



PERMASCAND TOP HOLDING AB

ANNUAL REPORT

2021







Table of contents

This is Permascand	4
The year in brief.....	10
Comments from the CEO	12
Core technology platform.....	14
Sales and development process.....	16
Market forces and trends.....	18
Business segment – Electrification & Renewables.....	22
Business segment – Industrial Solutions.....	24
Business segment – Water treatment	26
Strategy for growth.....	28
Corporate governance report.....	32
Board of Directors.....	42
Permascand's share.....	48
Director's report.....	51
Risks and risk management.....	54
Proposed allocation of profits	55
Consolidated statement of comprehensive income	57
Consolidated balance sheet.....	58
Consolidated statement of changes in equity.....	60
Consolidated cash flow statement.....	61
Notes to the consolidated financial statements	62
Parent Company accounts.....	94
Notes to the Parent Company accounts.....	97
Signatures of the Board of Directors.....	102
Statement from the auditor.....	103
Definitions and Glossary	106

The statutory Annual Report is comprised of pages 32-46 and pages 51-102 The Corporate Governance Report is part of the Director's Report and is contained in pages 32-46.

This is Permascand

Permascand is an independent technology-driven manufacturer of world-leading electrochemical solutions – based on proprietary catalytic coatings – for clean tech applications.

With a customer-centric focus, the company has supplied electrodes and aftermarket services to a variety of industries for more than 50 years. Permascand's headquarters are in Ljungaverk, Sweden, where the company also conducts research and development, engineering innovation and manufacturing. Permascand also has offices in Stockholm, Gothenburg, and in Vancouver, Canada.

Permascand divides its operations into three business segments: Electrification & Renewables, Industrial Solutions and Water Treatment, which are all directly linked to clean tech applications that reduce environmental impact.



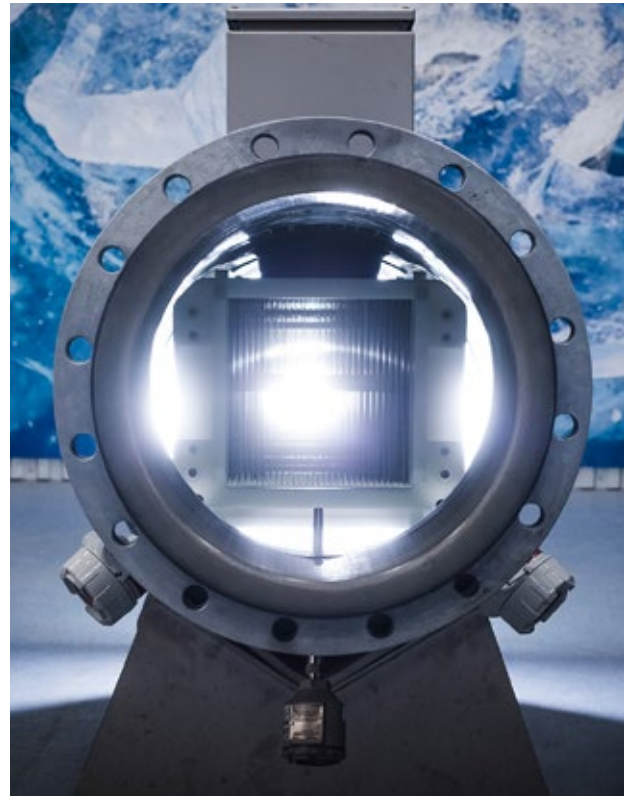
Electrification & Renewables

Permascand's Electrification & Renewables segment includes products in which electrochemical cells are used for electrowinning of metals, as well as methods for the extraction of lithium and production of green hydrogen. These are two compounds that are important for the global transformation to sustainable energy due to their usage in fossil-free transportation and energy storage.



Industrial Solutions

Permascand's Industrial Solutions segment is made up of production mainly for customers in the chemicals industry. The products in this segment enable customers to reduce their energy consumption, and include electrode manufacturing and manufacturing of complete chlorate and chloralkali process systems for new and existing plants, as well as recoating and refurbishment of installed bases.



Water Treatment

Permascand's Water Treatment segment includes products for electrochemical disinfection of water, primarily within the marine sector and treatment of ballast water for ships, but the range also includes standard systems with other areas of application. Permascand is one of the largest suppliers of electrochlorination cells for ballast water treatment systems (BTWS) all over the world.

Permascand's strengths



Global provider of vital solutions to a range of industries that enable the transformation to a greener society.



Generate value through the experience, knowledge and research and development amassed since 1971.



Well positioned for growth with growing markets that are driven by the sustainability megatrend.



Proven credentials in developing innovative solutions tailored to the customer's specific needs.



Attractive business model with a high degree of recurring revenues from major global customers.



Strong organic growth and a healthy order book, along with extensive investments in automation.



Management team and organisation in place to deliver profitable growth.

Vision

Permascand's vision is to be the number 1 global independent provider of electrochemical solutions for vital clean tech applications.

Mission

To deliver innovative, competitive, engineering and manufacturing solutions for the Electrification & Renewables, Industrial Solutions and Water Treatment markets.

Core values

To create value through continuous improvements to Permascand's value chain.

To be responsible and dedicated in Permascand's relationships with all stakeholders.

To maintain the highest levels of professionalism in everything that Permascand does, including through the development of innovative solutions.





Did you know that...?

Hydrogen has substantial potential as a source of green energy, not only for vehicles but also to generate electricity for industrial processes. Hydrogen can be produced from almost all forms of energy, such as fossil fuels and renewable energy, which means it is very promising. Hydrogen is not a source of energy in itself, rather it is used to store energy from other sources. In other words, it becomes a fuel that can be stored in, for instance, tanks.

A fuel cell (or battery) converts energy that is stored in hydrogen into electricity by using an electrolyte, which separates the protons and electrons within hydrogen to create a stream of electrons (electricity). The electrochemical process of the fuel cell creates water and heat as by-products, rather than greenhouse gases.

Permascand aims to develop and design commercial hydrogen solutions for the market and the future and thus help reduce environmental impact.

Built a stable foundation for strong growth in 2022, despite the impact of the pandemic.

377 SEK m
Order inflow

451 SEK m
Order book value

405 SEK m
Sales

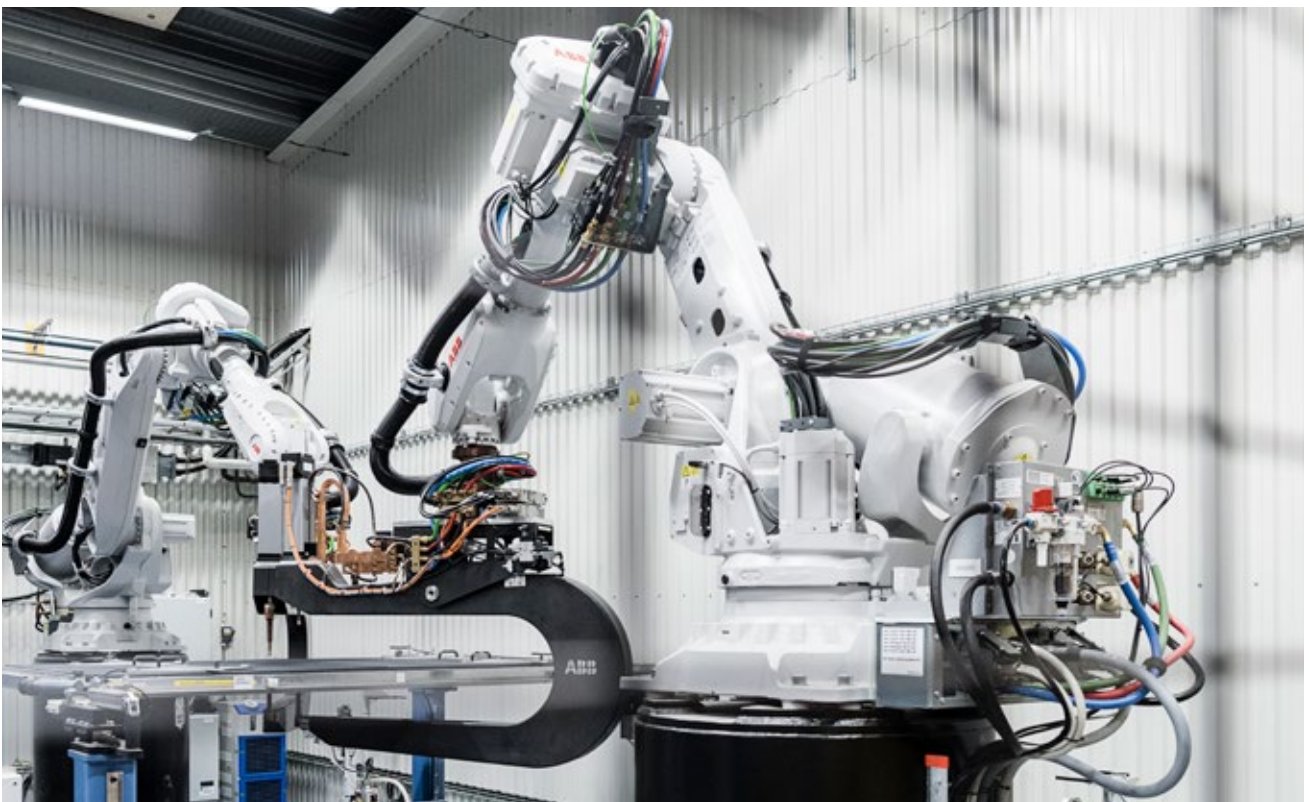
60 SEK m
Adjusted operating profit

20 SEK m
Profits after tax

0.37 SEK
Earnings per share

The year in brief

2021 has been a very busy year for Permascand and the company has laid a firm foundation for strong growth ahead.



Major orders, new customers and partnerships

Permascand has signed a large, important order within Water Treatment. Furthermore, the company has seen stable growth in the other business segments. Within Industrial Solutions a framework agreement was signed with one of the leading global players in the chlorate and sodium hydroxide market that has placed the company in a strategically important position for growth in the North-American market. Within Electrification & Renewables a successful partnership was established with Verdagy. Prototypes have been created and the next step will be to produce sample cells for testing and finally commercialisation in an even larger test facility.

Investment in automation

In 2020, Permascand expanded its manufacturing capacity through the installation of an automated production line at its factory in Ljungaverk, Sweden for the manufacturing of products that are used in electrochemical water treatment systems and other applications. The investment has been fruitful, creating more efficient processes and work methods that have had a positive effect on gross profit in 2021.

A stable and profitable year full of strategic initiatives for strong growth going forward

2021 has been an eventful year for Permascand as it has for the whole world. The pandemic has continued to have a significant impact on global markets, particularly within the manufacturing industry and shipping. This has caused a delay in and reduction of order inflow compared to forecasts. We have nevertheless seen a historically high level of activity within our business segments. New products and customer projects are waiting in line to be started. Permascand has entered into many interesting partnership agreements and exciting customer projects during the year. Consequently, we have delivered a positive adjusted operating profit of SEK 60m this year.

The pandemic, higher prices for raw materials and disruptions in the transportation sector resulting in longer delivery times have affected order inflow and sales development in the short term. At the same time, this has had a positive effect as we have improved our production through more efficient production processes, which has made us even better prepared for profitable growth in the future. We have focused on our medium and long-term goals and adapted our business model to gain greater flexibility and more reliable delivery. We see that the investments and strategic initiatives we have made so far have generated more effective processes and procedures, which positions us well to take further market share once the markets recover.

Russia's invasion of Ukraine is a big tragedy and our thoughts are with all those who have suffered. Permascand has no direct business exposure to Russia nor to Ukraine, but there is still uncertainty about how the long-term consequences of the war will affect world trade, global supply chains, us and our customers. We are therefore carefully monitoring developments.

Success through Permascand's core technology platform

We are building further on our core technology platform and investing in the company's research team, which is a winning

concept for us. We have expanded our already strong research and development resources and we therefore now have four engineering doctoral students in the team. We have set up an office in Stockholm and added resources for the North-American market, which is just the beginning of our planned

expansion. Our extensive experience and know-how enable us to deliver successful concepts and smart engineering solutions tailored to each specific customer.

Permascand has a project underway for a new demonstration facility that will enable catalytic coatings to be made in a new way with greater efficiency, with lower costs and less environmental impact. The facility is to be installed during the second quarter of 2022. Through this facility we will further improve our already high level of product quality and reduce manufacturing costs, thereby enhancing our margins. The demonstration facility is an important aspect of strategic production technology that has been shaped for the future to deliver on a commercial scale.

Highlights of the year

Our listing on Nasdaq First North Premier Growth Market was an important step on our continued growth journey, and we will continue to deliver profitable growth by capitalising on fast-growing markets that are driven by environmental and sustainability-related megatrends. Moreover, Permascand turned 50 in 2021. We are very proud to be able to say that the company has delivered successful electrochemical solutions for clean tech applications for half a century, and that Permascand is one of the pioneers of dimensionally stable titan anodes, marketed under the brand PERMASCAND DSA®.

Electrification & Renewables

Our investment in a full-scale technology and innovation centre for hydrogen is progressing according to plan. It will enhance our position and our potential to deliver innovative, competitive, electrochemical and manufacturing solutions on a large scale to the fast-growing energy transformation market globally. Our plan is to have the technology and innovation centre up and running in 2022. Overall we plan to make investments of around SEK 300 million during the coming three years to develop the next-generation hydrogen electrodes and electrolyzers.

Permascand has many years of experience supplying hydrogen electrodes to the hydrogen market. We have great growth ambitions for green hydrogen – a sub-segment of Electrification & Renewables – so we are accelerating our investment in this area.

We believe there is a major opportunity in the market for green hydrogen produced through electrolysis, a market to which Permascand has supplied electrodes for electrolysis for more than 20 years. Green hydrogen holds the largest commercial potential for Permascand and our long-term ambition is to position ourselves as one of the leading independent providers of catalytic coatings, electrodes and electrochemical cells within the field.

The partnership agreement we signed with Verdagry for the joint development of a new electrochemical cell for the production of green hydrogen is also a significant step on our growth journey.

Water Treatment

Despite the shipping industry being heavily affected by the pandemic we have signed a large, important order within Water Treatment this year. Additionally, Permascand won Frost & Sullivan's "2021 European Technology Innovation Leadership" award for our environmental solution for water disinfection through electrochlorination, PERMACHLOR®, which allows low-energy consumption and highly efficient water treatment in several application areas. We are very proud of this prize as it recognises companies all over the world for exceptional performance in the areas of leadership, engineering innovation and strategic product development.

Industrial Solutions

Given the extraordinary challenges posed by the current market, Permascand has performed very well overall. Even without the impact of the pandemic, transportation difficulties or the increased prices of raw materials alone would have led to changes and delays in the industrial manufacturing market. We have seen continuous, stable demand within the Industrial Solutions business segment which has generated interesting projects, sales and good aftermarket opportunities. In 2021, a framework agreement was signed with one of the leading global players in the chlorate and sodium hydroxide market, which has placed us in a strategically important position for our planned growth in North America. Furthermore, in February 2022 we won two orders from a world-leading supplier of chlorate for the supply of electrochemical cells and related equipment for a Greenfield project in South America.

Summary

In summary, this has been a stable year with a high level of activity in terms of customer requests and operational progress, despite of challenging market circumstances. Demand has been positive and we have a bright outlook for the future as we have successfully adapted to the prevailing market situation and we expect demand to gradually increase. We have a very strong foundation from which to grow and accelerate once the market gathers pace again.

Finally, I would once again like to welcome all existing and new shareholders, and thank our employees, suppliers and partners who have all contributed to a historic, distinctive year for Permascand.

Peter Lundström, CEO Permascand

Permascand's core technology platform

Permascand manufactures vital electrochemical solutions and electrodes for a broad spectrum of application purposes. All of Permascand's products and solutions build upon the company's core technology.

Catalytic coatings

Catalytic coatings are the fundamental technical component within all of Permascand's customer solutions. Catalytic coatings are made up of a mixture of precious metals and other compounds, which create a "surface layer" that is applied to metal substrates, for instance titanium or nickel. As the coating acts as a "fuel" for the chemical reaction it gets gradually used up and needs to be reapplied after a certain number of years, depending on the area of application. An optimal coating improves the result and reduces energy consumption for Permascand's customers.

Electrodes

Catalytic coatings are Permascand's main product in the electrodes area, but usually the goal is to include complete electrodes in the offering, in other words, the actual anode and cathode. In industrial and other commercial usage, anode electrodes are always, and cathode electrodes sometimes, covered with a catalytic coating to give the desired effect. Permascand manufactures a range of electrodes with different structures. Anodes are given a catalytic coating over a layer of titanium, and cathodes are composed of steel or coated nickel, depending on the type of process. Permascand manufactures electrodes with an area of up to 3 m². Permascand's manufacturing and application expertise is fundamental to the

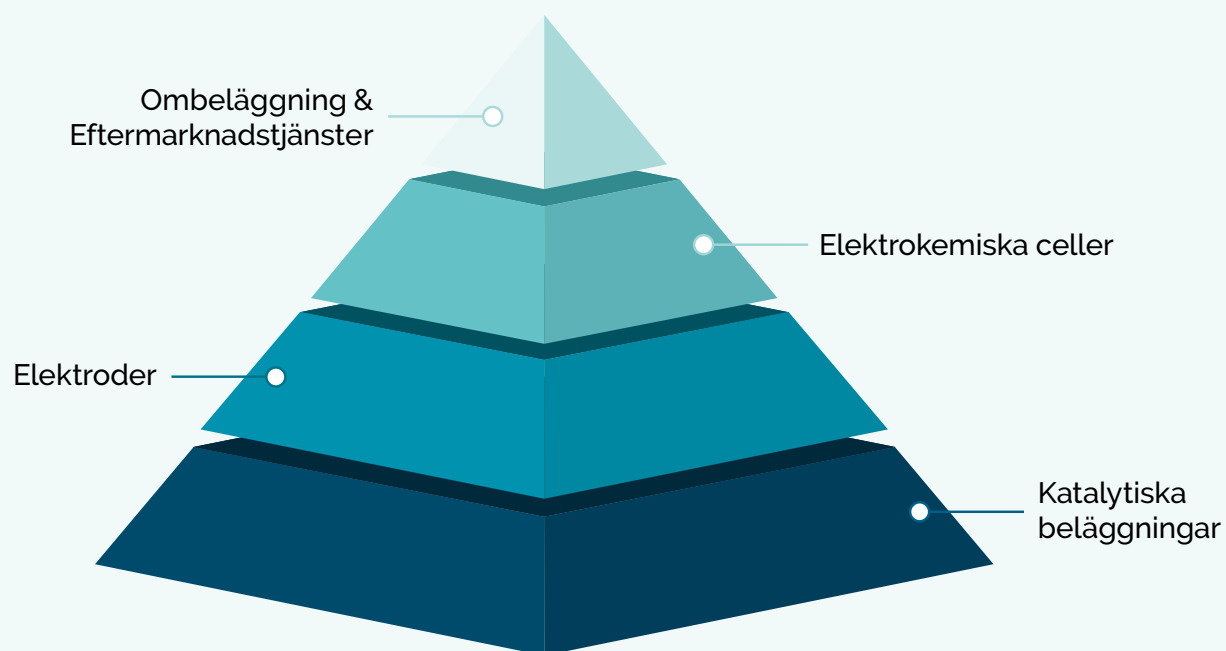
company being able to supply high-quality and high-performance Permascand DSA®. Similar to with coating, the configuration and construction of the electrodes is an important part of making Permascand's electrodes range as cost-effective as possible. This in turn depends on electrochemical performance, durability and electricity consumption, amongst other things.

