement of annual operating performance per diluted share ("AOP") targets to be set forth in the award agreements. The AOP targets are based on a compounded annual growth rate, and the actual AOP achieved for any given years is calculated in accordance with a formula as set forth in the award agreements. For each yearly tranche, the Group will need to achieve 13.5% compounded annual growth for minimum vesting (resulting in 25% of that tranche vesting) and 23.5% compounded annual growth for maximum vesting (resulting in 100% of that tranche vesting). If the actual AOP achieved for any given year exceeds the maximum target, such excess may be treated as having been achieved in the following two fiscal years and/or the prior two fiscal years (without duplication) if less than the full amount of options would otherwise have vested for such years.

The Group's chief executive officer ("CEO"), and business director, North America Retardant and Services, are required to hold a minimum level of personal investment of $2.2 million and $1.5 million, respectively, in PSSA Ordinary Shares pursuant to stock retention guidelines attached to their respective PBNQSO agreement. The aggregate value may include the fair market value of shares associated with underlying options over the exercise price, but half of the value must be attributable to PSSA Ordinary Shares held by each officer. Each officer will have five years to comply with these requirements.

The table below summarizes the PBNQSO activity:

	Number of Options		Weighted-Average Exercise/ Conversion Price	Weighted-Average Remaining Contractual Life (years)		Aggregate Intrinsic Value (in thousands)
Outstanding at June 21, 2021	—	$	—			
Granted	8,763,754	$	10.04			
Outstanding at December 31, 2021	8,763,754	$	10.04			
Granted	2,579,167	$	8.87			
Exercised	—	$	—			
Forfeited	(1,003,750)	$	10.09			
Outstanding at December 31, 2022	10,339,171	$	9.75	8.98	$	1,560
Options vested and exercisable	1,948,754	$	10.04	8.86	$	—

The weighted-average assumptions used to fair value the PBNQSO on the grant date using the Black-Scholes option-pricing model were as follows:

		2022		2021
Dividend yield		— %		— %
Risk-free interest rate		3.98%		1.35%
Expected volatility		43.10%		37.50%
Expected life (years)		5.35		6.50
Weighted average exercise price of options granted	$	8.87	$	10.04
Weighted average fair value of options granted	$	4.20	$	6.94

Non-cash share-based compensation expense recognized by the Group during the year ended December 31, 2022 and the period of June 21, 2021 through December 31, 2021 was $13.6 million and $3.4 million, respectively. For the year ended December 31, 2022, $12.0 million of the $13.6 million non-cash share-based compensation was recorded in selling, general and administrative expense while $1.6 million was recorded in cost of goods sold. For the period of June 21, 2021 through December 31, 2021, $3.0 million of the $3.4 million non-cash share-based compensation was recorded in selling, general and administrative expense while $0.4 million was recorded in cost of goods sold. Compensation expense is recognized based upon probability assessments of PBNQSOs that are expected to vest in future periods. Such probability assessments are subject to revision and, therefore, unrecognized compensation expense is subject to future changes in estimate. As of

December 31, 2022, there was approximately $26.0 million of total unrecognized compensation expense related to non-vested PBNQSOs expected to vest, which is expected to be recognized over a weighted-average period of 1.9 years.

On December 7, 2021, the Group granted 100,000 shares of common stock to a consultant for his services to the Group in connection with the transactions contemplated by the Business Combination Agreement. The fair value per share on the grant date was $11.75. The shares vested upon grant. The grant date fair value of $1.2 million was recorded by the Group as an expense related to Business Combination and is reported in selling, general and administrative expense in the 2021 consolidated statement of profit or loss and other comprehensive income (loss).

Founder Advisory Amounts

As discussed in Note 12, Related Parties, following the Business Combination, the Group assumed, and agreed to pay, perform, satisfy and discharge in full, all of EverArc's liabilities and obligations under the key terms and conditions of the Founder Advisory Agreement previously executed between EverArc and EverArc Founder Entity.

The fair value of the Fixed Annual Advisory Amount as of November 9, 2021 was calculated to be $197.4 million based on the closing share price of Ordinary Shares on November 9, 2021 of $12.00. The fair value of the Variable Annual Advisory Amount is determined using a Monte Carlo simulation because of the market condition (i.e., achievement of a specified share price) associated with this award and was determined to be $376.4 million. For Advisory Amounts classified within equity, the Group does not subsequently remeasure the fair value. For the Advisory Amounts classified as a liability, the Group remeasures the fair value at each reporting date. The key inputs into the Monte Carlo simulation model for the Variable Annual Advisory Amounts were as follows at December 31, 2022 and 2021 and at the initial measurement date:

	December 31, 2022	December 31, 2021
Dividend yield	— %	— %
Risk-free interest rate	3.87 %	1.52 %
Expected volatility	43.10 %	37.50 %
Expected life (years)	9.00	10.00
10-day volume weighted average stock price	$ 8.86	$ 13.63

All of the Founder Advisory Amounts vested on the date of the Business Combination because, the Group believes that, as a result of the consummation of the Business Combination, it has incurred an obligation equal to the present value of the Advisory Amounts. The Group recognized share-based compensation expense related to Advisory Amounts of $574.4 million on the Business Combination date and $78.6 million recognized on December 31, 2021 based on the change in fair value for liability-classified Advisory Amounts since the Closing Date. Compensation expense recorded by the Group in the future will depend upon changes in the fair value of the liability-classified Advisory Amounts. See Note 12, Related Parties, for additional information related to the Founders Advisory Amounts.