Electrochemical cells

Permascand provides both coated electrodes and complete electrochemical cells. An electrochemical cell is used to generate chemical reactions when it is provided electricity. The configuration of the specific cell and the electrode, along with knowledge about how they are manufactured, are essential to assembling and producing high-quality electrochemical cells cost-efficiently.

Recoating and aftermarket services

Coated electrodes need to be recoated as their performance diminishes as the surface layer is consumed in use, or becomes dirty during the electrochemical process. The length of the recoating cycle varies between 2 and 12 years, depending on the electrochemical cell's composition and application area. Permascand offers high-quality recoating services for a range of applications.

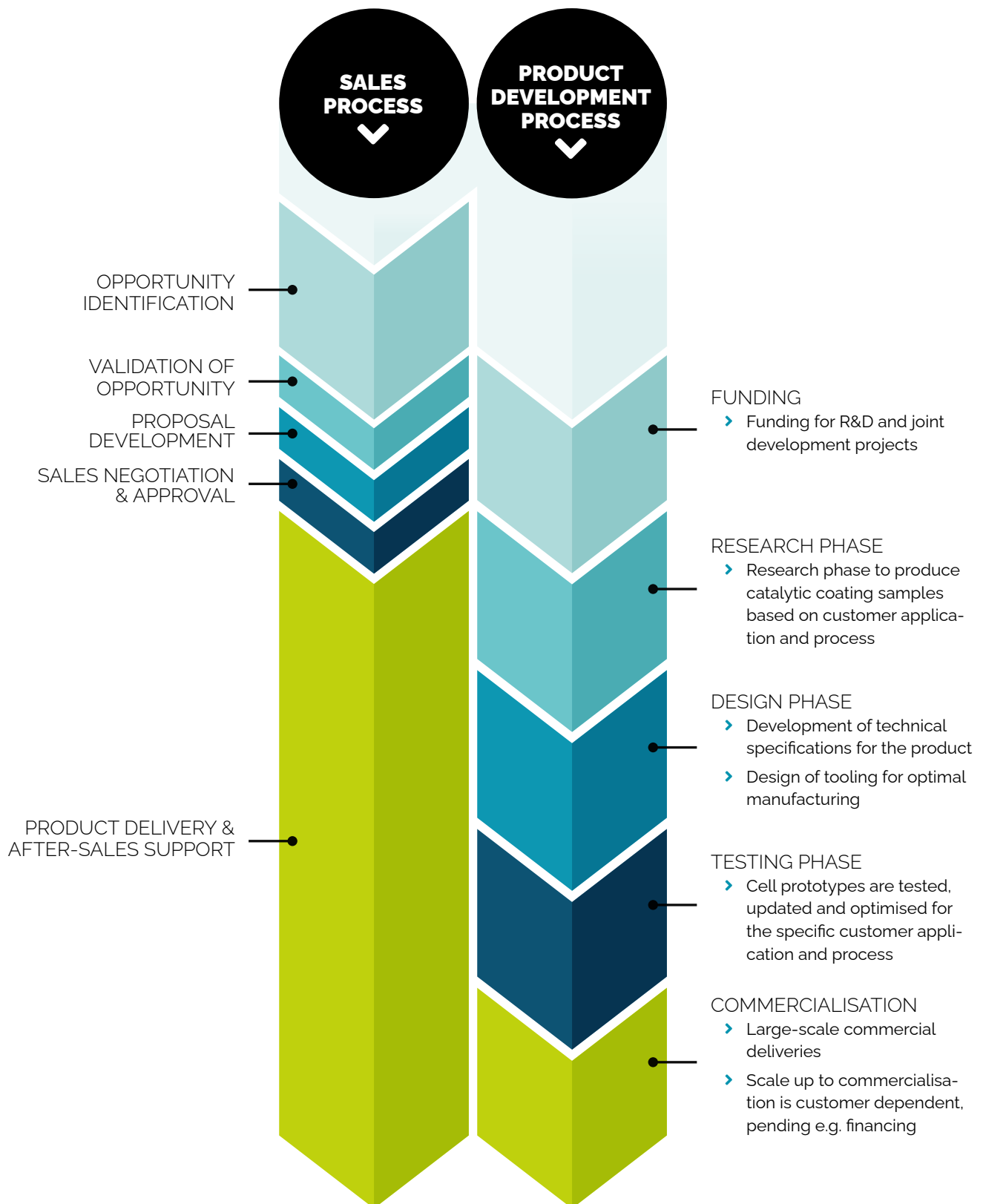


Permascand's sales and product development process

Meticulous and well-balanced preparatory work is required to be able to manufacture electrochemical solutions and electrodes based on the company's core technology.

Permascand's sales and product development processes can each be simplified into five overall steps, that run somewhat in parallel to each other. Sales are supported by research and development activities and lead to tailored solutions that are co-developed with the customer. We generate customer value through knowledge that is deeply embedded in end products, which creates loyal, returning customers.





Market forces and trends

Sustainability is at the core of Permascand's business and permeates everything the company does. The current global focus on sustainability and reducing the world's environmental impact is thereby expected to further drive demand for Permascand's products.

Sustainability megatrends, such as reducing climate change and carbon emissions, foster the development of processes that have a lower environmental impact. Industries with energy-intensive processes are therefore focusing on improving their energy-efficiency. This is why electrochemical solutions will be vital to a safer and more sustainable environment.

Climate-neutral targets driving the electrification of the transportation sector and efficient storage methods

In the **Electrification & Renewables** business segment, the electrochemical solutions offered by Permascand contribute to the sustainability of the electrowinning industry as they enable lead-based anodes to be replaced with titanium-based DSAs.


Electrification trends, such as regulatory changes for electric vehicles, expansion of the electric vehicle infrastructure, and the increase in electric vehicle manufacturing by global car manufacturers are all important drivers of the electrification of the transportation sector. This transition had led to a greater demand for lithium for battery production and for hydrogen that can be used as fuel. Further, greater demand for energy storage is expected as a result of the increasing importance of electricity grid management, for instance, load displacement and dealing with peaks, as a consequence of electrification and increasing consumption of renewable sources of energy, which require new storage methods.

Permascand's alternative production method for lithium extraction, which is being tested as part of a small-scale pilot project, does not require the conversion of brine into lithium carbonate prior to the lithium hydroxide extraction, thereby bypassing one step of the traditional process for lithium extraction. As Permascand's production method is more efficient, it entails lower costs and has a reduced environmental impact compared to the traditional method. This is driving demand for Permascand's solutions. As a next step,

"Permascand's electrochemical solutions can be used to produce green hydrogen."

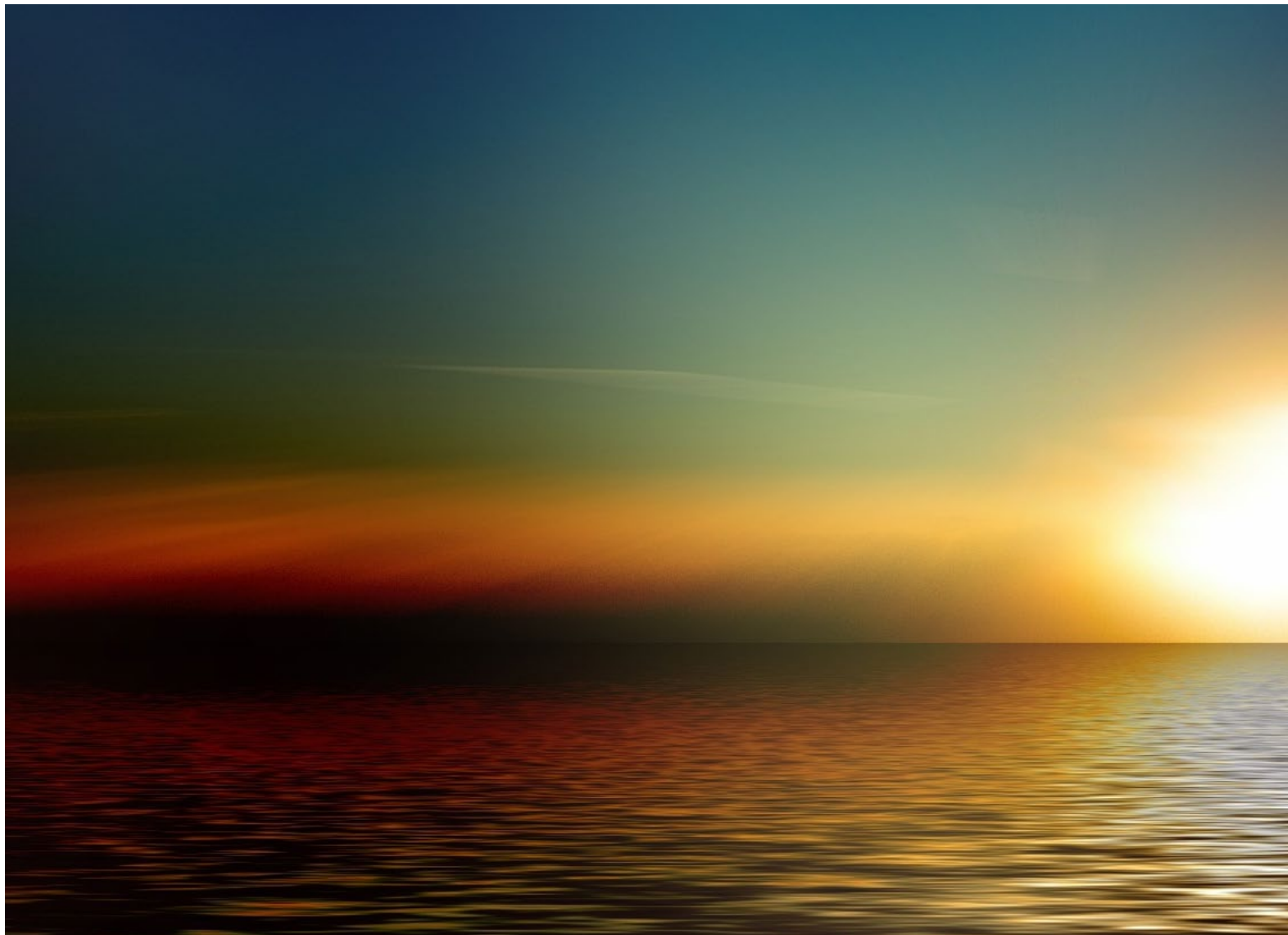
Permascand's goal is to transfer this method to a large-scale test phase, prior to full-scale commercialisation. Testing is being conducted in collaboration with Noram Engineering and Constructors Ltd., which has ordered the development of sample cells from Permascand.

Another example is hydrogen production for industrial purposes or as a fuel in vehicles, as Permascand's electrochemical solutions can be used for the production of green hydrogen. During the past year in particular, hydrogen has been acknowledged as one of the most important components in enabling the societal change needed to achieve global climate goals. Hydrogen does not emit carbon dioxide and hardly generates any air pollution when being used. However, traditional methods of hydrogen production are powered by a combination of fossil fuels. If the hydrogen that is produced uses electricity from renewable energy sources, rather than fossil-fuel-based production, the hydrogen can be produced and consumed as a fuel with zero, or almost zero, carbon dioxide emissions. Permascand's solution is used to charge the electrochemical reaction. Hydrogen can replace fossil fuels in certain carbon dioxide-intensive industrial processes, for instance, the steel and chemicals industries, and thereby reduce greenhouse gas emissions and strengthen the global competitiveness of these industries. Permascand thereby offers a solution for reducing the carbon dioxide emissions from industrial processes and sectors where it is both

A glass globe reflecting a forest scene, resting on moss and ferns. The globe is positioned in the lower-left quadrant, showing a reflection of a dense green forest. It sits on a bed of dark, textured moss. To the right of the globe, a bright green fern frond extends upwards. The background is a soft, out-of-focus green, suggesting a sunlit forest floor.

Did you know?

Electrochemistry is fundamental to many of the processes used in everyday life. Batteries are one example of electrolytic cells, but electrochemical reactions are involved in several other types of energy storage, energy conversion, industrial electrolysis, corrosion protection, hydrogen production, water treatment, electrowinning and detection instruments, such as measuring alcohol levels in exhaled air.



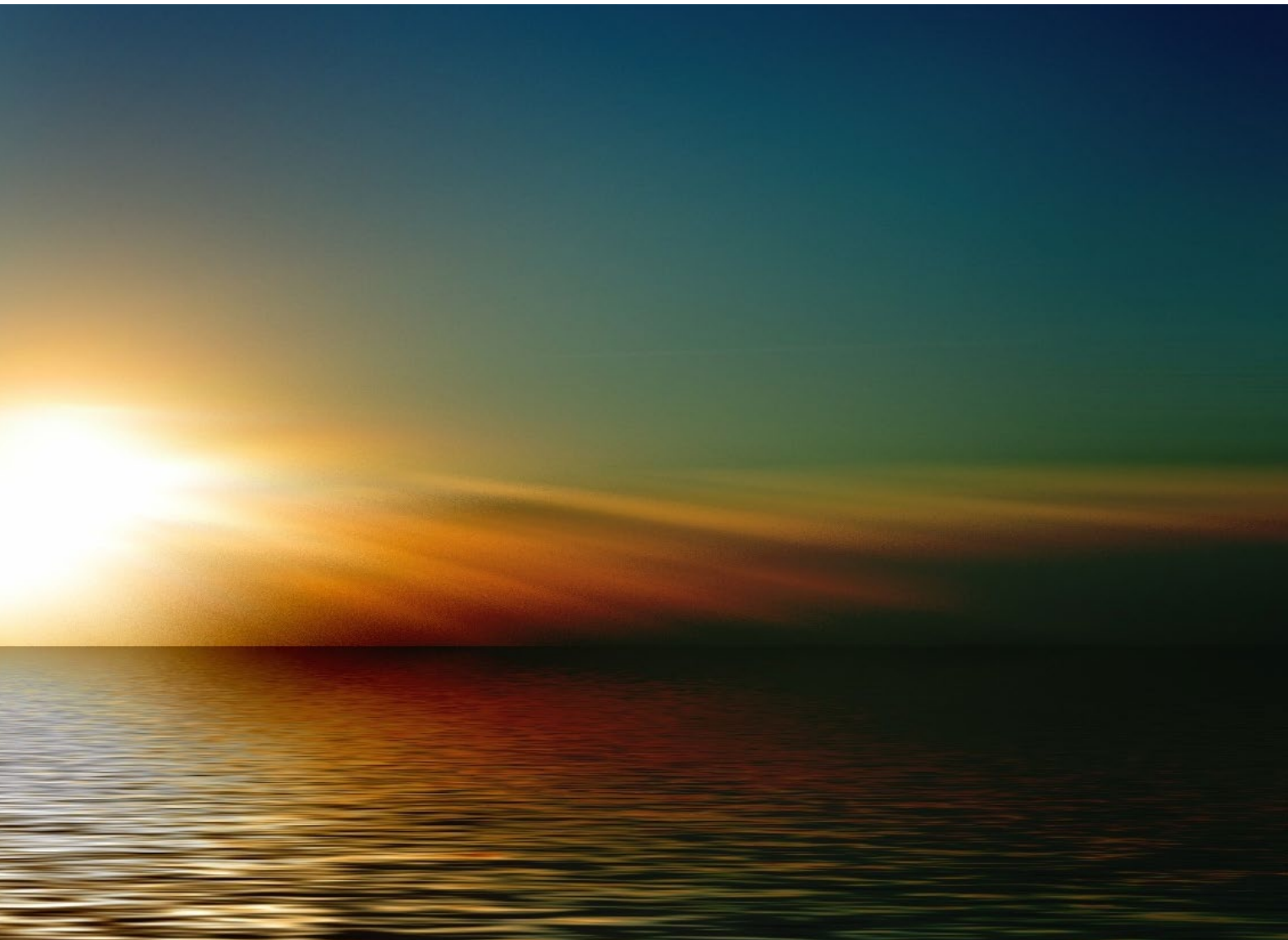
urgent and difficult to reduce these emissions. In the long term though, hydrogen's potential will depend upon the speed of its development compared with competing methods, and on how the different technological alternatives are subsidised. The rapid reduction in the cost of renewable energy, technological advancements and the necessity to dramatically reduce greenhouse gas emissions all create new opportunities for Permascand. In 2020 the EU adopted a hydrogen strategy for a climate-neutral Europe, and most countries already have national programmes in place.

Finally, within the energy and transmission segment Permascand manufactures electrodes used in the cooling of thyristor valves used in HVDC (high voltage direct current) converter stations. Thyristor valves are a central part of HVDC conversion, either to or from alternating current. The technology is primarily used in conjunction with large electricity infrastructure projects where the electricity needs to be converted from alternating current to direct current to be more efficiently transferred across long distances, above ground or below water.

A range of applications driving demand for chlorate and chloralkali services

One of the important drivers within the Industrial Solutions segment is the production of pulp and paper.

Around 95 per cent of all chlorate produced is used in the manufacturing of pulp and paper. Chlorate is used to produce chlorine dioxide, a bleach that is then used to produce high-quality, environmentally friendly paper products. The demand for chloralkali is also linked to the construction industry. As the construction industry uses the end-products of chloralkali processes, such as PVC plastic tubing, plastic for doors and other chemicals to manufacture insulation material for example, the industry is a significant driver of the demand for chloralkali. Due to its very good insulation properties, PVC is also used a lot for cabling and in the construction of electricity infrastructure. Caustic soda is one of the chemicals that is produced through electrolysis, and it has a wide range of usage areas, including household products such as soap. Since caustic soda can be used for so many purposes, the general economic cycle also drives the demand for chlorate and chloralkali services.



*Demand for Permascand's products in the **Water Treatment** segment is being driven by the increased focus on the sustainability of the world's oceans.*

Sustainability and stricter regulations are a powerful driver of water treatment solutions

Demand for Permascand's products in the **Water Treatment** segment is being driven by the increased focus on the sustainability of the world's oceans. Permascand's BWTS solutions prevent invasive water-based species from spreading to local waters and threatening the biodiversity of the oceans.

The major driver of the BWTS market is the regulations introduced by the USCG (United States Coast Guard) and

IMO (International Maritime Organisation), which require all vessels that travel across continents to install a proper BWTS. IMO's rules for handling ballast water have been ratified in 79 countries, which collectively represent 80 per cent of the global merchant shipping tonnage. These rules were tightened in 2016 and as a result the BWTS regulations apply to all instalments implemented after October 2020, and the number of IMO-approved BWTS suppliers has dropped from 60 to 19 (as of July 2020). All vessels that are affected by IMO's BWTS regulations are required to install an approved BWTS during their next planned dry-docking, but no later than September 2024. Due to the pandemic's impact on the demand for shipping and on the maritime industry, the deadline for installing a BWTS has been postponed by one year, to relieve shipping companies and operators of the cost of installing the system.

Permascand believes that the company's focus on sustainability in all of the segments where it is active will drive demand for its products and contribute to future revenue growth.

Electrification & Renewables

In 2021, the Electrification & Renewables business segment accounted for 15 per cent of the Group's total revenues.

Permascand's Electrification & Renewables segment includes products in which electrochemical cells are used for electrowinning of metals and providing technology for the extraction of lithium and production of green hydrogen. These are two compounds that are important for the global transformation to sustainable energy due to their uses in fossil-free transportation and energy storage.

Hydrogen

Permascand has supplied activated nickel cathodes and other cell components for alkaline water electrolysis and hydrogen for almost 20 years.

The segment comprises the design and manufacturing of electrochemical cells and electrodes that are used for the extraction of hydrogen from alkaline water (water mixed with an electrolyte, normally the electrolytes are salt, acid or base solutions - for instance, saline solution is an alkaline water) through electrolysis.

Hydrogen power as a clean tech is growing on the global market. There are several application areas for hydrogen, including as fuel for electric vehicles, energy storage, network stabilisation, and as a fuel and input material for industrial manufacturing. Permascand's customers in the hydrogen industry are focused on hydrogen production for industrial purposes or as a fuel for vehicles.

Hydrogen has become widely acknowledged as one of the most important components in enabling the societal transformation needed to achieve global climate goals. Hydrogen does not emit carbon dioxide and hardly generates any air pollution when being used. Hydrogen can replace fossil fuels in certain carbon dioxide-intensive industrial processes, for instance the steel and chemicals industries, reduce greenhouse gas emissions and strengthen the global competitiveness of these industries.

There are two main techniques for the extraction of green hydrogen currently at the stage of commercialisation: Alkaline water electrolysis (ALK) and Polymer electrolyte membrane electrolysis (PEM). ALK, which is relevant to Permascand, is more appropriate for medium to large-scale

industrial installations while PEM is more suitable for managing variable electricity load. Market share for these techniques is currently 60 per cent for ALK and 40 per cent for PEM.

Lithium

Electrochemical cells can be used to manufacture lithium hydroxide, an essential chemical in lithium batteries. Permascand provides electrolysis cells for the extraction of lithium hydroxide. Compared to the traditional process described below, the electrochemical process consumes less energy and gives a high-quality product. Given that lithium hydroxide is a central element in the manufacturing of batteries for electric vehicles, mobile phones and computers, scalable lithium production is crucial for the global transition from fossil fuels to electricity.

Electrowinning

Permascand has been a leading supplier of dimensionally stable anodes for electrowinning since the beginning of the 1970s. Electrowinning is a method that is used to extract certain types of metals. Using electrodes to purify and extract metals such as nickel, copper, cobalt and zinc is the industry standard. Permascand manufactures coated anodes that are a key component in the electrowinning of metals such as nickel and copper.

Permascand's unique combination of deep electrochemical knowledge and a long history of designing electrodes means (i) anodes have a longer lifetime, (ii) low energy consumption, (iii) high level of service, (iv) low cost of capital, (v) low operating costs.

Power transmission

Permascand supplies electrodes used in the cooling of thyristor valves used in HVDC converter stations. Permascand's proprietary technology has been developed in collaboration with one of its customers which is a manufacturer of HVDC converter stations. Permascand is the sole supplier of this technology to the customer and has been so for some 30 years.



SHARE OF
THE GROUP'S SALES



Industrial Solutions

In 2021, the Industrial Solutions business segment accounted for 37 per cent of the Group's total revenues.

Permascand's Industrial Solutions segment is made up of production mainly for customers in the chemicals industry. The products in this segment enable customers to reduce their energy consumption, and include electrode manufacturing and manufacturing of complete chlorate and chloralkali process systems for new and existing plants, as well as recoating and refurbishment of installed bases.

Permascand divides its Industrial Solutions business segment into two areas: New plants and Recoating and aftermarket services. Permascand DSA® is the brand of Permascand's anode electrodes with a catalytic coating. These anode electrodes are used for industrial processes such as producing chlorine and chlorate.

Until the end of the 1960s the anodes that were used in chlorate and chloralkali processes were made of magnetite (iron-based) or graphite (carbon). All anode material is consumed during usage, which means that sludge builds up in the cells and that the gap between the electrodes, in other words the distance between the cathode and anode, increases over time. This leads to higher cell voltage which increases energy costs.

The anodes, therefore, have to be replaced regularly, usually once per year. Catalytic coatings on a titanium substrate – dimensionally stable anodes – was a disruptive technology when the invention was first patented in 1958, as it led to three important improvements: (i) lower energy consumption, (ii) no consumption of material (i.e. dimensional stability) and (iii) fewer maintenance steps for replacing the anodes. The


energy savings when using catalytic coatings compared to traditional lead anodes are 10 to 15 per cent.

The Industrial Solutions business segment targets industries that use electrolysis of potassium chloride, sodium chloride solutions or brine to manufacture caustic soda, chlorine or chlorate. These chemicals are subsequently used in several different industries including pulp and paper, organic and non-organic chemical production, and PVC plastic production. The products in this segment include electrode manufacturing and manufacturing of complete chlorate and chloralkali process systems for new and existing plants, as well as recoating and refurbishment of installed bases. Permascand's products cover all major electrochemical processes within OEM manufacturing.

Recoating and Aftermarket services

The operating time for an electrochemical cell is based on regular recoating and aftermarket services, and depends on the cell technology and operation in the specific plant. Generally, chlorate and chloralkali cells are taken out of service after 8 to 12 years due to deterioration of performance. In this segment, the technical life of a cell can be longer than 40 years, which means that all installed cells have to be recoated and/or refurbished 3 to 5 times before they are replaced.

Permascand has the capacity to carry out recoating and aftermarket services for all the major OEM processes in the Industrial Solutions business segment. In this case, Permascand's customer is the end-user, i.e., chemical plants.

A detailed photograph of an industrial robotic arm, likely a KUKA model, in a factory setting. The arm is white and grey, with a circular gauge visible on its side. It is equipped with various cables and connectors, including a prominent orange connector. The background shows a blurred industrial environment with other machinery and a bright light source.

SHARE OF
THE GROUP TURNOVER

37%

Water Treatment

In 2021, the Water Treatment business segment accounted for 48 per cent of the Group's total revenues.

Permascand's Water Treatment segment includes products for electrochemical disinfection of water, primarily within the marine sector and treatment of ballast water for ships, but the range also includes standard systems with other areas of application.

Since seawater contains many biological species, it can damage equipment and pipes if the incoming water is not properly cleaned using chlorine or other biocides. Chlorine is most commonly used for killing macrospecies (mussels and oysters) and microspecies (bacteria, myxobacterium and algae). Sodium hypochlorite has become internationally accepted as a safe and effective alternative disinfectant or biocide for dealing with marine growth.

Not only does the method protect equipment and pipes, it can also be used to protect global marine ecosystems, as it prevents marine species from spreading and invading other ecosystems.

Permascand's water treatment system can also be used to disinfect water that is a major part of coastal and ocean-based industries, and oil/gas rigs that require enormous quantities of water for their cooling systems.

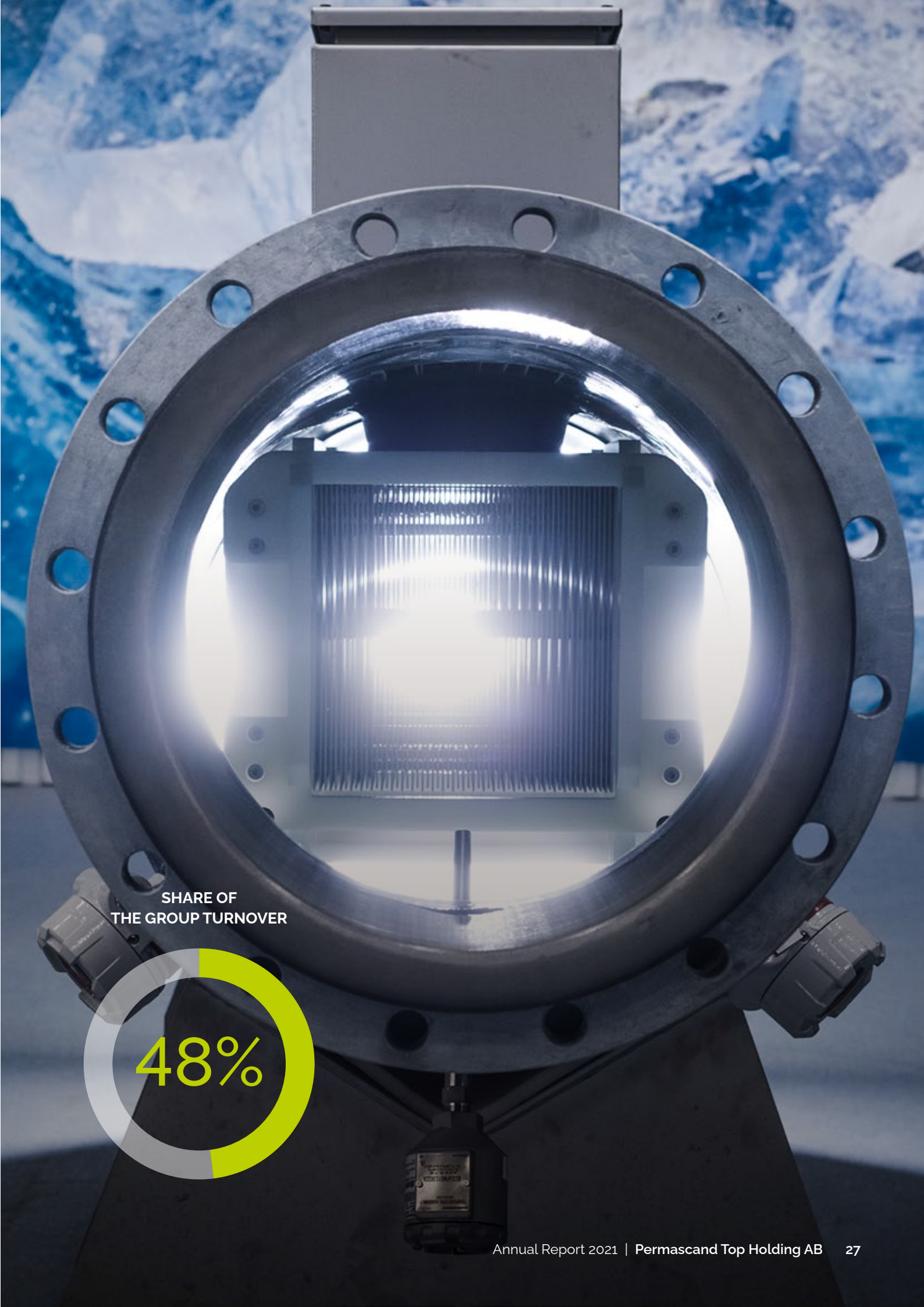
PERMACHLOR® electrochlorination cells for BWTS

In the maritime sector, electrochlorination is used for vessels such as tankers, cargo ships, container ships and bulk carriers to disinfect ballast water. These ships carry enormous volumes of ballast water for stabilisation, as the ballast water

Permascand's water treatment system prevents marine species from spreading and invading other ecosystems."

weighs down the ship and lowers its centre of gravity. When the ship is being loaded the ballast has to be reduced, i.e., the quantity of water that was put into the ballast tank in the previous port when the cargo was offloaded. This entails a risk of introducing invasive marine species into local waters, which threatens the biodiversity of the oceans.

Permascand's PermaChlor® cells for BWTS are IMO and USCG certified via Permascand's customers. The cells provide efficient water treatment as well as safe emptying and management of ballast water. Permascand's PermaChlor® cells for BWTS can be placed anywhere on the ship and take less space than other types of BWTS, such as UV radiation. Using Permascand's PermaChlor® cells for BWTS can help mitigate the risk of invasive species spreading. Permascand is one of the largest suppliers of electrochlorination cells for BWTS (ballast water treatment systems) all over the world.



SHARE OF
THE GROUP TURNOVER

48%

Strategy for growth

For more than 50 years, Permascand has made continuous investments in innovation and in the ongoing improvement of its core technology platform. Permascand's overarching strategic ambition is to continue to develop and commercialise innovative solutions based on our core technology platform, to ensure we create enduring customer relationships and increase aftermarket sales based on currently delivered samples.





Electrification & Renewables

Capture the emerging market for lithium and green hydrogen and continue to develop energy-efficient electrowinning solutions.

Permascand's Electrification & Renewables strategy is focused on projects related to green hydrogen, lithium extraction and development of the electrowinning business.

Permascand's long-term goal is to be one of the world's leading providers of solutions for the production of green hydrogen, by using its many years of experience within the electrode and water electrolysis fields. Our strategy has a three-pronged approach: continue to develop the current product range and ongoing green-hydrogen customer projects; research and development as well as partnerships to expand our customer portfolio; and expand our offering to include complete electrochemical cells for the production of green hydrogen.

In the lithium extraction area, Permascand's near-term focus is on the construction market, primarily to supply cells for the construction of new plants and for extending the

capacity of existing plants. This will be done by validating the extraction method on a larger scale for substantial commercial application. Permascand believes that the delivery of the first cell for industrial-scale lithium extraction in 2023 may increase the validity of the technology with the help of new methods. Permascand's long-term focus in the lithium extraction area is to develop a recurring aftermarket model, with a recoating cycle of between 2 to 5 years.

Permascand's electrowinning strategy is to continue with the current business development approach and target new opportunities, as well as deepen existing customer relationships. In terms of new opportunities, the priority is mainly to expand PERMASCAND DSA® into new electrowinning application areas, while focusing on successful deliveries for existing customers through a customer-oriented strategy.



Industrial Solutions

Expand Permascand's reach, continuously improve technology and enhance customer support

Permascand is focused on ongoing research and development initiatives and projects, such as the development of Chemetry's new eShuttle® technology, which combines electrochemical and catalytic processes. Research and development is being conducted, in combination with partnerships with customers, to increase the effectiveness and manufacturing the capacity of the product.

Permascand plans to leverage its strong position on the European market to expand further in North America. This has already resulted in the framework agreement that was signed with one of the global leaders in the chlorate and sodium hydroxide market. Expansion is also underway through our presence via partner workshops and a sales

office in Vancouver, Canada. The expansion in North America has a three-pronged approach consisting of expanding sales capacity through an additional sales office, evaluating the establishment of further partnership workshops, and winning market share via active business development based on Permascand's extensive experience and know-how in electrochemical solutions for C&C plants.

Permascand's aftermarket strategy consists of offering attractive aftermarket services through excellent customer support to maintain high customer retention and recurring revenues from recoating services. Some examples of our customer support initiatives include enhancing local customer support and setting up interactive customer support processes.



Water Treatment

Generate revenue streams from retrofitting ballast water treatment systems in response to new regulations.

The BWTS market is expected to grow with a CAGR of 14.2 per cent from SEK 1.2 billion in 2020 to SEK 2.4 billion, which represents a strong opportunity for growth for Permascand in retrofitting and aftermarket services. Permascand is well positioned, and has invested right, to be able to capitalise on this growing market, and will target customers that develop electrochlorination BWTS for regulatory approval in accordance with the IMO and USCG rules.

By working closely with customers throughout the product development, Permascand helps its customers to gain regulatory approval for their BWTS, which leads to more BWTS that use Permascand's electrochlorination technology for the end-customer to choose from. In 2021, Permascand signed a

major, important order for delivery in 2022, retained long-term customer relationships and delivered PermaChlor®. Additionally, Permascand continuously develops its long-term relationships with existing customers throughout the product development.

Permascand's medium to long-term focus is to build a large installed base as the number of maritime vessels in its target market will increase from around 13,000 in 2020 to around 40,000 in 2025. Permascand plans to take what it has learnt from its well-established Industrial Solutions segment, where the majority of revenues come from recurring recoating services, and replicate this successful approach in the BWTS area by transitioning to attractive, recurring aftermarket services.

Corporate Governance Report 2021

Permascand is a Swedish public limited company. The company's shares have been listed on Nasdaq First North Premier Growth Market since 4 June 2021.

This Corporate Governance Report is part of the Director's Report contained in pages 51-55.

The company is mainly governed by the Swedish Companies Act and the Swedish Annual Accounts Act. The company also complies with Nasdaq Stockholm's Rule Book for Issuers on the Nasdaq First North Premier, the regulations of the Swedish Financial Supervisory Authority, the Swedish Corporate Governance Code (the Code) and the Swedish Securities Council's good practice on the Swedish stock market. Permascand has applied the Code since its first day of trading on 4 June 2021, with the exception that no limited assurance was conducted of the company's half-yearly report nor the interim report for the third quarter of 2021 since a limited assurance was carried out of the interim report for the first quarter. More information about Permascand's corporate governance can be found on the company's website.

Shareholders

The total number of shares of Permascand Top Holding AB amount to 59,313,529. All shares have equal voting rights and equal rights to the company's profit and equity. As of 31 December 2021, the company's registered share capital amounted to SEK 2,196,797. There are no provisions within Permascand Top Holding's articles of association that limit the rights to transfer shares.

There is an outstanding authorisation, granted by the Annual General Meeting held in 2021, for the Board of Directors to decide upon the issuance of shares, warrants and/or convertibles, with or without deviating from the shareholders' preferential rights, in an amount equal to no more than ten per cent of the total number of shares in the company at the time the authorisation is first applied. Permascand Top Holding had 3,071 shareholders at year-end. The ten largest shareholders accounted for 84 per cent of the company's votes and shares. Swedish investors owned 50 per cent of the shares and votes. As of 31 December 2021, the largest shareholder was Norvestor VI L.P. with 45 per cent of the shares and votes. The second largest shareholder was Ulven Invest AB with 10 per cent of the shares and votes, and the third largest shareholder was 5J Holding AB with 10 per cent of the shares and votes.

General Meeting of Shareholders

Shareholders exercise their rights in the company at the general meeting of shareholders, which is the company's highest decision-making body. Shareholders resolve important matters concerning the company at the general meeting of shareholders. The Annual General Meeting must be held within six months of the end of the financial year. The main

areas that are resolved at the Annual General Meeting include: election of the Board of Directors and Auditor, including the board fees and auditor fees, adoption of the prior year's annual report including the appropriation of the company's profits or loss, and discharge of the Board of Directors and Chief Executive Office from liability for the prior year.

In addition to the Annual General Meeting the company can also convene an extraordinary general meeting. In accordance with the company's articles of association and the Swedish Companies Act, a notice of the Annual General Meeting and the extraordinary general meeting, during which changes to the articles of association are to be decided, must be given no earlier than six weeks and no later than four weeks prior to the meeting. Notice of other extraordinary general meetings is to be given no earlier than six weeks and no later than two weeks prior to the meeting. Notice of the general meeting of shareholders should be announced in the Swedish Official Gazette as well as on the company's website. The company should announce that the notice has been published through an advertisement in the Swedish daily newspaper Dagens Industri, placed at the same time.

Right to attend the General Meetings of the Shareholders

All shareholders that are directly registered with Euroclear's shareholders' register six banking days prior to the general meeting of the shareholders, and who have notified the company of their intention to attend the general meeting of the shareholders no later than the date stated in the notification, have the right to attend the general meeting of the shareholders and vote in accordance with their shareholding. Voting registrations requested by shareholders at such time that registration has been made by relevant nominees no later than two banking days after the record date will also be taken into account in the production of the shareholders' register. Shareholders can usually notify their intention to attend the general meeting of shareholders in a number of different ways, which are described in the notice of the meeting.