Savings and Investment Plan

The Group sponsors a savings and investment plan, a defined contribution plan, under which a portion of employee contributions are matched. The Group made matching contributions of $1.3 million and $0.3 million as of December 31, 2022 and the period of June 21, 2021 through December 31, 2021, respectively. Of these amounts, $0.5 million and $0.2 million was recorded within selling, general and administrative expense with the remaining amount in cost of goods sold for the year ending December 31, 2022 and the period of June 21, 2021 through December 31, 2021, respectively.

Labor costs

The table below represents the labor costs by category:

	December 31, 2022	December 31, 2021
Cost of goods sold	$ 28,699	$ 2,794
Selling, general and administrative expense	$ 31,992	$ 11,190

11. FAIR VALUE MEASUREMENTS

Fair Value Measurement

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities as disclosed in accompanying consolidated balance sheet as of December 31, 2022 approximates fair value due to the short-term nature of their maturities. Borrowings under the Group’s Revolving Credit Facility accrues interest at a floating rate tied to a standard short-term borrowing index, selected at the Group’s option, plus an applicable margin. The carrying amount of this floating rate debt as disclosed in accompanying consolidated balance sheet as of December 31, 2022 approximates fair value based upon the respective interest rates adjusting with market rate adjustments. The carrying amount of the Group's Redeemable Preferred Shares as disclosed in accompanying consolidated balance sheet as of December 31, 2022 equals the redemption price, which approximates fair value. At December 31, 2022 and 2021, the estimated fair value of the Group's Senior Notes, calculated using Level 2 inputs, based on bid prices obtained from a broker was approximately $556.9 million and $675.0 million, respectively.

The Group uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Group determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Liabilities by Hierarchy Level

The following tables set forth the Group’s liabilities that were measured at fair value on a recurring basis during the period, by level, within the fair value hierarchy for the periods ended December 31, 2022 and 2021 (in thousands):

	Fair Value Measurements Using:			
December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities:				
Founders advisory fees payable - related party	$ 56,883	$	$ 118,490	$ 175,373
Warrants	—		7,790	7,790
LaderaTech contingent earn-out included in other liabilities, non-current	—	—	7,273	7,273
Total liabilities	$ 56,883	—	$ 133,553	$ 190,436
December 31, 2021				
Liabilities:				
Founders advisory fees payable - related party	$ 114,276	$	$ 251,513	$ 365,789
Warrants	—		17,513	17,513
LaderaTech contingent earn-out included in other liabilities, non-current	—	—	19,979	19,979
Total liabilities	$ 114,276	$	$ 289,005	$ 403,281

The LaderaTech contingent earn-out is based on 20% of gross profits upon achieving a revenue threshold exceeding $5.0 million through December 31, 2026 and was valued using a Monte Carlo simulation model. The Group used the following unobservable inputs:

- Revenue discount rate: 11% in 2022 and 10% in 2021 based on a term-adjusted discount rate that factors in operating leverage.
- Payment discount rate: 3.9% in 2022 and 4.0% in 2021 based on the cost of debt.
- Risk free rate: 4.12% for 2022 and 1.05% for 2021 based on the Federal Reserve Treasury Constant Maturity Instruments.

Significant changes in the projected revenue, projected gross margin, or discount rate would have a material impact on the fair value of the contingent consideration. See Note 10, Share-Based Compensation and Employee Benefits for discussion of the fair value estimation for the founders’ advisory fees payable. See Note 6, Long-term debt, redeemable preferred shares and warrants for discussion of the fair value inputs for warrants.

Changes in Level 3 Liabilities

A roll forward of Level 3 liabilities measured at fair value on a recurring basis is as follows (in thousands):

	Warrants	Founders Advisory Fees Payable - Related Party	LaderaTech Contingent Earn-out
Beginning Balance	$ —	$ 188,204	$ 19,781
Founders advisory fees - related party, change in fair value	—	63,309	—
Warrants issued	13,473	—	—
Warrants, change in fair value	4,040	—	—
Loss on contingent earn-out	—	—	198
Balance, December 31, 2021	17,513	251,513	19,979
Settlements	—	(40,776)	—
Reclassification from liability to equity	—	(10,495)	—
Founders' advisory fees - related party, change in fair value	—	(81,752)	—
Issuance of shares upon exercise of, or net settlement of, warrants	(59)	—	—
Warrants, change in fair value	(9,664)	—	—
Gain on contingent earn-out	—	—	(12,706)
Balance, December 31, 2022	$ 7,790	$ 118,490	$ 7,273

Intangible Assets Acquired in Business Combination

The preliminary estimated fair value assigned to identifiable intangible assets acquired are determined primarily by using an income approach using a discounted cash flow methodology, which is based on assumptions and estimates made by the management. The preliminary estimated fair value of the customer relationship intangible assets was estimated using the multi-period excess earnings method. Management applied significant judgement related to this fair value method, which included the selection of an expected EBITDA margin assumption for the forecast period, contributory asset charges, customer attrition rate and market-participant discount rate assumptions. The preliminary estimated fair value of the existing technology and trademarks intangible assets were estimated using the relief-from-royalty method. Management applied significant judgement related to this fair value method, which included the selection of a royalty rate over the expected economic life of the technology or trademark and market-participant discount rate assumptions. These significant assumptions are based on company specific information and projections, which are not observable in the market (except for the discount rate assumption) and, therefore, are considered Level 2 and Level 3 measurements. These significant assumptions are forward-looking and could be affected by future changes in economic and market conditions.