Nominations Committee

At the Annual General Meeting on 22 April 2021, the shareholders adopted a policy stipulating that the Nominations Committee shall consist of five members, four of which are to be appointed by the four largest registered shareholders in terms of voting power at the end of the third quarter of Permascand's financial year, as well as the Chairman of the Board.

The duties of the Nominations Committee include submitting



proposals to the 2022 Annual General Meeting on the chairperson for the general meeting, board member candidates (including the chairperson), fees and other remuneration for board members as well as fees for work in the committees, election of auditor and auditor fees, and a proposal on the Nominations Committee for next year's Annual General Meeting. The Nominations Committee has applied rule 4.1 of the Code as its diversity policy for its nominations work. The objective is to achieve an appropriate composition of the Board in terms of diversity and breadth of gender, age, competence and experience. The current composition of the Board is a result of the work of the Nominations Committee ahead of the 2021 Annual General Meeting. The Board consists of two women and seven men.

The proposal of the Nominations Committee is included in the notification of the Annual General Meeting. Ahead of the 2022 Annual General Meeting, the Nominations Committee consists of the following members:

- ▶ Trond Bjørnøy (appointed by Norvestor VI LP)
- ▶ Fredrik Herlitz (appointed by 5J Holding AB)
- ▶ Ingar Jensen (appointed by Ulvén Invest AB)
- ▶ Patrik Jonsson (appointed by SEB Fonder)
- ▶ Per Lindberg (chairman of Board, Permascand Top Holding AB)

Trond Bjørnøy was elected as Chairman of the Nominations Committee.

Board of Directors

After the general meeting of shareholders, the company's Board of Directors is the highest decision-making body. In accordance with the Swedish Companies Act, the Board is responsible for the management and organisation of the company, which means that amongst other matters the Board is responsible for laying down routines and strategies, ensuring that goals are evaluated, continual assessment of Permascand's financial position and performance, and evaluation of

the operational management. The Board is also responsible for ensuring that the Annual Report, consolidated financial statements and interim reports are prepared in a timely fashion. The Board also appoints the company's Chief Executive Officer.

The Board follows written rules of procedure which are reviewed annually and adopted by the statutory Board meeting each year, or by other means if necessary. The rules of procedure govern, amongst other things, Board practices, its functions and the allocation of work between Board members, the committees and the CEO. At the statutory meeting the Board also adopts instructions for the CEO including instructions related to financial reporting.

The Board of Directors meet according to a plan established annually. As well as these meetings, further Board meetings may be convened to resolve on matters that cannot be referred to a scheduled meeting. In addition to the Board meetings, the Chairman and CEO have a continuous dialogue regarding the operations of the company and the Group.

Members of the Board are elected every year by the Annual General Meeting, for the period until the end of the next Annual General Meeting. According to the company's Articles of Association, the Board of Directors is to consist of no fewer than four and no more than ten ordinary members, with no more than two deputies. During the year the company's Board of Directors has consisted of nine (9) ordinary members, including the Chairman, and one (1) deputy.

The Board consists of two (2) women and seven (7) men. None of the company's Board members work in the company's management team. The two employee representatives worked in the company during 2021, but one of them resigned from their Board assignment on 28 February 2022. The majority of the Board members, seven out of nine members, are independent in relation to the company and the company's management. Seven of nine members are independent in relation to the company's major shareholders.

Information about the members of the Board

Members of the Board	Independent in relation to the company and its management	Independent in relation to major shareholders.	Member of the Audit Committee	Member of the Remuneration Committee.	Board meeting attendance
Per Lindberg	Yes	Yes	No	Yes	18/18
Marie Grönborg	Yes	Yes	Yes	No	17/18
Mario Houde	Yes	Yes	No	Yes	18/18
Ingar Jensen	Yes	No	Yes	No	18/18
Pernilla Lundin	Yes	Yes	No	Yes	16/18
Per-Ola Baalerud	Yes	No	No	No	18/18
Johan Karlsson	Yes	Yes	Yes	No	17/18
Erik Zimmerman	No	Yes	No	No	18/18
Emil Wiljesäter*	No	Yes	No	No	17/18

**) Emil Wiljesäter left the Board on 28 February 2022.*

Work of the Board of Directors

Over and above the statutory Board meeting, held immediately after the Annual General Meeting, the Board meets at least four times per year (scheduled Board meetings). The dates of the meetings and the main recurring agenda items to be dealt with at the ordinary meetings follow a set plan within the rules of procedure of the Board. Extra Board meetings can be convened as needed. Permascand's Board of Directors has held 18 meetings during the year, one of which was the statutory meeting. The relatively large amount of meetings during the year was primarily due to the listing of Permascand this year. Jacob Elovsson Hultin is the Secretary of the meetings. Senior executives are presented on page 44.

Prior to each meeting, the Board members receive an agenda and written material covering the matters to be dealt with at the meeting. The agenda for every planned Board meeting comprised a number of recurring items: CEO report, financial report, product and technical report including recruitment, and reports from the committees.

In addition to these recurring items, in 2021 the Board dealt with matters related to the company's listing on First North Premier Growth Market, strategy, competition, organisation, risk management, information security and sustainability.

Board committees

The Board currently has two committees – the Remuneration Committee and the Audit Committee – both of which follow instructions adopted by the Board. These committees prepare matters for consideration of the Board and do not have any decision-making rights. Minutes are taken of the committee meetings and matters are reported as needed at the subsequent Board meeting.

Remuneration Committee

The Board established a Remuneration Committee on 4 November 2020 comprised of Per Lindberg (Chairman), Mario Houde and Pernilla Lundin as members of the Remuneration Committee. The main duties of the Remuneration Committee are to prepare the Board's resolutions in matters related to remuneration policies, remuneration and other employment terms of the company management, monitor and evaluate current programmes regarding variable remuneration and other employment terms of the company management, monitor and evaluate current programmes regarding variable remuneration of the company management and any such programmes adopted during the year, and monitor and evaluate the application of guidelines for remuneration of senior executives adopted by the Annual General Meeting, as well as applicable remuneration structures and levels in the company.

Audit committee

On 4 November 2020, the board decided to establish an Audit Committee comprised of Johan Karlsson (Chairman), Ingar Jensen and Marie Grönberg. The Audit Committee is mainly a

preparatory body with responsibility for drawing up proposals for the Board. The Audit Committee follows rules of procedure adopted by the Board. Its main duties, without prejudice to the Board of Director's responsibilities and tasks in general, include:

- monitoring the financial reporting of the company,
- based on the financial reporting, monitoring the effectiveness of the company's internal control and risk management,
- remaining informed about the audit of the Annual Report and the consolidated financial statements,
- informing the Board of the outcomes of the audit and how the audit has contributed to the reliability of the financial reporting and on the functions the committee has performed,
- quality assure the year-end reports and interim reports prior to Board decisions,
- review and monitor the impartiality and independence of the auditor and in particular, pay attention to whether the auditor provides the company with other services than audit services,
- approve advisory services provided by the auditor,
- assist in the preparation of proposals regarding the election of auditors prior to the general meeting of shareholders,
- evaluate and approve the scope and prioritised areas of the audit plan.

Chief Executive Officer

The Board of Directors appoints the CEO to lead the work of the company. The CEO reports to the Board and has responsibility for the day-to-day management of the company in accordance with applicable laws and the Board's instructions and guidelines. The Board has adopted instructions for the CEO that specifically govern the duties of the CEO and the division of work between the Board and the CEO.

The CEO is responsible for ensuring that the company's accounts are prepared in accordance with applicable laws and that management of funds is conducted correctly and is appropriately controlled and audited.

The CEO is to attend the Board meetings. The CEO is also to prepare and present matters for the Board that are outside the normal course of business. The CEO is to ensure that matters are well documented and the Board receives relevant information and documentation no later than the invitation to the Board meeting, as stipulated in the rules of procedure of the Board. Furthermore, the CEO is to implement the decisions agreed by the Board.

Pursuant to the financial reporting instructions, the CEO is responsible for financial reporting within the company, and accordingly is to ensure that the Board is provided with suitable information that enables them to continually evaluate the financial position of the company.

The CEO is to keep the Board continually informed on developments in the company's operations, sales, pricing

and costs, the company's profit/loss and financial position, cash flow, liquidity and credit position, won and lost customers, payment of taxes and statutory charges, as well as more significant business matters such as deviations from budget that are important indicators of performance and liquidity, as well as closing of contracts that are important to the company. The CEO must also keep the Board informed of any events, circumstances or other conditions that can not be deemed to be unimportant for the company's shareholders. The Chief Executive Officer and other senior executives are presented on page 42.

Remuneration of the Board members and senior executives

Information regarding remuneration of the Board members and senior executives and the applicable guidelines for the 2021 financial year are presented in Note 6 on page 77 of the Annual Report.

General information

The guidelines are applicable to remuneration that will be agreed, or to amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting. These guidelines do not apply to any remuneration resolved or approved by the General Meeting that is paid out as shares, warrants, convertibles or other equity-linked instruments, such as synthetic options or employee share options thus adopted by the general meeting of shareholders. These guidelines are applicable to the Chief Executive Officer and other members of the company management, as well as other remuneration than Board fees for Board members.

Regarding other employment conditions that are subject to non-Swedish rules, the appropriate adaptations must be made to comply with any such legal requirements or accepted local practice, whereby the overarching purpose of these guidelines is to be satisfied as far as possible.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

The purpose of these guidelines is to create the right conditions for the company to retain and recruit competent and engaged senior executives who can successfully implement the company's business strategy and fulfil the company's long-term interests, including sustainability. Furthermore, the guidelines are to stimulate greater interest in the business and its performance development as a whole, as well as raise senior executive motivation and increase cohesiveness within the company. The guidelines should also lead to proper business ethics and corporate culture.

To achieve the company's business strategy, the total annual remuneration must be adapted to market conditions and competitive in the market where the executive is located, and consideration must also be given to the individual's qualifications and experience. Outstanding achievements must also be reflected in the total remuneration.

Every year the Board of Directors will evaluate whether a long-term share-based incentive program should be proposed to the Annual General Meeting.

Types of remuneration, etc

Remuneration of the company's senior executives is to be comprised of fixed salary, possible cash variable salary and other customary benefits and pensions. The total annual remuneration, including pension benefits, must be adapted to market conditions and competitive in the market where the executive is located, and consideration must also be given to the individual's responsibilities and level of authority, qualifications and experience. Outstanding achievements must also be reflected in the total remuneration. Fixed salary must be reviewed annually.

Fixed salary

The fixed salary for senior executives shall be competitive and be based on the individual executive's competence, responsibility and performance.

Variable remuneration

In addition to the fixed salary, senior executives are to be provided variable remuneration. The variable remuneration for the Chief Executive Officer shall amount to no more than 30 per cent of the annual fixed cash salary, and for other senior executives the variable cash salary shall amount to no more than 20 per cent of the annual fixed cash salary. The variable remuneration is based on the performance outcome of the individual's goals.

The variable cash salary is to be based on the performance in relation to the concrete targets that are derived from the company's business strategy and the long-term business plan approved by the Board. Performance targets for receiving variable remuneration may include share price-related or financial targets, either at a group or unit level, operational targets, as well as targets for sustainability and social responsibility, employee engagement or customer satisfaction. These targets must be set and documented annually. The company has financial targets and KPIs, based on strategic and business-critical initiatives and projects, that ensure achievement in line with the business plan and business strategy for the sustainability of future operations. Variable cash remuneration shall also be structured such that it generates increased stakeholder cohesiveness between senior executives and the shareholders of the company in line with the company's long-term interests, including sustainability.

Variable cash remuneration is calculated proportionally as earned under the condition that employment is ongoing and not under notice of termination at year-end. Terms for variable cash remuneration should be drawn up such that under difficult economic circumstances, or for other justifiable reasons, the Board has the possibility to limit or reject payment of variable cash remuneration if such disbursement is deemed

to be unreasonable or incompatible with the company's other obligations to the shareholders. The Board must also be entitled to pay variable remuneration at an individual level for special cases of extraordinary performance, or change the criteria for achieving bonus targets during the year if there are reasonable grounds that justify such divergence in order to deliver on the company's long-term interests and sustainability, or to ensure that the company remains economically sound. Any such remuneration may not exceed an amount corresponding to 50 per cent of the fixed annual cash salary, nor may it be paid more than once per year and per individual. Decisions regarding such payments are to be made by the Board based on proposals from the Remuneration Committee. The company has no right to reclaim variable cash remuneration paid according to agreements (no claw-back).

Other benefits

The company may offer other benefits to senior executives in line with local practice. Such benefits may include company cars and corporate healthcare etc, and may amount to no more than 15 per cent of the fixed annual cash salary.

Senior executives working in other countries than their home countries (ex-pats), may receive further compensation and other benefits deemed reasonable in relation to the specific circumstances connected with such overseas placement, whereby the overarching purpose of these guidelines is to be satisfied as far as possible. Such benefits may amount to not more than 50 per cent of the fixed annual cash salary.

Pension

Pension benefits for the Chief Executive Officer and other senior executives are to reflect normal market-based terms, compared to what generally applies to equivalent executives in other companies, and should normally be based on defined contribution pension plans. Retirement applies to senior executives at the relevant/applicable retirement age.

For the Chief Executive Officer, pension benefits, including health insurance shall be defined-contribution schemes. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for defined-contribution schemes shall amount to no more than 35 per cent of the fixed annual cash salary.

For other senior executives, pension benefits, including health insurance shall be defined-contribution schemes if the executive is eligible for defined-benefit pension schemes under mandatory collective agreement terms. Variable cash remuneration qualifies for pension benefits only insofar as this complies with mandatory collective agreement terms that are applicable to the senior executive in question. The pension premiums to defined-contribution schemes shall amount to no more than 35 per cent of the fixed annual cash salary.

Consultant fees

If a member of the Board carries out work on behalf of the

company, beyond the work of the Board, a consultant fee or other compensation must be able to be paid if specifically decided by the Board based on a proposal from the Remuneration Committee. Any such compensation must be structured in accordance with these guidelines.

Notice of termination and severance pay

The fixed salary during the notice period along with any severance pay must not exceed an amount corresponding to two years of the fixed salary. Mutual notice of termination for a senior executive must not exceed twelve months, during which salary is to be paid. The company must not allow any further severance pay per employee agreements.

Divergences from the guidelines

The Board has the right to diverge from the above guidelines, such as for recruitment of senior executives from the global labour market, and thereby be able to offer competitive terms, if the Board deems that in a specific case there are reasonable grounds that justify such divergence in order to deliver on the company's long-term interests and sustainability, or to ensure that the company remains economically sound. Any such divergences must be approved by the Remuneration Committee. Agreements that diverge from these guidelines may be renewed, but each agreement must be limited in time and not exceed 24 months or an amount that is double the remuneration that the person concerned would otherwise have earned without any such agreement.

Decision-making preparation and processes, etc

Matters related to salaries and remuneration of the Chief Executive Officer and other senior executives are prepared by the Remuneration Committee within the scope of the guidelines adopted by the Annual General Meeting, and approved by the Board of Directors.

The Remuneration Committee also prepares materials for Board decisions regarding principles for remuneration of senior executives, including guidelines for remuneration of senior executives. The Remuneration Committee also monitors and evaluates ongoing programmes and those that have ended during the year for variable remuneration to senior executives, and monitor and evaluate the application of these guidelines for remuneration to senior executives as well as the current remuneration structures and compensation levels in the company.

The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall apply until new guidelines are adopted by the General Meeting.

The guidelines are to be applied to every undertaking regarding the remuneration of senior executives, and every amendment to be made to such undertaking, which is decided after the Annual General Meeting at which the guidelines are adopted. The guidelines thus have no impact on

previous contractually binding commitments Adopted guidelines may be amended via resolution at a general meeting of shareholders that is not the Annual General Meeting.

Every year, within the scope of and based on the guidelines and after drafting by the Remuneration Committee, the Board is to agree upon specific amendments to the remuneration terms for each individual senior executive, and also make other decisions regarding remuneration that may be payable to senior executives. The Chief Executive Officer and other senior members of the company management do not attend meetings during which the Remuneration Committee and the Board deals with and resolves on remuneration-related matters, insofar as they are affected by such matters.

At the end of the period during which fulfilment of the criteria for awarding variable cash remuneration is to be measured, the extent of the criteria fulfilment must be established. After recommendation from the Remuneration Committee, the Board is responsible for assessing the variable cash remuneration for the Chief Executive Officer and the Chief Executive Officer is responsible for the assessment of variable cash remuneration for other senior executives. With regards to the financial targets, the assessment is to be based on the latest financial information published by the company.

Day-to-day expenses for the Chief Executive Officer, such as travel expenses, must be approved by the Chairman of the Board. Recruitments, changes in salary and other significant changes relating to other senior executives apart from the Chief Executive Officer, must be approved by the Chairman of the Board. Minor amendments and day-to-day expenses are to be approved by the CEO. Payment of fixed basic salary is managed by the payroll administrator and approved before disbursement by the HR manager. Payment of short-term variable remuneration to senior executives and the CEO are to be approved by the Remuneration Committee. Entitlement to participate in share-based incentive programmes is decided by the Board and is based on a proposal approved by the general meeting of shareholders.

Compliance with the guidelines is monitored annually in the following ways:

- Collation of the documented annual targets for short-term variable remuneration.
- Random samples of approved salary disbursements.
- Samples from the payroll system aimed at identifying unusual payments.
- Results from the controls are summarised and reported to the Remuneration Committee.

The Company has also consulted third-party reference data to ensure that remuneration of the Chief Executive Officer and other senior executives reflects what generally applies to equivalent executives in other companies. The company ensures that it has market-based terms through recruitment

processes when senior executives are recruited externally.

In the preparation of the Board's proposal for these guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and the increase and rate of increase over time in the documentation to support the Board's decision.

The Board judges that the guidelines on the remuneration of senior executives are proportional to the salary levels, remuneration levels and terms for other employees in the Group.

Remuneration of the CEO and other senior executives is subject to annual review in accordance with the company's guidelines for remuneration of the CEO and other senior executives.

Auditors

The company's statutory auditor is appointed by the Annual General Meeting. Permascand's auditor is KPMG AB. Helena Nilsson is the Auditor in charge. The auditor is to review the company's annual accounts and accounting records, and the Board of Directors' and the CEO's management of the company. Following each financial year, the auditor submits an audit report to the Annual General Meeting. In accordance with the company's articles of association, the company is to appoint one or two auditors plus no more than two deputies.

Audit fees

Audit fees for the audit engagement, advice and other work connected to the audit. Audit fees have been paid in the amount of SEK 5,275 thousand. Fees have also been paid for other advice, mainly audit-related advisory services related to the audit, in the amount of SEK 3,510 thousand. In 2021, fees for other advice amounted to SEK 455 thousand.

Internal control and financial reporting

The company has a framework for governance and risk management, which is an important element of the Board's operational and strategic governance. The governance framework consists of a Code of Conduct, policies and guidelines that regulate how the company is governed. The Board and CEO have the ultimate responsibility for ensuring that internal control is developed, communicated to and understood by those employees who are responsible for specific control routines, as well as for ensuring that the control routines are monitored, implemented, updated and maintained. Managers at the different levels of the organisation are responsible for ensuring that internal controls are established within their own business area and these controls fulfil their intended purpose. At a Group level the CEO along with the CFO and the Head of Quality, Environment and Health & Safety are responsible for ensuring that the necessary controls are established and

followed up. Internal control includes control within the Group and the organisation, routines and follow-up measures. The purpose of internal control is to ensure that financial reporting is reliable and correct – so that the company's and the consolidated financial reporting is created in accordance with laws, applicable accounting standards and other requirements. Internal control also aims to monitor compliance with the company's policies, principles and instructions. Furthermore, the system ensures the protection of the company's assets and that the company's resources are used in a cost-efficient and appropriate manner.

Permascand's internal control of financial reporting is structured to manage risks and ensure a high level of reliability in the processes related to the establishment of the financial reports, as well as ensure compliance with applicable reporting requirements and other requirements of Permascand as a listed company. In accordance with the Swedish Companies Act and the Code, the Board is responsible for internal control within the company related to financial reporting. Permascand applies a policy for the evaluation of the company's internal control of its financial reporting that comprises monitoring five components: the control environment, risk assessment, control activities, information and communication and monitoring.

Auditing

In conjunction with the company's listing, a limited assurance audit was conducted of the company's Q1 report which is why the Board chose not to carry out a limited assurance audit of the company's half-year report or interim report for the third quarter of 2021.

Control environment

Permascand's control environment is comprised of guidelines and policies, decision-making paths, remits and areas of responsibility. The Board of Directors has adopted governing documents and instructions to communicate a clearly defined internal control environment that also aims to define roles and allocation of responsibilities between the CEO and the Board of Directors. These governance documents and instructions include the rules of procedure of the Board, the CEO instruction and instructions for the CEO regarding financial reporting and delegation of authority. Furthermore, the Board has adopted a risk management policy that governs Permascand's risk management, internal control and control environment.

Permascand has an accounting manual that includes governance and follow-up of outcomes compared with prior year, as well as follow-up of Permascand's accounting principles. Permascand has a whistleblowing policy. The Board has the ultimate responsibility for financial reporting and for internal control and risk assessment, and the Audit Committee monitors the effectiveness of Permascand's risk management and internal control based on the financial reporting. The Group

management team is responsible for reporting to the Board and the Audit Committee, in accordance with Permascand's reporting procedures. All policies and instructions are updated pursuant to any changes in laws, accounting standards or principles.

Risk assessment and control activities

Permascand's risk management policy governs Permascand's risk management and control activities. Permascand's risk management framework emphasises that risk management is part of day-to-day operations and that all business units are to continually identify, assess, document, react to and monitor the risks within their operations. Risk management must be fully integrated into business planning and control processes. Management is responsible for promoting a sense of personal responsibility for risk, generating a shared view and awareness of risks and for delegating and enabling ownership and responsibility for risk in day-to-day decisions.

Risks identified will be managed according to Permascand's key procedures and integrated control activities, for example separation and delegation of responsibilities, carefully formulated role descriptions and a documented decision-making process. The key procedures have been structured to manage and mitigate identified risks. Individual assessment of internal control routines is carried out regularly. Follow-up of Permascand's financial position and general IT controls are also part of the overarching company control system.

Risk management

The Board and company management continually monitor risks that may have a material impact on financial reporting. The risk of material errors in the financial reporting is assessed based on materiality and the complexity of different accounting items. Accounting rules for different items on the balance sheet and income statement are also continuously assessed. Overarching policies are in place to minimise identified risks in the financial reporting, for instance the finance policy and the decision and authorisation policy, as well as defined instructions and established timetables for the financial reporting. Substantially all financial reporting is managed centrally by the Finance Function, but some parts of the processes are decentralised across the organisation. Detailed instructions for regular accounting and reporting ensure appropriate financial reporting. The purpose of all governance policies, process descriptions and timetables is to provide a foundation for effective internal control and to ensure that the reporting is accurate and consistent. Guidelines and process descriptions are continuously followed up and updated as needed based on changes in legislation or internal organisational changes. Within the scope of the applicable processes and procedures, control activities have been built in at all levels of the

organisation aimed at ensuring appropriate processes and ensuring prevention and/or detection of errors and, ultimately ensuring accurate financial reporting.

Information and communication

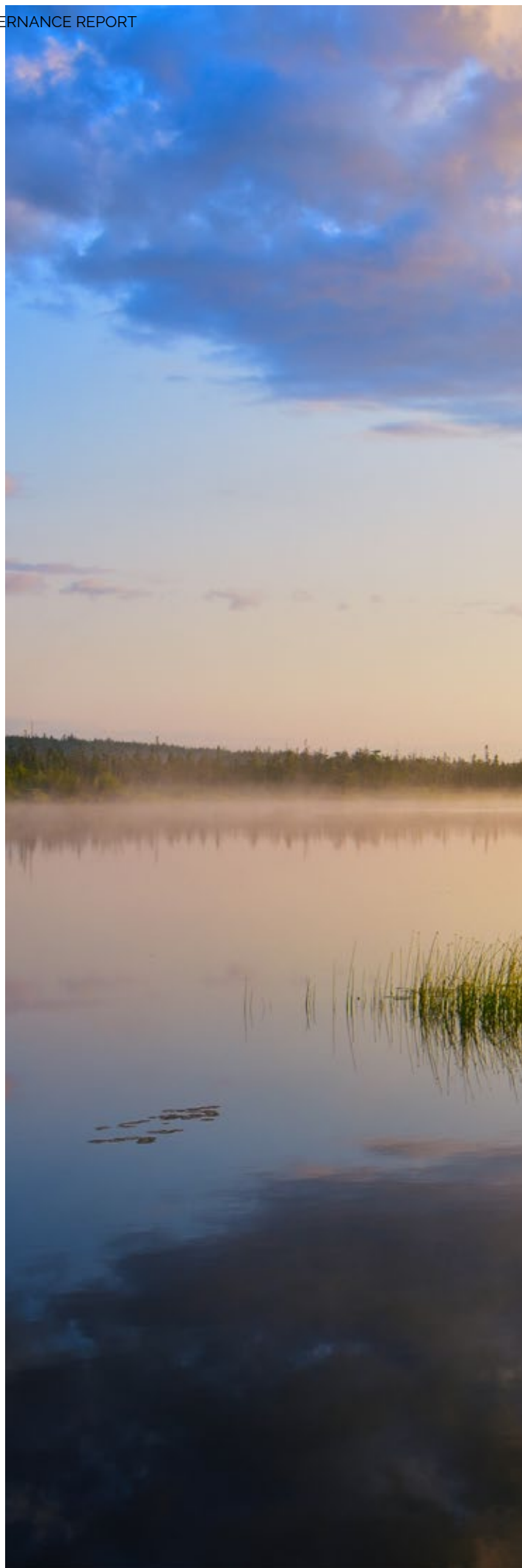
Permascand has procedures, fundamental policies and instructions that are formulated to verify that the financial reporting is accurate, updated and constantly communicated. Both formal and informal information channels are available for the Board for important information from the Management group, included a well-documented reporting process that verifies that information about the financial position and performance reaches the Board every month. Other important information, such as ongoing or forthcoming investments, specific administrative matters, and potentially material risks are reported to the Board when the event occurs. For external communication, guidelines are available in the Communication and IR Policy and the Insider Policy, which ensure that Permascand adheres to requirements for accurate information to the market.

Follow-up

The Board of Directors has decided that follow-up and review of important risks should be conducted annually, and that such review be prepared by the Audit Committee and reported to, evaluated and discussed by the Board. Furthermore, the Audit Committee examines and monitors that relevant measures are taken to address potential failings that have been identified as part of the risk audits.

Internal auditing

Management and reporting is audited by the Audit Committee and the Board. An evaluation of internal control is performed annually by the Board. The Board has decided that, based on the size and complexity of the operations, no internal audit function is necessary. Every year the Board will assess whether an internal audit function is required.





Permascand's Board of Directors



PER LINDBERG

Chairman of the Board

Board member since 2020

Year of birth: 1959

Education: Per Lindgren has an MSc in Engineering as well as a PhD in Industrial leadership and organisation from Chalmers University of Technology.

Current assignments Chairman of the Board of Nordic Brass Gusum AB and Peymar Holding AB, and Board member of Boliden AB, Valmet Oyj and Premium Svensk Lax AB.

Previous assignments (last five years): Member of the Board of Nordstjernan AB. CEO of Billerud-Korsnäs AB and Epiroc AB.

Holding in the company (including related parties): 128,250 shares through Peymar Holding AB. 106,087 warrants in the 2021/2025 series.



INGAR JENSEN

Member of the Board

Board member since 2015

Year of birth: 1955

Education: Ingar Jensen has an MSc in Business and Economics from the University of Gothenburg, with a specialisation in Marketing and International Financing.

Current assignments: Member of the Board of Arctic Engineering AB and its subsidiaries. Chairman of the subsidiary Släp and Lastbilspåbygggnader AB i Övertorneå (SLP) and its group companies. Member of the Board of Beati AB and its subsidiaries. Chairman of the Board of Öna Skog AB.

Previous assignments (last five years): Member of the Board of SMA Mineral AB, SMA Mineral Holding AB and Robust AB.

Holding in the company (including related parties): 6,135,000 shares through Ulven Invest AB. 66,268 warrants in the 2021/2025 series.



JOHAN KARLSSON

Member of the Board

Board member since 2020

Year of birth: 1965

Education: Johan Karlsson has a BSc in Business Administration from the University of Gothenburg's School of Economics.

Current assignments: Group CFO and Head of Business Support at Dustin Group. Chairman of the Board of Adlibris Aktiebolag. Member of the Board of Dustin A/S, Inventio IT A/S, Chilit Group Oy, Chilit Oy, Dustin Finland Oy, ITaito Oy, Dustin Norway AS, Dustin Aktiebolag, Dustin Sverige AB, JML-System AB and Kontext Agency of Scandinavia AB.

Previous assignments (last five years): Member of the Board of IDENET AB, DAV Partner AB, Saldab IT AB, IT-Hantverkarna Sverige AB, Tidlog AB, Communication and Security i Mälardalen AB and Seciveres FD AB.

Holding in the company (including related parties): 106,176 shares 88,357 warrants in the 2021/2025 series.



MARIE GRÖNBORG

Member of the Board

Board member since 2020

Year of birth: 1970

Education: Marie Grönborg has an MSc in Chemical Engineering from Chalmers University of Technology and Imperial College, London.

Current assignments: Member of the Board of SSAB AB. CEO of TreeToTextile.

Previous assignments (last five years): External CEO for Purac AB. EVP and Board positions within subsidiaries of Perstorp Group.

Holding in the company (including related parties): 66,268 warrants in the 2021/2025 series.



MARIO HOUDE

Member of the Board

Board member since 2015

Year of birth: 1960

Education: Mario Houde has a BSc in Chemical Engineering from Montreal University, Canada.

Current assignments: Head of MCHoude Consulting LLC

Previous assignments (last five years): Global Head of Supply Chain at AkzoNobel Pulp and Performance Chemicals.

Holding in the company (including related parties): 1,189,323 shares through MCHoude Consulting LLC.

66,268 warrants in the 2021/2025 series.



PERNILLA LUNDIN

Member of the Board

Board member since 2020

Year of birth: 1969

Education: Pernilla Lundin has a degree in Economics and Engineering from the University of Gävle

Current assignments: Chair of the Board of Facilitate Partner AB. Vice-chairperson of the Board of Länsförsäkringar Gävleborg. CEO and Chair of the Board of By ilo AB. Member of the Board and CEO of Kontrollbolaget by ilo AB. Member of the Board of Kontrollbolaget Norr AB and Norrlandska Entreprenadbolaget AB.

Previous assignments (last five years): CEO and member of the Board of Donald Davies & Partners. Member of the Board of Komson AB, Facilitate Partner and Almi Företagspartner AB. External CEO of DD Spring i framtiden AB and DD Rekrytering AB.

Holding in the company (including related parties): 66,268 warrants in the 2021/2025 series.

Board of Directors



PER-OLA BAALERUD

Member of the Board

Board member since 2015

Year of birth: 1972

Education: Per-Ola Baalerud has a BEng in Marine Technology with Marine Engineering from the University of Newcastle-upon-Tyne and an MBA from the BI Norwegian Business School, Oslo.

Current assignments: Chairman of the Board of Sperre Compressors Holding AS, HydraWell Intervention, EnFlow Holding AS and Investas AS. Partner at Norvestor Advisory AS.

Previous assignments (last five years): Member of the Board of Future Production AS, READ Cased Hole Ltd., Investas AS, PG Flow Solutions AS and Cegal Group AS.

Holding in the company (including related parties): –



ERIK ZIMMERMAN

Employee representative 2017

Year of birth: 1969

Education: Erik Zimmerman has a BA in Business Administration and Management from Mid Sweden University and a Masters in Chemistry from Umeå University.

Previous assignments (last five years): Chairman of the Board of Vätgas Sverige.

Holding in the company (including related parties): 48,195 warrants in the 2021/2024 series.

Senior executives



PETER LUNDSTRÖM

Chief Executive Officer

Employed since 2016, CEO since 2017

Year of birth: 1968

Education: Peter Lundström has a Masters in Economics from Mid Sweden University.

Current assignments: Member of the Board of Fyra L Holding AB.

Previous assignments (last five years): Member of the Board of Xylem Water Solutions Sweden AB.

Holding in the company (including related parties): 1,596,575 shares through Fyra L Holding AB. 227,205 warrants in the 2021/2024 series.

Senior executives



LINDA EKMAN

CFO

Employed since 2018

Year of birth: 1979

Education: Linda Ekman has a BA and Masters in Business Administration and Economics

Current assignments: –

Previous assignments (last five years): CEO of NP3 Fastigheter AB. When Linda Ekman held the position of CFO of NP3 Fastigheter AB, she was also a member of the Board of several property companies within NPS's property portfolio. Deputy board member of BusinessDuke AB.

Holding in the company (including related parties): 204,868 shares. 72,292 warrants in the 2021/2024 series.



FREDRIK HERLITZ

CTO

Employed at Permascand since 2002, CTO since 2017

Year of birth: 1966

Education: Fredrik Herlitz has an MSc in Chemical Engineering from the Royal Institute of technology (KTH).

Current assignments: Member of the Board of SEKAB BioFuels & Chemicals AB and 5J Holding AB.

Previous assignments (last five years): Member of the Board of JFL Holding AB, Teknikföretagen (Region Norr) and MidSweden Chamber of Commerce.

Holding in the company (including related parties): 6,132,878 shares through 5J Holding AB. 72,292 warrants in the 2021/2024 series.



VIKTORIA LINDSTRAND

CCO

Employed since 2017

Year of birth: 1971

Education: Viktoria Lindstrand has an MSc in Chemical Engineering from Lund University and a Licentiate degree in Chemical Engineering from the Faculty of Engineering at Lund University

Current assignments: Member of the Board of Lindstrand Executive AB.

Previous assignments (last five years): –

Holding in the company (including related parties): 150,550 shares through Lindstrand Executive AB. 72,292 warrants in the 2021/2024 series.

Senior executives



LARS NYMAN

COO

Employed since 2015

Year of birth: 1969

Education: Lars Nyman studied Forestry at Hussborg's School of Forestry.

Current assignments: Member of the Board of Hussborg Microbrewery AB.

Previous assignments (last five years): –

Holding in the company (including related parties): 123,780 shares 72,292 warrants in the 2021/2024 series.



LENA OSKARSSON ENGBERG

Head of Human Resources

Employed since 2019

Year of birth: 1966

Education: Lena Oskarsson Engberg has a Degree in Human Resources from Företagsekonomiska Institutet (FEI).

Background: Prior to joining Permascand, Lena was a HR Specialist at Samhall AB. Before that she worked as the HR Business Partner at Permobil AB and at HRIF Skadeförsäkring AB.

Current assignments: –

Previous assignments (last five years): –

Holding in the company (including related parties): 48,195 warrants in the 2021/2024 series.



JENS-MICHAEL POVLSEN

Head of Quality, Environment and Health & Safety

Employed since 2018

Year of birth: 1976

Education: Jens-Michael Povlsen has an Environmental Studies degree from the University of Stirling.

Current assignments: –

Previous assignments (last five years): –

Holding in the company (including related parties): 48,195 warrants in the 2021/2024 series.



Permascand's share

Permascand Top Holdings' ordinary shares were listed on Nasdaq First North Premier Growth Market on 4 June 2021. Permascand's share capital amounts to SEK 2.2 m. The total number of registered shares is 59,313,529. The shares are registered with Euroclear Sweden. Each of the company's shares entitles the holder to one vote at the general meeting of shareholders and every shareholder has the right to vote using all the shares that the shareholder holds in the company.

Share price development

The initial price for Permascand's share listing on Nasdaq First North Premier Growth Market was SEK 34 per share. At the 2021 year-end, the price was SEK 36, corresponding to share price growth of 5.9 per cent.

Refer to Nasdaq Stockholm's website for current share prices. The highest trading price for Permascand's share in 2021 was SEK 45, and the lowest price was SEK 32.84.

Financial targets

- **Growth**
Permascand's medium-term goal is to achieve average organic growth of at least 25 per cent per year.
- **Profitability**
Permascand's medium-term goal is to deliver an operating margin of more than 25 per cent.
- **Capital structure**
Permascand's net debt in relation to EBITDA must not exceed 2.0x. This level may temporarily be exceeded if acquisitions are made.

Dividends

The Board of Directors has proposed to the Annual General Meeting that no dividends be paid for 2021.

Financial calendar for 2022

- Annual General Meeting 10 May, 2022
- Interim report January - March: 10 May, 2022
- Half-year report January - June: 18 August, 2022
- Interim report January - September: 11 November, 2022

Shareholder information

- **Ticker:**
PSCAND
- **ISIN code:**
SE0015962048
- **Marketplace:**
Nasdaq First North Premier Growth Market
- **Certified Adviser:**
FNCA Sweden AB

GROWTH GOALS

>25 %

Average annual
organic growth

PROFITABILITY GOALS

>25 %

Operating
profit

CAPITAL STRUCTURE GOAL

2.0x

Maximum net debt in rela-
tion to EBITDA

SHARE PRICE DEVELOPMENT 2021



**Since the first day of trading on Nasdaq First North Premier Growth Market on 4 June 2021*

10 LARGEST SHAREHOLDERS, 31 DECEMBER 2021

SHAREHOLDERS	NUMBER OF SHARES	EQUITY & VOTES
Norvestor VI L.P.	26,363,614	44.45%
Ulven Invest AB (1)	6,135,000	10.34%
5J Holding AB (2)	6,132,878	10.34%
SEB AB, Luxembourg Branch, W8IMY	2,313,134	3.90%
Länsförsäkringar Småbolag Sverige	2,024,736	3.41%
Fyra L Holding AB (3)	1,596,575	2.69%
Försäkringsbolaget Avanza Pension	1,571,960	2.65%
SEB Sverigefond	1,330,126	2.24%
MCHoude Consulting LLC (4)	1,189,323	2.01%
RAM One	1,146,068	1.93%
Total, 10 largest shareholders	49,803,414	83.97%
Other shareholders	9,510,115	16.36%
Total	59,313,529	100%

(1) Controlled by Ingar Jensen, Board member

(2) Controlled by Fredrik Herlitz, Senior Executive

(3) Controlled by Peter Lundström, CEO

(4) Controlled by Mario Houde, Board member



Director's report

The Board of Directors and the CEO of Permascand Top Holding AB (publ), 559227-6124, headquartered in Ånge municipality, hereby submit the annual report and consolidated financial statements for the financial year dated 1 January, 2021 to 31 December, 2021.