The following table presents the estimated fair value assigned to identifiable intangible assets acquired in the Business Combination on November 9, 2021 (in thousands):

	Estimated Fair Value	Estimated Useful Life (in years) [1]
Identifiable Intangible Assets:		
Tradenames	$ 101,000	20
Customer lists	761,000	20
Existing technology and patents	250,000	20
Total estimated fair value of intangible assets acquired	$ 1,112,000	

(1) Amortization of identifiable intangible assets is performed on a straight-line basis over the applicable useful life.

12. RELATED PARTIES

On November 9, 2021, in connection with the consummation of the Business Combination, the Group, EverArc and the EverArc Founder Entity entered into an Assignment and Assumption Agreement (the "Founder Assignment Agreement") pursuant to which the Group assumed, and agreed to pay, perform, satisfy and discharge in full, all of EverArc's liabilities and obligations under the Founder Advisory Agreement.

In exchange for the services provided to the Group, including strategic and capital allocation advice, the EverArc Founder Entity is entitled to receive both the Fixed Annual Advisory Amount and the Variable Annual Advisory Amount from the Group, each as described below:

- *Fixed Annual Advisory Amount.* Effective upon the consummation of the Business Combination through December 31, 2027, the Fixed Annual Advisory Amount will be equal to 2,357,061 Ordinary Shares (1.5% of the 157,137,410 Ordinary Shares, the Founder Advisory Agreement Calculation Number).

- *Variable Annual Advisory Amount*. Effective upon the consummation of the Business Combination through December 31, 2031, and once the average price (as defined in the Founder Advisory Agreement) per ordinary share of the Group is at least $10.00 for ten consecutive trading days, the Variable Annual Advisory Amount will be equal in value to:

    - in the first year in which the Variable Annual Advisory Amount is payable, (x) 18% of the increase in the market value of one ordinary share of the Group over $10.00 (such increase in market value, the "Payment Price") multiplied by (y) 157,137,410 ordinary shares, the Founder Advisory Agreement Calculation Number; and

    - in the following years in which the Variable Annual Advisory Amount may be payable (if at all), (x) 18% of the increase in Payment Price over the previous year Payment Price multiplied by (y) 157,137,410 ordinary shares, the Founder Advisory Agreement Calculation Number.

The Founder Advisory Agreement can be terminated at any time (i) by the EverArc Founder Entity if the Group ceases to be traded on the NYSE; or (ii) by the EverArc Founder Entity or the Group if there is (A) a Sale of the Group (as defined in the Founder Advisory Agreement) or (B) a liquidation of the Group.

The Group calculates the fair value of the Fixed Annual Advisory Amount using the average price of Ordinary Shares and used a Monte Carlo simulation model to calculate the fair value of the Variable Annual Advisory Amount. The Advisory Amounts may be settled by paying up to 50% in cash, recorded as a liability, with the remaining percentage settled in Ordinary Shares. While the entire instrument is subject to the fair value calculation described above, the amount classified and recorded as equity remains consistent while the amount classified and recorded as a liability is updated each period. For the year ended December 31, 2022, the Group recognized a reduction in share-based compensation expense related to a decrease in fair value for liability-classified Advisory Amounts of $117.3 million primarily due to the decrease in share price.

For 2022, the average price was $8.86 per Ordinary Share. The EverArc Founder Entity is entitled to receive the Fixed Annual Advisory Amount of 2,357,061 Ordinary Shares or a value of $20.9 million, based on average price of $8.86 per Ordinary Share (the "2022 Fixed Amount"). The EverArc Founder Entity did not qualify to receive Variable Annual Advisory Amount for 2022 as the average price of $8.86 per Ordinary Share for 2022 was lower than the average price of $13.63 per Ordinary Share established for 2021. Per the Founder Advisory Agreement, the EverArc Founder Entity elected to receive approximately 77.7% of the 2022 Fixed Amount in Ordinary Shares (1,831,653 Ordinary Shares) and approximately 22.3%

of the 2022 Fixed Amount in cash ($4.7 million). On February 15, 2023, the Group issued 1,831,653 Ordinary Shares and paid $4.7 million in cash in satisfaction of 2022 Fixed Amount.