The income statements and balance sheets will be presented for adoption at the Annual General Meeting on 10 May, 2022.

Information about the business

Group

Permascand was founded in 1971 and since then has developed, manufactured and supplied electrochemical industrial products. Permascand offers customised complex solutions in the field of catalytic coatings, electrodes, electrochemical cells and aftermarket services to a range of different industries. Permascand divides its operations into three business segments:

- Electrification & Renewables
- Industrial Solutions
- Water Treatment

Sustainability is at the core of Permascand's business and permeates everything the company does. Permascand's products are directly linked to clean tech applications that reduce environmental impact. The current global focus on sustainability and reducing the world's environmental impact is thereby expected to increasingly drive demand for Permascand's products.

Permascand's headquarters are in Ljungavärk, Sweden, where the Group's research and development, engineering innovation and manufacturing are also conducted. Permascand also has offices in Stockholm, Gothenburg and in Vancouver, Canada. Permascand AB, the operating company is ISO 9001, 14001 and 18001 certified.

Parent Company

Permascand Top Holding AB is the parent company of a group with subsidiaries as described in Note 13. The Parent Company was created on 20 November 2019 and this year is its second financial year. The Parent Company's activities consist of owning and managing shares and participation rights in subsidiaries, as well as providing administrative services to these companies.

Ownership

The shares of the Parent Company are listed on Nasdaq First North Premier.

Key events during the financial year

- In April 2021 Permascand presented plans for major investments in the development of the hydrogen technology of the future. Construction of a full-scale technology and innovation centre as well as investments in the company's research team will enable advanced research and development that will bring about large-scale, cost-effective production of green hydrogen for energy storage. In total, the company plans to invest some SEK 300 million over the next three years.
- In May, Permascand announced its share offering and published a prospectus in connection with its listing on the Nasdaq First North Premier Growth Market. The first day of trading was 4 June, 2021.
- On 2 July 2021 Permascand gave notice that the over-allotment option issued by the majority shareholder when the company listed on Nasdaq First North Growth Market had been partially exercised. The stabilisation period was thus ended.
- In September, Permascand took the next step with its customer Verdagdy when the two companies signed a collaboration agreement. The agreement extended the Letter of Intent signed by the companies in June 2021, and it aims to accelerate the commercialisation of the electrochemical cell that is the foundation for the Verdagdy Water Electrolysis (VWE) process within the green hydrogen space.
- On 30 September Permascand announced that the company had won an order worth approximately SEK 17.5 million from its largest customer, for the supply of electrochemical cells for ballast water treatment systems (BWTS) commencing in 2022.
- On 15 October 2021 Permascand announced that the company had signed a Master Supply Agreement with one of the largest global players in the chloralkali and diaphragm technology field. The estimated value of the agreement is in the range of SEK 30–50 million per year over a period of three years.

Sales

In 2021, sales amounted to SEK 405m (415), which is a 3% decrease compared to the prior year. Sales grew in the two segments Electrification & Renewables and Industrial Solutions while they decreased in the Water Treatment segment. The decreased sales in the Water Treatment segment is due to a lower than planned installation rate for ballast water treatment systems on ships. Access to wharfs and dry docks has been limited as a result of Covid-related restrictions and lock-downs, and transportation and logistics problems has led to delays for Permascand's customers. As a result of the lower rate of installation, the Water Treatment segment's total share of turnover has decreased and is at 48 per cent this year, compared to 61 per cent of total turnover in 2020.

Profit/Loss

In spite of lower sales compared to last year, gross profit grew by 16 per cent amounting to SEK 123m (104), which corresponds to a gross margin of 30 per cent (25). The higher margin is due to the investments that have been made in a more efficient production process and is the result of a strategic focus on reducing costs.

Operating profit amounted to SEK 38m (60), which is lower than last year due to the higher expenditure on research and development and high administrative costs linked to the IPO process and stock market listing that took place in June. After adjustment for costs affecting comparability of SEK 22m (5), the adjusted operating profit totalled SEK 60m (65) which corresponds to an adjusted operating margin of 15 per cent (15). This year's operating profit includes foreign exchange gains of SEK 3.5m (-1) which are recognised as other income. Other income also includes SEK 1m for sales of scrap materials.

Profit before taxes amounted to SEK 27m (45). The net of financial income and expenses, comprised of interest, amounted to SEK -10m (-15m). The lower interest expenses are due to the amortisation of bank loans that has led to lower costs during the second half of the year.

Tax expenses for the year amounted to SEK -7m (-12) comprised of deferred tax of SEK -2m (-4) and current tax of SEK

-5m (-8). Profit for the year amounted to SEK 20m (33), which corresponds to SEK 0.37 per share (0.65).

Working capital

The company's working capital at year-end amounted to SEK 81m compared to SEK 63m at the beginning of the year. This corresponds to 20 per cent of the income for the year (15). The increase in working capital is mainly attributable to an increased inventory and higher accounts receivables, but lower operating liabilities also affect the net. Operating liabilities comprises invoiced but not yet completed customer orders, which has increased.

Financial position

Total assets at year-end amounted to SEK 455m (413 as per 31 December 2020). The increase in the amount of assets is due to a higher value of inventories and greater cash and cash equivalents, as well as investment in automation and more efficient coating methods. Equity and the equity ratio were strengthened in June as a result of the company's share issue in connection with the company's listing, and at the year-end totalled SEK 283m (-16) and 62 per cent (neg) respectively. Further explanation about the change in equity is available in the Consolidated statement of changes in equity on page 60.

Consolidated net debt amounted to SEK 6m at year-end compared with SEK 271m at the beginning of the year. Cash from the new share issue carried out during the year was mainly used to pay off a bank loan of SEK 250m. Remaining interest-bearing liabilities primarily consist of bank borrowing. At year-end, outstanding loans amounted to SEK 42m (287 t the beginning of the year) and cash and cash equivalents in the bank was SEK 36m (19 at the beginning of the year).

Cash flow

Cash flow for the year amounted to SEK 17m (-8). Material items that have impacted cash flow are the new share issue, payment from warrants and repayment of loans, that had a positive net effect of SEK 29m. Further, changes in working capital has negatively effected the cash flow.

Profits per segment

Amount SEKm	Electrification & Renewables	Industrial Solutions	Water Treatment	Total
Sales	59	150	195	405
Cost of goods sold	-49	-97	-136	-282
Gross profit	10	54	60	123
Gross margin	16%	36%	31%	
Share of total sales	15%	37%	48%	

Cash flow from operating activities for the year amounted to SEK 11m (53). The reduction is mainly a result of a lower operating profit, but other contributing factors include more working capital being tied up in inventories and accounts receivables, as well as a higher amount of tax paid. Interest expense for the year of SEK -8m (-15) is lower than the prior year as a result of repayment of bank loans and lower net debt during the second half of the year.

Investments amounted to SEK -23m (-44), which relate to investment in automation and a modern and cost-efficient production facility. Financial activities had a positive contribution to the cash flow, amounting to SEK 28m (-17). In addition to items related to the new share issue of SEK 305m, minus issue expenses of SEK -26m and repayment of loans of SEK -250m, the company has paid off a leasing loan.

Covid-19 pandemic

In 2020 and 2021 Permascand's operations were impacted by the Covid-19 pandemic. Market uncertainty meant that customers held back on their investment decisions and supply chain disruptions as well as transportation problems led to longer delivery times. Planned orders and deliveries were pushed into the future which affected sales volumes, primarily in the maritime sector and Water Treatment segment. Permascand's operations had to be adjusted including both short-term furloughing and termination notices, resulting in termination of personnel. Costs related to over-capacity are estimated to have been around SEK 7m for 2020, but no additional costs directly linked to the pandemic have been estimated for 2021.

As a result of speedy readjustment and reduced costs, it has been possible to limit the impact of the pandemic.

Investments

In 2020 and 2021, Permascand continued its investment plan focused on higher production capacity that should also be cost-efficient and safe. Amongst other things, investments have been made in machinery to automate the manufacturing process for electrochemical cells, a spot-welding robot and a nibbling machine. Furthermore, substantial investments have been made in the factory premises through a new assembly hall for BWTS cells, a new arrival hall for good received, and new warehouses and logistics flows including land and roadworks. One of the central components of Permascand's production process is the coating oven used for catalytic coatings. Investments to improve yield and quality have also been made during the year. In total this year, SEK 18m (39) has been invested in property, plant and equipment and SEK 5m (5) in intangible assets.

Significant events after the end of the financial period

- On 11 February 2022, Permascand announced that it had won two orders amounting to SEK 100m from a

world-leading supplier of chlorate for the supply of electrochemical cells and related equipment for a Greenfield project in South America.

- Russia's invasion of Ukraine creates uncertainty in the market and supply chain disruption. Permascand has been impacted as the global availability of certain raw materials has become limited, however the company has no direct business exposure to Russia or Ukraine. The company's management is monitoring developments closely to be able to act quickly if the circumstances change.

Expected future development

Permascand expects continued growth over the coming years. The level of activity and demand situation both indicate positive trends. Good opportunities for growth are primarily expected in the area of hydrogen and energy storage in the Electrification & Renewables segment. The Water Treatment market is expected to progress as forecast. Industrial Solutions is also a stable market that is expected to retain solid growth.

Research and development

Permascand has continued to invest in the development of products for new areas of application, customised products and improvement of production to enable the company to respond to new demands. Permascand's strengths lie in the combination of the Group's electrochemical expertise and manufacturing and commercialisation capacity. For 50 years Permascand has made continuous investments in innovation and constant improvements in its core technology platform, which is built on proprietary catalytic coatings and extends all the way to complete electrochemical cells. At the heart of Permascand's product offering is a deep understanding of electrochemical processes, and the success of the Group lies in its ability to combine decades of research and development with engineering and manufacturing expertise to create new applications in the company's advanced test facilities in Ljungavärk.

Permascand does not only develop its own commercial products, the company also builds collaborative partnerships with customers and international engineering companies to develop and market innovative new solutions. As a result, Permascand has developed new applications including:

- PERMACHLOR®, electrochlorination for efficient and sustainable disinfection of water,
- NORSCAND®, a co-created electrolysis cell that enables the production of lithium battery chemicals through electrolysis.
- PERMAH2®, technology for coated electrode mesh that enables efficient production of green hydrogen.

Research and development is an essential element of the company's DNA and permeates the entire organisation. 15 per cent of the full-time employees work in functions related to research and development and product development.

Research and development expenses this year amounted to SEK -17m (-12) which corresponds to 5 per cent of total operating expenses (3).

Guidelines for remuneration of the Board, CEO and other senior executives

The guidelines for remuneration of the Board, CEO and other senior executives were adopted by the Annual General meeting held on 22 April 2021, and are also applicable through 2022. The guidelines are described in Note 6.

A focus on sustainability

The Group's main focus in everyday operations are safety, quality and the environment. The Group's guiding principles are "Safety starts with me" and "Get it right from me to you".

Safety is very important within the business conducted by the Group, which is why preventive risk analyses, training of staff and safety officers, regular inspections and preventive measures are carried out.

The Group places great priority on healthy employees that do not get injured at work, and invests significantly in preventive healthcare.

Sustainability and environmental consideration permeate all activities. The company's very products contribute to reducing the world's climate footprint via decreased energy consumption, cleaner water and protecting biodiversity in ocean environments. Several of the UNs global development goals can be directly linked to Permascand, most significantly:

- No 9 - Sustainable industry, Innovations and Infrastructure. Permascand's products are an important component in the supply chain of many industries.
- No 12 - Responsible consumption and production. Permascand's products help to reduce energy consumption in the world and enable more efficient use of the globe's resources.
- No 13 - Climate action. Permascand's products enable growth through renewable energy.
- No 14 - Life below water. Permascand's water treatment system prevents the spread of non-native organisms in the oceans.

Permascand has chosen to produce a Sustainability report in accordance with Chapter 6, Paragraph 11 of the Swedish Annual Accounts Act

Environmental impact (operations that require a permit or notification under the Swedish Environmental Code)

Permascand conducts operations that require a permit under the Swedish Environmental Code. Permits cover surface treatment that consumes titanium, carbon steel and nickel, which is an important part of the manufacturing process when producing new, and recoating, electrochemical cells. Permascand's production process has an impact on the external environment and permissions also relate to water emissions, air emissions and noise. The Group works proactively to reduce its environmental impact with a focus on sales and production activities, but also through R&D to reduce the company's footprint. Permascand fulfils the requirements of applicable permits and no permits are due to expire during the coming year.

Risks and risk management

Exposure to both operational and financial risks is a natural part of doing business, and the aim of risk management is not to avoid risk but to have a controlled strategy for managing the risks to which the business is exposed. Permascand's risk management aims to identify risks and prevent their occurrence, as well as manage and limit the impacts of the risks to which the Group is exposed.

The Group management team evaluates and assesses risks annually and promptly deals with new arising risks. Permascand's risk management follows a three-step process:

- Step 1 - Identify risk and evaluate risk based on probability and consequences.
- Step 2 - Implement control measures to manage risk.
- Step 3 - Evaluate and assess the effects of measures taken.

The Board of Directors has the ultimate responsibility for ensuring that an adequate and effective risk management process is in place in the Group, and the CEO and CFO provide regular risk updates to the Audit Committee and the Board. The Board conducts its own annual risk analysis.

Risks are categorised under Strategic, Operational or Financial risk. The Group is also exposed to sustainability-related risks, for instance risk pertaining to the environment, health and safety, human rights, bribery and corruption. These risks are included in operational risks.

The most significant operational risks are connected to a lower order inflow than planned as a result of market circumstances, longer delivery times and competition. Further material operational and strategic risks relate to quality and efficiency, as well as product development to meet market requirements.

The challenges of recent years due to uncertainty and supply chain disruptions as a consequence of the pandemic have increased risk awareness regarding material supply, access to raw materials, lead times and transportation.

Five-year overview

Amount SEKm	2021	2020	2019	2018	2017 ¹⁾
Net sales	405	415	444	324	223
Operating margin %	9	15	10	7	Neg
Profit after net financial items	27	45	41	18	-44
Total assets	455	413	381	291	180
Net debt	6	271	281	44	4
Return on assets, %	9	15	13	9	2
Return on equity, %	15	neg	72	11	neg
Equity/assets ratio, %	62	neg	neg	See page 105 for definitions	
Earnings per share	0.37	0.65	0.63	0.28	neg

1) Data for 2017 not recalculated for IFRS

2) Quantity of shares changed in 2021 via a 1:27 split. Historic figures have been recalculated

Proposal for resolution regarding appropriation of profits

The following profit is at the disposal of the Board (SEK):

Share premium reserve	757,469,317
Profits brought forward	25,239,995
Profit for the year	24,407,193
Total	807,116,505

The Board of Directors proposes that these profits be appropriated as follows:

To be carried forward	807,116,505
<i>Of which to the share premium reserve</i>	<i>757,469,317</i>
Total	807,116,505



Consolidated statement of comprehensive income

Amount in SEK t	Note	2021	2020
Net sales	4	404,590	414,991
Cost of goods sold		-281,682	-311,140
Gross profit	4	122,908	103,851
Selling expenses		-17,070	-14,596
Administrative expenses	5	-56,165	-23,911
Research and development expenses		-17,016	-11,648
Other operating income	7	5,380	9,312
Other operating expenses	7	-128	-2,724
Operating profit/loss	6.8	37,910	60,284
Financial income	9.11	1	1
Financial expenses	9	-10,420	-15,267
Financial items - net		-10,420	-15,266
Profit/loss before tax		27,490	45,018
Tax	10	-7,146	-12,080
Profit for the year		20,344	32,937
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Change in fair value of cash flow hedges		-1,138	792
Tax resulting from the change in fair value of cash flow hedges		234	-163
Exchange differences on translation of foreign operations		136	-154
Other comprehensive income for the year		-768	475
Total comprehensive income for the year		19,576	33,412
Profit/loss for the year attributable to:			
Parent Company shareholders		19,576	32,937
Comprehensive income attributable to:			
Parent company shareholders		19,576	33,412
Earnings per share, calculated as profit attributable to owners of the Parent Company for the year:	12		
Earnings per share - basic and diluted		0.37	0.65

The notes on pages 62 to 93 constitute an integrated part of these consolidated financial statements

Consolidated Balance Sheet

Amount in SEK t	Note	31/12/2021	31/12/2020
ASSETS			
NON-CURRENT ASSETS			
<i>Intangible assets</i>	14		
Capitalized expenditure for development and similar work		16,233	7,856
Ongoing investments		663	4,398
Goodwill		55,540	55,540
Total intangible assets		72,436	67,794
<i>Property, plant and equipment</i>	15		
Land and buildings		45,786	47,520
Plant and machinery		73,690	73,998
Equipment, tools, fixtures and fittings		17,622	20,553
Fixed assets under construction and advance payment of property, plant and equipment		8,635	883
Total property, plant and equipment		145,733	142,954
Usage rights	16, 18	2,839	2,935
<i>Financial assets</i>			
Other non-current receivables	17, 18	110	110
Deferred tax assets	23	2	5
TOTAL NON-CURRENT ASSETS		221,120	213,798
CURRENT ASSETS			
<i>Inventories etc</i>			
Raw materials and consumables		98,544	84,265
Work in progress		10,563	5,656
Total inventory etc		109,107	89,921
<i>Current receivables</i>			
Accounts receivable	18, 19	71,211	65,023
Current tax assets		0	1,164
Other receivables		3,919	2,645
Accrued revenue	19	9,287	13,460
Prepaid expenses and accrued income		4,028	7,447
Derivatives	18	-	792
Total current receivables		88,445	90,531
Cash and cash equivalents	18, 21	35,829	19,182
TOTAL CURRENT ASSETS		233,381	199,634
TOTAL ASSETS		454,501	413,432

Consolidated Balance Sheet, ctd

Amount in SEK t	Note	31/12/2021	31/12/2020
EQUITY AND LIABILITIES			
EQUITY	20		
Share capital		2,197	1,870
Other contributed capital		942,169	662,830
Acquisition reserve		-698,130	-698,130
Reserves		-258	517
Retained earnings including profit for the year		37,020	16,761
TOTAL EQUITY		282,998	-16,152
LIABILITIES			
<i>Non-current liabilities</i>			
Liabilities to credit institutions	22	34,326	280,200
Deferred tax liabilities	23	10,820	9,237
Lease liabilities	22	1,500	1,664
Total non-current liabilities		46,646	291,101
<i>Current liabilities</i>			
Liabilities to credit institutions	22	4,800	6,720
Advance payments from customers		24,227	18,115
Accounts payable		32,697	26,258
Lease liabilities	22	1,304	1,247
Derivatives		346	-
Tax liabilities		2,505	14,522
Other liabilities		2,729	2,747
Unearned revenue	24	39,769	49,500
Accrued expenses and deferred income	25	16,480	19,374
Total current liabilities		124,857	138,483
TOTAL LIABILITIES		171,503	429,584
TOTAL EQUITY AND LIABILITIES		454,501	413,432

The notes on pages 62 to 93 constitute an integrated part of these consolidated financial statements

Consolidated statement of changes in equity

Amount in SEK t	Note	Share capital	Other contributed capital	Acquisition reserve	Translation reserve	Hedging reserve	Profit brought forward incl. profit/loss for the year	Total equity
Opening balance, January 1 2020		1,870	662,830	-698,130	42		-16,176	-49,564
Profit for the year							32,937	32,937
Other comprehensive income for the year					-154	629		475
Total comprehensive income for the year					-154	629	32,937	33,412
Closing balance, December 31 2020		1,870	662,830	-698,130	-112	629	16,761	-16,152
Opening balance, January 1 2021		1,870	662,830	-698,130	-112	629	16,761	-16,152
Profit for the year							20,344	20,344
Other comprehensive income for the year					129	-904		-768
Total comprehensive income for the year					129	-904	20,344	19,576
Transactions with shareholders in their capacity as owners								
New share issue		327	299,673					300,000
Expenses for new share issue			-25,676					-25,676
Warrants obtained	20		5,342					5,342
Other adjustments							-85	
Closing balance, December 31 2021		2,197	942,169	-698,130	17	-275	37,020	282,998

The notes on pages 62 to 93 constitute an integrated part of these consolidated financial statements

Consolidated Cash Flow Statement

Amount in SEK t	Note	2021	2020
Cash flow from operating activities			
Operating profit/loss		37,910	60,284
<i>Adjustments for non-cash items</i>			
Depreciation of property, plant and equipment, intangible assets and right-of-use assets		15,325	12,770
Other items not affecting liquidity		892	-361
Interest received		22	1
Interest paid		-7,845	-15,147
Income taxes paid		-16,171	-1,281
Cash flow from operating activities before changes in working capital		30,133	56,266
Cash flow from changes in working capital			
Increase/decrease in inventory		-19,186	-1,897
Increase/decrease in operating receivables		190	-5,272
Increase/decrease in operating liabilities		-110	3,970
Total change in working capital		-19,106	-3,199
Cash flow from operating activities		11,027	53,067
Cash flow from investing activities			
Investments in intangible assets		-4,933	-4,783
Disposal of property, plant and equipment		0	56
Investments in property, plant and equipment		-17,797	-39,066
Cash flow from investing activities		-22,730	-43,793
Cash flow from financing activities			
New share issue		300,000	-
Warrants obtained		5,342	-
Issue expenses		-25,676	-
Repayment of long-term loans		-250,000	-
Changes in operating credit facilities/Overdraft		246	-15,299
Amortisation of lease liabilities		-1,622	-1,583
Cash flow from financing activities		28,009	-16,882
Cash flow for the year		16,587	-7,608
Cash and cash equivalents at the beginning of the year		19,182	26,790
Foreign exchange difference in cash and cash equivalents		60	-
Cash and cash equivalents at end of year	21	35,829	19,182

The notes on pages 62 to 93 constitute an integrated part of these consolidated financial statements

Notes to the Consolidated financial statements

Note 1 General information

Permascand Top Holding AB (publ), co. reg. no. 559227-6124, is a limited company registered in Sweden. Its headquarters are in Ånge, Sweden.

The address of the head office is Permascand Top Holding AB, Folkets Husvägen 50, 841 99 Ljungaverk, Sweden.

Since June 2021 the company's shares have been listed on the Nasdaq First North Premier Growth Market.

Unless otherwise specified, all amounts are reported in SEK thousands.

Note 2 Summary of important accounting policies

This note contains a list of the important accounting policies that have been applied in the preparation of these consolidated financial statements. These policies have been applied consistently for all years presented, unless otherwise specified. The consolidated financial statements include the legal Parent Company Permascand Top Holding AB and its subsidiaries.

Basis for the preparation of the financial statements

This annual report contains Permascand Top Holding AB's second consolidated financial statements and the chosen accounting policies for preparation of these accounts are the IFRS (International Financial Reporting Standards). The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. For information about the effects arising from, and the exceptions applied in connection with, the opening balance for the first consolidated financial statements of 2020 prepared under IFRS, see Note 29.

The preparation of financial statements in conformity with IFRS requires the use of critical accounting estimates and judgements. Furthermore, it requires management to make certain judgements in applying the Group's accounting policies. Complex areas that contain a high degree of judgement, or such areas where estimates and judgements are of material importance for the consolidated financial statements are shown below under "*Material accounting estimates and judgements*".

Common control transactions

A restructuring and refinancing of the Permascand Group was carried out in December 2019. Permascand's owner formed two new companies, Permascand Top Holding AB and Permascand Middle Holding AB, which acquired shared in

Permascand Holding AB at market value. The acquisition was financed via both a loan and a non-cash issue. The new legal Parent Company, Permascand Top Holding AB, has chosen to present the historic consolidated financial statements of its predecessor's, Permascand Holding AB, consolidated accounts.

As the same owner has controlling influence of the Permascand Group both before and after the restructuring, the transaction was deemed to be a restructuring rather than a business combination. Predecessor accounting has therefore been applied instead, which is why no evaluations were performed of the Permascand Group's assets and liabilities to fair value, and no goodwill was recognised. The effect, which has been recognised against equity, is that the purchase price is reduced by the share capital in the amount of SEK 1,870 thousand. In summary, reporting the transaction as an internal Group restructuring means that Permascand Top Holding AB borrowed SEK 220m to finance the transaction and that a non-cash issue of SEK 480m was carried out. From an accounting point of view, no assets or liabilities have been added to the Group, which is why the purchase price of SEK 700m was recognised as a reduction in equity.

New and revised standards not yet applied by the Group

New standards and interpretations that become effective for the financial year beginning on or after January 1, 2022, and have not been applied in the preparation of these financial statements. No published standards that have not yet come into effect are deemed to affect the Group.

To the extent that ongoing reforms related to STIBOR should lead to modifications in loan agreements, the Group has chosen to apply the IFRS exception regarding not recognising the effect and instead adjusting the effective interest rate.

Valuation methods used in preparing the financial statements

Assets and liabilities are recognised at historic acquisition cost, with the exception of financial assets and liabilities that

are valued at fair value. Financial assets and liabilities that are valued at fair value are comprised of derivatives.

Classification

Non-current assets primarily comprise amounts that are expected to be recovered or settled more than 12 months from the reporting date while current assets primarily comprise amounts that are expected to be recovered or settled within 12 months of the reporting date. Non-current liabilities consist primarily of amounts that Permascand, as of the reporting period, has an unconditional right to choose to pay more than 12 months after the end of the reporting period. If Permascand does not have such a right at the end of the reporting period – or if the liability is held for trading or the liability is expected to be settled within the normal operating cycle – the liability is reported as a current liability.

Consolidated financial statements

Subsidiaries

Subsidiaries are all companies in which the Group has a controlling influence. The Group controls a company when it is exposed to, or is entitled to, variable returns from its holdings in the company, and has the ability to affect returns through its influence over the company. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group.

The Group applies the acquisition method to recognise the Group's business combinations. The purchase price is the consideration paid for a subsidiary and consists of the fair value of the assets transferred and the liabilities assumed by the Group from the previous owner of the company. The consideration also includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated.

Reporting by segment

The Group's activities are divided into three operating segments made up of: Electrification & Renewables, Industrial Solutions, and Water Treatment.

These operating segments provide accounts in accordance with the internal reporting, which are provided to the highest executive decision-maker. The highest executive decision-maker, who is responsible for allocating resources and assessing the results of the operating segments, has been

identified as Permascand's CEO.

The operating segments report gross profit, which is also followed up, while operating profit, net interest income/expense, taxes, balance sheet and cash flow are not reported per segment.

More detailed accounts of the operating segments are provided in Note 4.

Translation of foreign currency

Functional currency and presentation currency

The various units in the Group use the local currency as their functional currencies, since the local currency has been defined as the currency of the primary economic environment in which the entities mainly operate. The consolidated financial statements are presented in Swedish kronor (SEK), which is the functional currency of the Parent Company and the presentation currency of the Group and the Parent Company.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates at the end of the month. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in operating profit in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented as financial income or financial expenses in the statement of comprehensive income.

Translation of foreign Group companies

The earnings and financial position of Group companies that have a functional currency other than the presentation currency are translated into the Group's presentation currency. Assets and liabilities for each balance sheet presented are translated from the foreign operation's functional currency to the Group's presentation currency, SEK, using the exchange rate prevailing on the balance sheet date. Income and expenses for each income statement are translated to SEK using the average exchange rate. Translation differences arising from foreign currency translation of foreign operations are recognised in other comprehensive income. When foreign operations are fully or partially divested, accumulated gains and losses are recognised in the net profit/loss for the period.

Goodwill and fair value adjustments arising from the acquisition of a foreign business operation are treated as assets and liabilities of this business operation and translated at the exchange rate prevailing on the balance sheet date.

Revenue recognition

Permascand's business model is built on a technology platform for an electrochemical process based on catalytic coatings. With catalytic coatings as the foundation, Permascand develops, manufactures and maintains customer-specific and customised electrochemical cells and electrodes within a number of areas. Revenue is comprised of sales of new products as well as recurring customer orders in the form of maintenance and recoating of the catalytic coatings of the customer's materials.

Product sales

Under certain contracts, the Group applies coatings on products that are controlled by the customer. In these cases, revenue is recognised over time, as the coating work is performed. For other contracts, revenue is recognised over time as the product is transferred to being customer-specific and the Group has no other use for the product manufactured, nor any entitlement to payment from the customer for work performed. The extent to which the Group is entitled to payment at each time depends on the contractual terms and this is assessed per agreement. If the criteria are not met, revenue is recognised on a given date.

The majority of the Group's agreements involve revenue recognition over time and at a fixed price. Revenue is recognised based on the proportion of the total agreed obligation supplied. The stage of completion is normally measured via output methods that are based on assessments of the proportion of the Group's total delivery achieved to date. This may be based on the degree of processing, milestones reached or units produced.

Estimates regarding revenue, expenses or the stage of completion are revised if the circumstances change. Any resulting increases or decreases in estimated income or expenses that are dependent on a changed estimate are recognised in the income statement in the period when the circumstances that gave rise to the revision became known to management.

As a rule, invoices are issued when the product is delivered and responsibility for the product is transferred to the customer. When the Group has an unconditional right for payment for the work carried out, a non-invoiced customer receivable is recognised (under the item "Accrued revenue" in the balance sheet). When the invoice is issued this item is derecognised and is instead booked as a customer receivable. For advance-payments from customers, a contract liability is booked in the balance sheet (presented under the item "Unearned revenue"). Terms of payment vary from contract to contract and depend upon the agreement with the customer.

The majority of the Group's agreements have an original

expected term of no more than one year, or are invoiced based on work performed. In accordance with the simplified rules in IFRS 15, information has not been provided on the transaction prices allocated to these unfulfilled obligations. If agreements arise that have an expected term of one year or longer, information about the transaction prices allocated to these unfulfilled obligations is provided in Note XX.

Revenue recognition of products at a given point in time

In cases where the criteria for revenue recognition over time have not been fulfilled, revenue is recognised at the point in time when the customer takes control of the products, which is generally when they are delivered to the customer. A receivable is registered when the products have been supplied as this is the point in time at which payment becomes unconditional (ie. only the passage of time is required for the payment to be due). Revenue is valued at the contractual transaction price. Normally payment is due 30 days after the service or product has been supplied to the customer. While extended terms of payment may occur in exceptional cases, terms of payment never exceed 12 months. The transaction price is therefore not adjusted for the effects of material financing components.

Government support

Grants from the State are recognised at fair value as it is reasonably safe to assume that the grant will be received and that the Group will fulfil the requirements associated with the grant.

State grants that cover costs are accrued and recognised in the income statement in the same periods as the costs for which the grant is intended to cover. The state grants are recognised as Other operating income

State grants for non-current assets reduce the recognised value of the asset in the same amount as the grant. The grant is recognised in profit and loss during the depreciable asset's useful life in the form of lower depreciation.

Leasing

When a contract is entered into, the Group assesses whether the agreement is, or contains a lease. An agreement is, or contains, a lease agreement if the agreement transfers control of the use of an identified asset for a certain period of time, in exchange for compensation. The Group's leasing agreements wherein the Group is the lessee primarily pertain to premises, fork-lift trucks and cars.

Leasing - Group as lessee

For all leasing agreements, apart from the exceptions listed below, a right-of-use asset and corresponding lease liability

are recognised on the date that the leased asset is available for use by the Group. Every lease payment is divided between repayment of the liability and financial expenses. The financial expenses are to be divided over the term of the lease so that every accounting period is charged in an amount equivalent to a fixed interest rate for the recognised liability under each period.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the asset or the term of the leasing agreement. Leasing agreements run for a period of 1-6 years with an option for extending or terminating an agreement.

Assets and liabilities that arise from leasing agreements are initially recognised at the present value of future lease payments. Lease liabilities include the present value of the following lease payments:

- › Fixed payments
- › Variable lease payments that are based on an index or interest rate
- › Residual value guarantees
- › Purchase options (which are reasonably likely to be exercised).
- › Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the implicit interest rate when this can easily be established, otherwise the marginal loan interest rate is used.

Right-of-use assets are valued at acquisition value and include the following:

- › Initial expenses
- › The initial value of the lease liability
- › Payments made on or before the date when the leased asset was made available to the lessee.

The Group exempts non-leasing components and has chosen not to separate these from the lease payments attributable to premises.

The Group applies the IFRS 16 exemption which means that lease payments attributable to short-term lease agreements and to lease agreements for which the underlying assets are of low value are not recognised as a right-of-use asset and lease liability, and instead recognised as a straight-line expense over the term of the lease. Short-term leases are those with a leasing period of 12 months or less. Lease agreements for which the underlying assets are of low value primarily relate to office equipment.

Option to extend and terminate agreements

Options to extend and terminate agreements are included in the Group's lease agreements for office space. Such terms are used to maximise flexibility in the agreements. Options to extend and terminate agreements are included as assets and liabilities when it is reasonably likely that such options will be exercised.

Subsequent period accounting

Lease liabilities are revalued if any adjustments are made to the lease agreement or to the residual value guarantee, or if changes are made to the cash flow that are based on the original contract terms. Changes to the cash flow that are based on the original contract terms arise when: the Group changes its initial assessment of the likelihood of it exercising options to extend and/or terminate the agreement, changes are made to prior assessments of whether a purchase option will be exercised, or lease payments change due to changes in the index or interest rate. The revaluation of lease liabilities leads to an equivalent adjustment to the right-of-use asset. If the reported value of the right-of-use asset has already been reduced to zero, the remaining revaluation is recognised in the income statement. The depreciation of the right-of-use asset is tested whenever events or changes in circumstances indicate that the reported value for an asset can not be recovered.

Presentation

Right-of-use assets and lease liabilities are recognised in a separate item in the balance sheet. In the income statement, depreciation of right-of-use assets is recognised under depreciation and the interest expenses on lease liabilities is recognised as a financial expense. Lease payments attributable to lease agreements of low value and short-term lease agreements are recognised in the income statement under Administrative expenses. Repayment of lease liabilities is recognised as cash flow from financing activities. Payment of interest and payments of short-term lease agreements and lease agreements of low value are recognised under Cash flow from operating activities.

Current and deferred income tax

Tax expenses for the period include current tax calculated on the current period's taxable profit, in accordance with applicable tax rates. Tax for the period is also impacted by changes in deferred tax assets and liabilities attributable temporary differences in unutilised deficit.

Current tax is calculated on the basis of the tax rules that have been enacted or substantively enacted at the balance sheet date in the countries where the Parent Company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations where the applicable tax regulations are subject to interpretation. When deemed appropriate, management establishes provisions on the basis of the amounts that are expected to be paid to tax authorities.

Deferred tax is recognised on all temporary differences that arise between the value of assets and liabilities for tax purposes and their carrying amounts in the consolidated financial statements. However, deferred tax liability is not recognised if it arises as a consequence of the initial recognition of goodwill. Nor is deferred tax recognised if it arises as a result of a transaction that constitutes the initial recognition of an asset or liability that is not a business combination and that at the time of the transaction, does not affect recognised or taxable profit or loss. Deferred income tax is calculated according to the tax rates (and tax rules) that are enacted or announced per the balance sheet date and are expected to apply when the deferred tax asset concerned is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that future taxable profits are likely to be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities can only be offset when there is a legal right of offset for the current tax assets and current tax liabilities and when the deferred tax assets and tax liabilities are attributable to taxes levied by the same tax authority on either the same tax entity or different tax entities, where there is an intention to settle balances on a net basis.

Current and deferred tax is recognised in the statement of comprehensive income, except for when the tax relates to items that are recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or equity.

Intangible assets

Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the amount by which the purchase price exceeds the fair value of identifiable acquired net assets.

For the purpose of impairment testing, goodwill acquired through a business combination is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill in question is followed up for internal control purposes. Goodwill is followed up per operating segment.

Capitalised expenditure for development and similar work

Capitalised expenditure for development and similar work consists mainly of capitalised development expenditure. The Group regularly evaluates whether internally developed intangible assets, such as capitalised expenditure for development, can be capitalised.

The following criteria must be fulfilled for internally developed intangible assets to be able to be capitalised:

- It is technically possible finalise the internal development of the intangible asset so that it can be used,
- The company intends to complete the internally developed intangible asset and use or sell it,
- Prerequisites for using or selling the internally developed intangible asset exist,
- It is possible to show how the internally developed intangible asset will generate probable future financial benefits,
- Appropriate technical, financial and other resources to complete the development, and to use or sell the internally developed intangible asset are available, and the expenses related to the internally developed intangible asset during its development can be calculated in a reliable manner.

Other development costs that do not meet these criteria are expensed as incurred. Development costs previously expensed are not recognised as assets in subsequent periods.

Capitalised expenditure for development that is recognised as intangible assets is depreciated from the date that the asset is ready for use. Capitalised expenses are attributable to new product development. Capitalised expenses for development are depreciated on a straight-line basis over the forecast useful life, which is 5-10 years.

Property, plant and equipment

Property, plant and equipment includes land and buildings, plant and machinery, equipment, tools, fixtures and fittings, and fixed assets under construction and advance payment for property, plant and equipment. Property, plant and equipment are recognised at cost less depreciation, with the exception of fixed assets under construction and advance payment for property, plant and equipment. Acquisition value includes expenses directly attributable to the acquisition of the asset.

Subsequent expenditure is added to the carrying amount

of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will accrue to the Group and the acquisition cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised from the statement of financial position. All other types of repairs and maintenance are recognised as expenses in the statement of comprehensive income as incurred.

Land is not depreciated. To allocate their acquisition value down to the estimated residual value over the estimated useful life, property, plant and equipment are depreciated on a straight-line basis as follows:

› Buildings	15-50 years
› Land improvements	20 years
› Plant and machinery	10-20 years
› Equipment, tools, fixtures and fittings	5-20 years.

Buildings consist of a number of components with different useful lives. The following main groups of components have been identified and form the foundation for depreciation of buildings:

› Structure, floor	50 years
› Fixtures and fittings, heating, electricity, plumbing, water and sanitation, ventilation etc	15-25 years
› Outer surfaces, façades, external roof, etc	30 years
› Internal surfaces, mechanical equipment, etc	10-20 years

The residual values and useful lives of the assets are tested at the end of each reporting period and adjusted as needed.

When the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount of the asset is immediately written down to its recoverable amount.

Gains or losses on the disposal of an asset are determined through a comparison between the proceeds of the sale and the carrying amount, and are recognised net in Other operating income or Other operating expenses in the statement of comprehensive income.

Impairment of non-financial assets

Goodwill that has an indefinite useful life, or intangible assets that are not ready for use, are not amortised but rather are tested annually, or when there is an indication of fall in value, for impairment loss.