For 2021, the average price was $13.63 per Ordinary Share, resulting in a Fixed Annual Advisory Amount of 2,357,061 Ordinary Shares or a value of $32.1 million, based on average price of $13.63 per Ordinary Share (the "2021 Fixed Amount"). The EverArc Founder Entity also received a total Variable Annual Advisory Amount for 2021 of 7,525,906 ordinary shares, or a value of $102.5 million (the "2021 Variable Amount" and together with the 2021 Fixed Amount, the "2021 Advisory Amounts"). Per the Founder Advisory Agreement, the EverArc Founder Entity elected to receive approximately 60% of the 2021 Advisory Amounts in ordinary shares (5,952,992 ordinary shares) and approximately 40% of the 2021 Advisory Amounts in cash ($53.5 million). On February 15, 2022, the Group issued 5,952,992 Ordinary Shares and paid $53.5 million in cash in satisfaction of 2021 Advisory Amounts.

Subject to certain limited exceptions, the EverArc Founder Entity's liability for losses in connection with the services provided is excluded and the Group will have agreed to indemnify the EverArc Founder Entity and its affiliates in relation to certain liabilities incurred in connection with acts or omissions by or on behalf of the Group or the EverArc Founder Entity. If the Founder Advisory Agreement is terminated under (i) or (ii)(A), the Group will pay the EverArc Founder Entity an amount in cash equal to: (a) the Fixed Annual Advisory Amount for the year in which termination occurs and for each remaining year of the term of the agreement, in each case at the Payment Price; and (b) the Variable Annual Advisory Amount that would have been payable for the year of termination and for each remaining year of the term of the agreement. In each case the Payment Price in the year of termination will be calculated on the basis of the Payment Year ending on the trading day immediately prior to the date of termination, save that in the event of a Sale of the Group, the Payment Price will be calculated on the basis of the amount paid by the relevant third party (or cash equivalent if such amount is not paid in cash). For each remaining year of the term of the agreement the Payment Price in each case will increase by 15% each year. No account will be taken of any Payment Price in any year preceding the termination when calculating amounts due on termination. Payment will be immediately due and payable on the date of termination of the Founder Advisory Agreement.

Notwithstanding that the Fixed and Variable Advisory Amounts will be paid out over five years and nine years, respectively, the Group has accrued the full amount of the payments because, the Group believes that, as a result of the consummation of the Business Combination, it has incurred an obligation equal to the present value of the entire amount of both the Fixed and Variable Annual Advisory Amounts.

The Management Subscribers were granted an aggregate of 1,104,810 Ordinary Shares at $10.00 per share as consideration and the Director Subscribers purchased an aggregate of 200,000 Ordinary Shares at $10.00 per share in connection with the closing of the Business Combination. Certain officers of the Group entered into non-compete agreements that placed restrictive employment covenants on them for a period of three years following the Closing Date.

The Group paid $0.4 million and $0.1 million to lease real property from the sellers of First Response Fire Rescue, LLC, River City Fabrication, LLC, and H&S Transport, LLC (collectively, "Ironman") during the year ended December 31, 2022 and the period of June 21, 2021 through December 31, 2021, respectively.

Key Management Personnel Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity. The Group's key management personnel consist of the Board of Directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. Total management salaries and directors' fees incurred for services provided by key management personnel of the Group for the periods ended December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Salaries	$ 1,858	$ 976
Bonus	3,456	50
Option awards	1,920	33,293
Non-equity incentive plan compensation	1,142	695
Other compensation	473	152
Total Key Management Compensation	$ 8,849	$ 35,166

13. REVENUE RECOGNITION

Disaggregation of revenues

Amounts recognized at a point in time primarily relate to products sold whereas amounts recognized over time primarily relate to services associated with the full-service retardant contracts. Revenues for the year ended December 31, 2022 and the period of June 21, 2021 through December 31, 2021 are as follows (in thousands):

	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
Revenues from products	$ 330,672	$ 20,242
Revenues from services	26,630	692
Other revenues	3,203	89
Total net sales	$ 360,505	$ 21,023

14. EARNINGS PER SHARE

Basic earnings per share represents income available to ordinary shareholders divided by the weighted average number of Ordinary Shares outstanding during the reported period. Diluted earnings per share is based upon the weighted-average number of Ordinary Shares outstanding during the period plus additional weighted-average potentially dilutive Ordinary Share equivalents during the period when the effect is dilutive.

Basic and diluted weighted average shares outstanding and earnings per share were as follows (in thousands, except share and per share data):

	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
Net income (loss)	$ 100,112	$ (686,154)
Weighted-average shares outstanding:		
Weighted average shares used in computing earnings per share, basic	160,937,575	157,158,579
Founders advisory fees	14,142,366	—
Weighted average shares used in computing earnings per share, diluted	175,079,941	157,158,579
Basic earnings per share	$ 0.62	$ (4.37)
Diluted earnings per share	$ 0.57	$ (4.37)

As of December 31, 2022, 10.3 million PBNQSO and 22.4 million Ordinary Shares issuable under the Founder Advisory Agreement were excluded from the diluted earnings per share calculation as the contingencies related to such instruments had not been met. In addition, 8.5 million Ordinary Shares equivalent Warrants were excluded from the diluted earnings per share calculation as their effect would have been anti-dilutive. As of December 31, 2021, 8.8 million PBNQSO were excluded from the diluted earnings per share calculation as the contingencies related to such instruments had not been met. In addition, 8.5 million Ordinary Shares equivalent Warrants were excluded from the diluted earnings per share calculation as their effect would have been anti-dilutive.

15. SEGMENT INFORMATION

The Group's products and operations are managed and reported in two operating segments: Fire Safety and Specialty Products, formerly Oil Additives.

The Fire Safety segment provides fire retardants and firefighting foams, as well as specialized equipment and services typically offered in conjunction with the Group's retardant and foam products.

In June 2022, the Oil Additives segment, which produces and sells P_2S_5, was renamed the Specialty Products segment to better reflect the current and expanding applications for P_2S_5 in several end markets and applications, including lubricant additives, various agricultural applications, various mining applications, and emerging electric battery technologies. Within the lubricant additive end market, currently the Group's largest end market application, P_2S_5 is primarily used in the production of a family of compounds called ZDDP, which is considered an essential component in the formulation of engine oils with its main function to provide anti-wear protection to engine components. P_2S_5 is also used in pesticide and mining chemicals applications.

Interest income, interest expense, other income (expense) and certain corporate operating expenses are neither allocated to the segments nor included in the measures of segment performance by the chief operating decision-maker ("CODM"). The corporate category is not considered to be a segment. The CODM is the Group's CEO.

The Group's CODM uses the segment net sales and segment Adjusted EBITDA to assess the ongoing performance of the Group's business segments and to allocate resources. Total assets and total liabilities for each reportable segment are generally not included in information package for periodic review by CODM. The Group defines Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, as adjusted on a consistent basis for certain non-recurring or unusual items in a balanced manner and on a segment basis. These non-recurring or unusual items may include acquisition and integration related costs, management fees and other non-recurring items.

Information related to net sales, Adjusted EBITDA, depreciation and amortization, assets and capital expenditures of the Group's operations are summarized below (in thousands):

	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
Net sales:		
Fire safety	$ 226,583	$ 7,913
Specialty products	133,922	13,110
Total	$ 360,505	$ 21,023
Adjusted EBITDA:		
Fire safety	$ 82,431	$ (3,331)
Specialty products	48,348	1,861
Total segment Adjusted EBITDA	130,779	(1,470)
Less:		
Depreciation and amortization	71,330	9,687
Interest and financing expense	43,515	6,432
Founders advisory fees - related party	(117,302)	652,990
Non-recurring expenses	6,885	5,580
Share-based compensation expense	3,839	8,667
Non-cash purchase accounting impact	24,796	6,125
(Gain) loss on contingent earn-out	(12,706)	198
Management fees	—	—
Contingent future payments	—	—
Unrealized foreign currency loss (gain)	3,462	1,006
Income (loss) before income taxes	$ 106,960	$ (692,155)
Depreciation and amortization:		
Fire safety	$ 56,502	$ 7,708
Specialty products	14,828	1,979
Total	$ 71,330	$ 9,687

Net sales by geographical area is as follows (percentage):

	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
United States	74 %	52 %
International sales [(1)]	26	48
Total net sales	100 %	100 %

(1) Except for Spain, which represented 11% of sales in the period of June 21, 2021 through December 31, 2021 due to the shortened reporting period, the Group had no other operations in any individual international country that represented more than 10% of sales in the year ended December 31, 2022.

Property, plant and equipment, net by geographical area consisted of the following (in thousands):

	December 31, 2022	December 31, 2021
United States	$ 37,390	$ 37,159
Canada	2,594	3,512
Germany	14,802	17,199
Other foreign jurisdictions	4,060	4,377
Total property, plant and equipment, net	$ 58,846	$ 62,247

16. LEASES

Leases

The Group assesses whether a contract contains or is a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration, over a period of time. The Group leases certain manufacturing facilities, real estate, vehicles, and field equipment. Such leases, some of which are noncancellable and, in many cases, include renewals, expire at various dates. Such options to renew are included in the lease term when it is reasonably certain that the option will be exercised. The Group's lease agreements typically do not contain any significant residual value guarantees or restrictive covenants, and payments within certain lease agreements are adjusted periodically for changes in an index or rate. The Group does not currently sublease any of its ROU assets. At the commencement date of the lease, the Group, as lessee, recognizes the right-of-use asset and a corresponding liability. The Group's ROU assets and lease liabilities for its leases consisted of the following amounts as of December 31, 2022 (in thousands):

	Consolidated balance sheet line item	December 31, 2022	December 31, 2021
Assets			
Lease right-of-use asset	Lease right-of-use asset	$ 17,507	$ 18,764
Liabilities			
Lease liability, current	Current portion of lease liability	3,607	3,472
Lease liability, noncurrent	Noncurrent portion of lease liability	15,418	15,292
Total lease liability		$ 19,025	$ 18,764

The changes in the ROU assets balance consisted of the following amounts for 2022 and 2021 (in thousands):

Class of Asset:	Balance as of Dec. 31, 2021	Acquisitions	Depreciation	Disposals	Modifications	Foreign currency translation adjustment	Balance as of Dec. 31, 2022
Building and Land	$ 15,485	$ -	$ (2,665)	$ (61)	$ 1,498	$ (97)	$ 14,160
Office and IT Equipment	103	-	(26)	(7)	-	(1)	69
Rail Car and Transportation Equipment	573	489	(631)	(126)	284	(8)	581
Manufacturing Equipment	2,603	307	(1,523)	(496)	1,813	(7)	2,697
Total	$ 18,764	$ 796	$ (4,845)	$ (690)	$ 3,595	$ (113)	$ 17,507

Class of Asset:	Balance as of 21-Jun-21	Acquisitions	Depreciation	Disposals	Modifications	Foreign currency translation adjustment	Balance as of Dec. 31, 2021
Building and Land	$ -	$ 15,698	$ (213)	$ -	$ -	$ -	15,485
Office and IT Equipment	-	105	(2)	-	-	-	103
Rail Car and Transportation Equipment	-	624	(51)	-	-	-	573
Manufacturing Equipment	-	2,725	(122)	-	-	-	2,603
Total	$ -	$ 19,152	$ (388)	$ -	$ -	$ -	$ 18,764

At December 31, 2022, the weighted-average remaining lease term of leases was approximately 7 years and the weighted-average discount rate applied was 5.7%.

The lease payments in the measurement of the lease liability comprise of the following payments: fixed payments less any lease incentive received, variable payments that are based upon an index or rate, amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option if the lease is reasonably certain to exercise that option, and the payment of fines for terminating the lease, if the lease term reflects the Group's exercising of an option to terminate the lease. The lease liability is subsequently increased for interest incurred and reduced for lease payments. The Group also elected to apply the short-term lease exception for lease arrangements with a lease term of 12 months or less at commencement. Lease terms used to compute the present value of lease payments do not include any option to extend, renew, or terminate the lease or contain an option to purchase the underlying assets. Accordingly, right-of-use assets and liabilities do not include leases with a lease term of 12 months or less.

Estimated future minimum payment obligations for non-cancelable finance leases are as follows (in thousands):

Years Ending December 31,	Amount
2023	$ 4,519
2024	3,570
2025	3,418
2026	3,181
2027	2,301
Thereafter	6,724
Total lease payments	23,713
Less: imputed interest	(4,688)
Present value of finance lease liabilities	$ 19,025

Amortization for leases for 2022 of $5.1 million was presented in cost of goods sold and $0.4 million was presented in selling, general, and administrative in the consolidated statement of profit or loss and other comprehensive income (loss). Amortization expense for leases for the period of June 21, 2021 through December 31, 2021, of $0.5 million was presented in cost of goods sold in the consolidated statement of profit or loss and other comprehensive income (loss). The following lease related expenses were incurred during 2022 and the period of June 21, 2021 through December 31, 2021 (in thousands):

Amounts recognized in profit and loss	Year Ended December 31, 2022	June 21, 2021 Through December 31, 2021
Depreciation expense on right-of-use assets	$ 5,535	$ 388
Interest expense on lease liabilities	930	80
Total	$ 6,465	$ 468

The total cash outflow for leases amounts to $5.1 million and $0.5 million during 2022 and the period of June 21, 2021 through December 31, 2021, respectively. Variable lease related cash payments and short-term lease expense during 2022 and the period of June 21, 2021 through December 31, 2021 were immaterial.

17. GROUP INFORMATION

The Group holds 100% ownership for the group entities included in the consolidated financial statements. The consolidated financial statements of the Group include:

Name	Principle Activities	Registered Office	% Equity
SK Invictus Intermediate, S.a.r.l.	Holding Group	6, rue Eugène Ruppert, L-2453 Luxembourg	100
SK Invictus Intermediate II, S.a.r.l.	Holding Group	6, rue Eugène Ruppert, L-2453 Luxembourg	100
SK Invictus Group, S.a.r.l.	Holding Group	6, rue Eugène Ruppert, L-2453 Luxembourg	100
Perimeter Solutions DE GmbH	Holding Group	Industriestrasse 300 Huerth, Germany	100
Invictus France S.A.S.	Holding Group	415 rue Louis Armand, Pole d'Activities, Aix-en, Provence, Cadex 3, France	100
SK Invictus Spain Sociedad Limitada	Holding Group	Plot n. 23 in Poligono Vega de Baina, Mieres, Spain	100
Invictus U.S. Holdings, LLC	Holding Group	8000 Maryland Ave, Suite 350, Clayton, MO, USA	100
Invictus U.S., LLC	Corporate Functions	8000 Maryland Ave, Suite 350, Clayton, MO, USA	100
Solberg Scandinavian AS	Fire Management	Hagellia 6, ISDALSTØ, Norway	100
Biogema S.A.S.	Fire Management	415 rue Louis Armand Aix-en-Provence, France	100
Auxquimia S.A.U.	Fire Management	Plot n. 23 in Poligono Vega de Baina, 33682, Mieres, Spain	100
Perimeter Solutions North America Inc.	Holding Group	8000 Maryland Ave, Suite 350, Clayton, MO, USA	100
Solberg Asia Pacific Pty. Ltd.	Fire Management	3 Charles Street, St. Marys NSW 2760, Australia	100
Perimeter Solutions Inc.	Corporate Functions	8000 Maryland Ave, Suite 350, Clayton, MO, USA	100
Phosphorous Derivatives Inc.	Oil and Chemical	8000 Maryland Ave, Suite 350, Clayton, MO, USA	100
Perimeter Solutions LP	Fire Management	8000 Maryland Ave, Suite 350, Clayton, MO, USA	100
Perimeter Solutions LLC	Corporate Functions	8000 Maryland Ave, Suite 350, Clayton, MO, USA	100

Perimeter Solutions Canada Ltd.	Fire Management	3060 Airport Rd Kamloops, Canada	100
Horn Holdings LLC	Holding Group	8000 Maryland Ave, Suite 350, Clayton, MO, USA	100
LaderaTECH, Inc.	Fire Management	8000 Maryland Ave, Suite 350, Clayton, MO,USA	100
River City Fabrication LLC	Fire Management	5650 E Seltice Way, Post Falls, ID, USA	100
First Response Fire Rescue LLC	Fire Management	8000 Maryland Ave, Suite 350, Clayton, MO,USA	100
H&S Transport LLC	Fire Management	5980 E Commerce Loop, Post Falls, ID, USA	100

18. MARKET RISK

Market Risk

The Group is exposed to a number of market risks that are part of its normal course of business. Market risks that could adversely affect the value of the Group's financial assets, liabilities, and expected future cash flows include interest rate risk, foreign exchange risk, commodity price risk, and liquidity risk.

Interest Rate Risk

For variable rate debt, interest rate changes generally do not affect the fair market value of such debt, but do impact future earnings and cash flows, assuming other factors are held constant. We are subject to market risk exposure related to changes in interest rates on borrowings under the Revolving Credit Facility. Interest on borrowings under the Revolving Credit Facility is based on adjusted LIBOR plus or base rate plus an applicable margin. At December 31, 2022, we had no borrowings outstanding under the Revolving Credit Facility.

On November 9, 2021, in connection with the Business Combination, SK Intermediate II assumed the Senior Notes. Our Senior Notes bear interest at a fixed rate of 5.00%.

In addition, on November 9, 2021, in connection with the Business Combination, Redeemable Preferred Shares valued at $100.0 million were issued. The holders of Redeemable Preferred Shares are entitled to a preferred annual cumulative right to a dividend equal to 6.50% of its nominal value. The Redeemable Preferred Shares are mandatorily redeemable on occurrence of certain events as defined in the Business Combination Agreement, but no later than November 8, 2029. If we fail to timely redeem the Redeemable Preferred Shares, the dividend on Redeemable Preferred Shares will permanently increase to the interest rate currently being paid (whether default or not) under the Revolving Credit Facility plus 10.00%.

The sensitivity analyses below have been determined based on the exposure to Interest rates for only non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2022, would not decrease/increase as the Group's exposure to interest rates are only on its variable rate borrowings which include the Revolving Credit Facility which was not drawn upon in 2022.

Foreign Currency Risk

Foreign currency exchange risks are attributable to sales to foreign customers and purchases from foreign suppliers not denominated in a location's functional currency, foreign plant operations, intercompany indebtedness, intercompany investments and include exposures to the Euro, Canadian dollar, Norwegian krone and Australian dollar. We have elected to use the U.S. dollar for our Luxembourg entities. Transactions that are paid in a foreign currency are remeasured into U.S.

dollars and recorded in the consolidated financial statements at prevailing currency exchange rates. A reduction in the value of the U.S. dollar against currencies of other countries could result in the use of additional cash to settle operating, administrative and tax liabilities.

The average foreign currency exchange rates and period end foreign currency exchange rates for 2022 and 2021 are as follows:

	2022	2021
Canada (CAD)		
Ending December 31,	1.354	1.266
Average	1.301	1.254
Europe (EUR)		
Ending December 31,	0.932	0.879
Average	0.951	0.846
Australia (AUD)		
Ending December 31,	1.468	1.376
Average	1.442	1.332
Norway (NOK)		
Ending December 31,	9.787	8.811
Average	9.619	8.598

The Group is mainly exposed to the currency of Canada (CAD), Australia (AUD), Norway (NOK), and the currency of Europe including Germany, Spain, and other countries within the European Union (EUR). However, of these currencies, the euro has the greatest impact.

The following table details the Group's sensitivity to a 1% increase and decrease in currency units against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 1% change in foreign currency rates.

A positive number below indicates an increase in profit and other equity where currency units strengthen 1% against the relevant currency. For a 1% weakening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	EUR Impact		Other Impact	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Profit or Loss (i)	$ 55	$ (23)	$ (15)	$ (12)
Other Equity (ii)	(121)	(37)	(84)	22

(i) Changes in the profit or loss are mainly attributable to the exposure outstanding as a result of profits earned or losses incurred under the EUR receivables and payables in the Group at the reporting date. Other currencies such as the CAD, AUD, and NOK represented a smaller change with AUD driving $14.1 thousand of the December 31, 2022 impact and CAD driving $12.8 thousand of the December 31, 2021 impact.

(ii) Changes in other equity are primarily the result of the impact of receivables and payables in the noted periods with CAD and EUR being the primary drivers of such changes shown above.

Commodity Price Risk

Our realized margins depend on the differential of sales prices over our total supply costs. Generally, we attempt to maintain an inventory position that is substantially balanced between our purchases and sales, including our future delivery obligations. However, market, weather or other conditions beyond our control may disrupt our expected supply of product, and we may be required to obtain supply at increased prices that cannot be passed through to our customers. For example, some of our material supply contracts follow market prices, which may fluctuate through the year, while our product sales prices may be fixed on a quarterly or annual basis, and therefore, fluctuations in our material supply may not be passed through to our customers and can produce an adverse effect on our margins.

Effects of Inflation

We are subject to inflationary pressures with respect to raw materials, labor and transportation. Accordingly, we continue to take actions with our customers and suppliers to mitigate the impact of these inflationary pressures in the future. Actions to mitigate inflationary pressures with customers include contractual price escalation clauses and negotiated customer recoveries. Actions to mitigate inflationary pressures with suppliers include aggregation of purchase requirements to achieve optimal volume benefits, negotiation of cost-reductions and identification of more cost competitive suppliers. While these actions are designed to offset the impact of inflationary pressures, the Group cannot provide assurance that it will be successful in fully offsetting increased costs resulting from inflationary pressure.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The amounts included in the following table for financial contracts are the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The contractual maturity is based on the earliest date on which the Group may be required to pay. For the year ending December 31, 2022, contractual maturities of financial liabilities were as follows:

	Less than 1 year	1 to 5 years	Greater than 5 years
Trade payables	$ 36,794	$ -	$ -
Other liabilities	39,604	173,826	112,707
Senior notes	-	665,280	-
Lease liabilities	3,607	10,023	5,395

For the year ending December 31, 2021, contractual maturities of financial liabilities were as follows:

	Less than 1 year	1 to 5 years	Greater than 5 years
Trade payables	$ 27,469	$ -	$ -
Other liabilities	73,017	192,501	260,016
Senior notes	-	664,128	-
Lease liabilities	3,472	8,052	7,240

For the amounts shown above, the contractual maturity represents the carrying value. As of December 31, 2022, the Group's short-term liabilities accounted for approximately 6% of its total liabilities. A sudden withdrawal of credit facilities or a significant decrease in the Group's cash flows could create liquidity constraints and negatively impact its ability to meet its obligations in a timely manner. The Group actively monitors and manages these concentration risks through various risk management strategies, including hedging, diversification of funding sources, monitoring market conditions, and maintaining adequate liquidity buffers. However, there can be no assurance that these measures will fully mitigate the potential impact of concentration risks on the Group's financial position and performance.

19. AUDITORS' FEES

The following is a summary description of fees incurred by the Company for the fiscal years ended December 31, 2022 and 2021:

	Year-ended December 31, 2022	Year-ended December 31, 2021
Audit fees	$ 3,767,495	$ 2,771,601
Audit related fees	27,268	252,325
Total	3,794,763	3,023,926

Audit related fees were for professional services associated with work performed in connection with registration statements.

20. EVENTS AFTER THE REPORTING PERIOD

In connection with a realignment of the Group's business operations, the role of Chief Operating Officer has been eliminated and Ernest Kremling, Chief Operating Officer, has left the Company effective January 13, 2023.

In connection with his departure, Mr. Kremling and the Group have entered into a Separation and Release Agreement, pursuant to which, in exchange for a general release of claims and certain restrictive covenants, Mr. Kremling is expected to receive a severance amount equal to: (i) 1.25 times his annual base salary; (ii) his target bonus for fiscal year 2023 adjusted for his time spent with the Company; plus (iii) the Company's portion of the applicable premiums for COBRA continuation coverage for 15 months.

The Group has repurchased approximately 3.6 million ordinary shares for approximately $24.0 million after December 31, 2022 through June 7, 2023.

On March 8, 2023, the Group announced the appointment of Haitham Khouri to serve as the Chief Executive Officer of the Company effective immediately. Mr. Khouri succeeded Edward Goldberg, who transitioned to the role of Vice Chairman of the Group effective immediately.

On May 8, 2023, the Compensation Committee (the "Committee") and the Board of Directors (the "Board") of the Group: (i) approved or, in the case of the Group's directors and executive officers, the Committee recommended and the Board approved, an amendment to each outstanding Stock Option Agreement (the "Option Agreement Amendments") that has been granted under the Group's 2021 Equity Incentive Plan (the "Plan"); and (ii) approved changes to the Group's annual cash incentive compensation program effective for fiscal year 2023 (the "2023 Annual Incentive Program"). These changes were made following an annual review by the Committee of the Group's incentive programs. The changes include revisions to performance conditions designed to better promote sustained growth and value creation over time, while also accounting for seasonal fluctuations outside the Group's control, to ensure that its employees remain motivated and incentivized to achieve short- and long-term goals.

There have been no other circumstances or events subsequent to the year-end which require adjustment of or additional disclosure in the financial statements or the accompanying notes through the date of issuance of these financial statements on June 21, 2023.