Assets that are amortised are impairment tested whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is

recognised in the amount at which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs for disposal or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level of separately identifiable cash flows (cash-generating units). Assets (other than goodwill) for which impairment losses have been previously recognised are reviewed at each balance sheet date to determine whether recovery is possible.

Financial instruments

a) Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. The purchase or sale of a financial asset or financial liability is recognised on the trade date, i.e. the date when the Group commits to buying or selling the asset.

Financial instruments are initially recognised at fair value, plus, for financial assets or financial liabilities that are not recognised at fair value through the income statement, transaction costs that are directly attributable to the acquisition or the issue of a financial asset or financial liability, such as fees and commissions.

b) Financial assets – Classification and measurement

The Group's financial assets are included under the category Financial assets measured at amortised cost, with the exception of derivatives. Hedge accounting is applied to derivatives.

c) Financial assets at amortised cost

Classification of investments in debt instruments depends on the Group's business model for managing financial assets and on the contractual terms for the assets' cash flow. The Group reclassifies debt instruments only when the Group's business model for the instruments is changed.

Assets held with the objective of collecting contractual cash flows, where the cash flows consist solely of payments of the principal amount and interest, are recognised at amortised cost. Interest income from such financial assets is recognised as financial income using the effective interest method.

The Group's financial assets measured at amortised cost consist of other non-current receivables, accounts receivable, other receivables, accrued income and cash and cash equivalents.

d) Derivatives and hedge accounting

Derivatives are recognised in the balance sheet on the

transaction date and are measured at fair value, both initially and for subsequent measurement at the end of each reporting period.

The Group's derivatives are made up of currency futures/ swaps for hedging of sales in foreign currencies. These are identified as hedging of foreign exchange risk in very likely planned transactions (cash flow hedging). When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item. The Group documents its assessment, both when the hedge is entered into and continuously, of whether the derivative instrument used in the hedging transaction has been and will continue to be effective when it is time to counter changes in the cash flow that derive from the hedged items.

The entire fair value of the derivative that constitutes the hedging instrument is classified as a fixed asset or a non-current liability when the hedged item's remaining maturity is longer than 12 months, and as a current asset or short-term liability when the hedged item's remaining maturity is shorter than 12 months.

Transaction exposure - Cash flow hedging

Currency exposure regarding future contractual and forecast flows are hedged using currency futures. Currency futures that safeguard the forecast flow are recognised in the balance sheet at fair value. Changes in the fair value of the future is recognised in Other comprehensive income and is accumulated in equity as long as the hedge is effective. If the hedge is not effective or if the hedged planned transaction is no longer expected to take place, the accumulated gains or losses are recognised in the profit/loss for the year. The amount recognised in equity through Other comprehensive income is reversed to profit/loss for the year in the same period in which the hedged item affects profit/loss and is recognised in the item Other operating expenses. When a hedging instrument expires, is sold, terminated or redeemed, or if the company breaks the identified hedging relationship before the hedged transaction takes place, and the planned transaction is still expected to occur, the recognised accumulated gain or loss in the hedging reserve remains in equity and is recognised in corresponding manner to the above when the transaction occurs.

Ineffectiveness in the hedge accounting

The effectiveness of a hedge is measured when the hedging relationship is entered into. The hedged item and hedging instrument are measured continually to ensure that the

relationship fulfils requirements. When the Group hedges against the sale of foreign currency, hedging relationships are entered into wherein critical terms of the hedging instrument match the terms of the hedged item. Thus a qualitative evaluation of the effectiveness of the relationship is performed. When hedging the sale of foreign currency, ineffectiveness may arise if the timing of the planned transaction is changed compared with the original estimation.

e) Derecognition of financial assets

The purchase or sale of financial assets is recognised on the transaction date, i.e. the date when the Group commits to buying or selling the asset. Financial assets are removed from the statement of financial position when entitlement to receive cash flow from the instrument has expired or has been transferred and the Group has transferred largely all risks and benefits associated with the right of possession.

Gains and losses that arise from the derecognition from the balance sheet are recognised immediately in profit/loss under financial expenses or financial income.

f) Financial liabilities – Classification and measurement

The Group's financial liabilities are measured after the initial recognition at amortised cost using the effective interest method.

The Group's financial liabilities that are measured at amortised cost consist of liabilities to credit institutions, accounts payable, other liabilities and accrued expenses.

g) Derecognition of financial liabilities

Financial liabilities are derecognised from the statement of financial position when the obligation is discharged, cancelled or otherwise expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including transferred non-cash assets or liabilities assumed, is recognised in the statement of comprehensive income.

When the terms of a financial liability are renegotiated, and are not derecognised from the statement of financial position, a gain or loss is recognised in the statement of financial position. The gain or loss is calculated as the difference between the original contractual cash flows and the adjusted cash flows discounted to the original effective interest rate.

h) Offsetting of financial instruments

Financial assets and liabilities are offset and recognised in a net amount in the statement of financial position only when

there is a legally enforceable right to offset the reported amounts and an intention to settle these in a net amount or to simultaneously realise the asset and settle the liability. The legal right must not be dependent on future events and it must be legally binding for the company and the counter-party both in the normal course of business and in the event of default of payment, insolvency or bankruptcy.

i) Impairment of financial assets recognised at amortized cost

The Group assesses the future expected credit losses attributable to assets measured at amortised cost. The Group reports a credit loss allowance for such expected credit losses at each balance sheet date.

The Group does not have any notable history of bad debt losses. The Group has relatively few customers and no noted bad debt losses have occurred during the last four years. There is therefore no usable data for making a general allowance for bad debt losses, and given the credit worthiness of current customers, no such allowance would be essential. The Group bases its calculations of credit losses linked to accounts receivable and accrued revenue on individual assessments of available information about each customer. Expected losses from other financial assets are negligible.

Borrowing costs

General and specific borrowing costs that are directly attributable to the purchase, building or production of qualified assets, which are assets that necessarily take a significant amount of time to complete for the intended use or sale, are recognised as a portion of the acquisition cost of these assets. Capitalisation ceases when all the activities required to complete the asset for its intended use or sale are largely concluded. All other borrowing costs are expenses as incurred.

Inventories

Inventories are recognised at the lower of cost and net realisable value. Cost consists of the direct cost of goods, direct salaries and attributable indirect manufacturing costs (based on the normal manufacturing capacity). Borrowing costs are not included. Costs for individual articles in the warehouse are allocated based on weighted average costs. Net realisable value is the estimated selling price in operating activities, less applicable variable selling costs.

Accounts receivable

Accounts receivable are amounts attributable to customers relating to the sale of goods or services conducted in the

ordinary course of business. Accounts receivable are initially recognised at fair value (transaction price). The Group has the accounts receivables with the objective of collecting the contractual cash flows, and therefore subsequently measures accounts receivable at amortised cost using the effective interest method, less provisions for expected credit loss.

Cash and cash equivalents

Cash and cash equivalents include bank balances, both in the statement of financial position and in the cash flow statement.

Share capital

Ordinary shares are classified as equity. Transaction costs that can be directly attributed to the issue of new shares or warrants are recognised, net after tax, in equity as a deduction from the issue proceeds.

Borrowings

Borrowings are initially recognised at net fair value net after transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between the amount received (net after transaction costs) and the proceeds received is recognised in the statement of comprehensive income over the term of the loans, using the effective interest method.

Borrowings are derecognised from the statement of financial position when the obligation is discharged, cancelled or otherwise expires. The difference between the carrying amount of a financial liability (or part thereof) that has been extinguished or transferred to another party and the consideration paid, including transferred non-cash assets or liabilities assumed, is recognised in the statement of comprehensive income.

Borrowings are classified as current liabilities, except in cases where the Group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

Accounts payable

Accounts payable are financial instruments and refer to obligations to pay for goods or services that have been purchased from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if they fall due within 12 months. If not, they are recognised as non-current liabilities.

Accounts payable are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Employee remuneration*Short-term employee benefits*

Liabilities for salaries and remuneration, including non-monetary benefits and paid leave, that are expected to be settled within 12 months from the balance sheet date, are recognised as current liabilities in the undiscounted amount of the benefits expected to be paid when the liabilities are settled. This cost is recognised as the employees render services. The liability is recognised as an obligation relating to employee remuneration in the consolidated balance sheet.

Pension obligations

The Group only has defined contribution plans. A defined contribution plan is a pension plan in which the company pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay further contributions if this legal entity has insufficient assets to pay all compensation to employees in respect of the employees' service during the current or previous periods. The contributions are recognised as personnel costs in the statement of comprehensive income when they fall due for payment.

Cash flow analysis

The cash flow analysis is prepared according to the indirect method. The recognised cash flow includes only transactions that have resulted in payments being received or disbursed.

Earnings per share*Earnings per share - basic*

Earnings per share - basic is calculated by dividing:

- Profit attributable to owners of the Parent Company
- by the weighted average number of outstanding ordinary shares during the period

Earnings per share - diluted

To calculate the earnings per share - diluted, the amount used for calculating the earnings per share - basic is adjusted by taking into account any effects from ordinary shares in the form of warrants issued to the Board or employees.

- The Group has not experienced any dilutive effects during the accounting period, thus the earnings before and after dilution is the same.

Subdivision of shares

In connection with the listing of the company on the Nasdaq First North Premier Growth, a 1:27 subdivision of shares was carried out along with a new share issue of 8 823 529 shares. Earnings per share for the historic periods have been recalculated for comparability by applying a 1:27 principle.

Critical accounting estimates and judgements

The Group makes estimates and assumptions about the future. The accounting estimates resulting from these will, by definition, seldom correspond with the actual outcomes. The estimates and judgements that may involve a risk for material adjustments to the carrying amounts of assets and liabilities are set out in general terms below.

Impairment testing of goodwill

Each year, the Group determines whether there is any indication of impairment of goodwill, in accordance with the accounting policy described in Note 2. The recoverable amount for cash-generating units has been determined through calculation of value in use. For these estimations, certain assumptions are made, the most important of which relate to future cash flow forecasts, discount interest rate and long-term growth rate. The carrying amount of goodwill amounted to SEK 56 thousand at December 31, 2021. The recoverable amount exceeds the carrying amount of goodwill by a good margin.

Note 3 Financial risk management

3.1 Financial risk factors

The Group is exposed to financial risks through its global operations. Every year the Board sets the Group's finance policy, which includes guidelines, targets and frameworks for financial administration and managing financial risks.

The overall aim of the finance operations is to help the company pursue its business plan and strategy through efficient and clear financial administration. This involves working to safeguard financing for the long term and limiting financial risk. Further, the financing operations should ensure availability of cash and cash equivalents over the short term so the company can meet its obligations.

Currency risk

Currency risk refers to the risk of foreign exchange rate fluctuations adversely impacting the consolidated cash flow, income statement or balance sheet. Foreign exchange rate fluctuations impact the Group's profit or loss when sales and purchases are conducted in different currencies. The Group's currency exposure primarily relates to euro (EUR) and dollars (USD) as the majority of the Group's sales and large portion

of its costs are in these currencies. As far as possible, sales and purchases are matched and linked to customer orders made in the same currency. Currency hedging is conducted to reduce exposure using currency swap contracts that mature quarterly. The company's net exposure to EUR and USD is shown below.

A 10% weakening in the Swedish krona against other currencies in 2021 would have meant increased revenues of SEK 34m for the year (2020: SEK 34m and 2019: SEK 36m), and would have impacted profit after tax and the Group's equity by SEK 16m (2020: SEK 16m and 2019: SEK 17m). A 10% stronger Swedish krona compared to other currencies would, in direct contrast, have meant lower revenues and less profits after tax, as well as lower equity. This sensitivity analysis assumed other factors (eg. interest rates) remain the same.

Foreign exchange risk also arises within the Group from translation of the subsidiaries' income statements and balance sheets into the Group reporting currency, which is SEK, so-called translation exposure. Revaluations of balance sheet items are recognised as currency effects in Other operating income or Other operating expenses. See Note 7.



Net exposure	31/12/2021		31/12/2020	
Currency (value SEK)	EUR	USD	EUR	USD
Accounts receivable	41,889	12,496	42,816	14,434
Accrued revenue	9,287	-	13,460	-
Advance payments from customers	-7,864	-13,998	-8,741	-9,374
Unearned revenue	-	-39,769	-8,309	-41,191
Accounts payable	-15,564	-534	-9,940	-4,351
Net exposure	27,748	-41,805	29,286	-40,482

Derivative instruments

The Group has the following derivatives

Current assets	31/12/2021	31/12/2020
Foreign exchange forward - Cash-flow hedging	-	792
Current liabilities		
Foreign exchange forward - Cash-flow hedging	-346	-
Total	-346	792

Nominal amount	31/12/2021		31/12/2020	
Foreign exchange	EUR	USD	EUR	USD
1-3 months	2,000	1,000	1,000	-
3-6 months	1,000	500	1,000	-
6-12 months	1,000	500	1,000	-
>1 year	-	-	1,000	-

Change of value of foreign exchange forwards that are recognised in Other comprehensive income amount to SEK -1,138 thousand (SEK 792 thousand) - (-) has been booked from the hedging reserve to profit/loss via Other comprehensive income

(a) Interest rate risk

Interest rate risks refers to the risk of changes in the market rate having a negative impact on the Group's net interest. Liabilities to credit institutions consist of bank loans which carry variable interest and expose the Group to interest rate risk related to cash flows. The Group does not hedge its future cash flow for interest rate risk. Liabilities to credit institutions amount to SEK 39,126 thousand (SEK 286,920 thousand). The Group's loan agreement contains specific terms linked to the key financial ratios, so-called covenants that constitute usual terms. In December the Group was granted an exemption from negotiated terms in the form of disbursements from one of the Group's subsidiaries in the amount of SEK 3m on behalf of the Parent Company. The financial covenants were met on the balance sheet date.

Sensitivity analysis for interest rate risk

If interest on the borrowings at 31 December, 2021, had been 1 per centage point higher/lower, with all other variables held constant, the estimated profit after tax for the financial year would have been SEK 1,180 thousand (SEK 2,297 thousand) lower/higher, mainly as an effect of higher/lower interest expenses for borrowings with variable interest rates.

(b) Credit risk

Credit risk is the risk of the counter-party in a transaction not fulfilling their contractual obligations. Credit risk arises through cash balances at banks and credit institutions as well as customer credit exposure including outstanding receivables.

Maximum credit exposure is equivalent to the book value of the Group's financial assets and accrued revenue.

The Group's customers consist largely of large well-established companies with which the company has had relationships over many years. The Group's credit losses have historically been negligible and customer payment history is strong. With this background, along with forward-looking information on macroeconomic factors that may affect the customers' ability to pay receivables, the Group's expected credit losses are also deemed to be negligible.

Permascand has principles for assessing and checking new customers in order to manage credit risk. Rating institutes such as Dun & Bradstreet are used for assessing the counter-party's financial strength. Based on the customer's credit level, advance-payments may be requested, as an example, to minimise risk. Every month the Group assesses credit risk on receivables due and accrued revenue as an individual assessment of potential credit risk of the customer in question. Doubtful receivables are booked quarterly. At year-end the reserve for doubtful receivables amounted to SEK 32 thousand (0).

The Group's risk in cash and cash equivalents is deemed to be low. Cash and cash equivalents consists of bank funds and surplus liquidity is used to reduce the exercising of bank overdrafts. The Group has no short-term investments.

(c) Liquidity risk

The Group limits this risk through prudent liquidity management so that sufficient cash funds are available to meet the requirements of the operating activities. At the same time, the Group ensures that there is sufficient headroom in the committed credit lines so that liabilities can be paid when they fall due. Management uses rolling forecasts for the Group's liquidity reserve (including non-utilised credit facilities) and cash and cash equivalents on the basis of expected cash flows. All surplus liquidity is to be used first and foremost to repay

loans/reduce exercising of overdrafts. Information regarding available liquidity and exercised credit facilities is provided in Notes 21-22.

(d) Refinancing risk

Refinancing risk is defined as the risk that difficulties arise in refinancing the Group, that financing cannot be obtained, or that it can be obtained only at a higher cost. The risk is minimised through the Group constantly evaluating different financing solutions.

The table below analyses the Group's financial liabilities, divided according to the period remaining from the balance sheet date to the contractual maturity date. The amounts shown in the table are the contractual, discounted cash flows.

At December 31, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
<i>Financial liabilities</i>							
Liabilities to credit institutions	1,807	5,422	35,207	1,214	-	43,650	39,126
Lease liabilities	332	886	923	335	-	2,476	2,804
Accounts payable	32,697	-	-	-	-	32,697	32,697
Total	34,836	6,308	36,130	1,549	-	78,823	74,627
At 31 December, 2020							
<i>Financial liabilities</i>							
Liabilities to credit institutions	4,497	38,492	41,904	231,135	-	316,029	286,920
Lease liabilities	382	1,015	823	976	-	3,196	2,911
Accounts payable	26,258	-	-	-	-	26,258	26,258
Total	31,137	39,507	42,727	232,111	-	345,483	316,089

3.2 Calculation of and information about fair value

The different levels of financial instruments measured at fair value are defined as follows:

(a) Financial instruments - level 1

Listed prices (unadjusted) in active markets for identical assets or liabilities

(b) Financial instruments - level 2

Observable data for assets or liabilities other than listed prices included in Level 1 either directly (i.e. as price quotes), or indirectly (i.e. derived from price quotes).

(c) Financial instruments - level 3

In cases where one or several significant sources of input data are not based on observable market information, the

instrument is classed as level 3.

To the extent that ongoing reforms related to STIBOR should lead to modifications in loan agreements, the Group is expected to apply an adopted exception in IFRS 9 that allows the effect on profit/loss to not be recognised, and instead allows for a readjustment of the effective interest rate.

Derivative instruments

For futures, the determination of the fair value is based on listed prices. The market price is calculated based on the current price adjusted for the interest rate margin between the currencies and the number of days, compared with the contractual price to derive fair value. Derivatives are measured as level 2.

Interest-bearing liabilities

Carrying amount agrees with the fair value of the Group's

borrowing as the loans mature with variable interest and the credit spread is not such that the carrying amount materially diverges from fair value.

The carrying amount and fair value do not differ materially from non-current receivables, accounts receivable, cash and cash equivalents and accounts payable.

3.3 Capital management

Permascand has a stable and balanced capital structure. The company's equity to assets ratio and loan-to-value ratio are to align with the long-term financial targets and safeguard the group's ability to continue its operations, so that it can continue to generate returns for shareholders and value to other stakeholders. Financial targets adopted by the Board state that net loan-to-value ratio in relation to EBITDA must be under 2.0x, which was achieved as at year-end. The ambition is for the Group to remain below that level during 2022.

The Group's net debt to equity ratio at each balance sheet date was as follows:

	31/12/2020	31/12/2020
Total borrowing from credit institutions	39,126	286,920
Less: cash and cash equivalents	-35,829	-19,182
Net liabilities	3,297	267,738
Total equity	282,998	-16,152
Total capital	286,295	251,586
Debt/total assets ratio	0x	-16.6x

Note 4 Segment information and revenues

The Group's highest executive decision-maker, the CEO, mainly uses gross profit for assessing the results of the operating segments.

The Group's business activities are governed and reported according to these three operating segments:

1. Electrification & Renewables

Permascand's Electrification & Renewables segment supplies products to the fast-growing green tech markets. The products are part of the processes used for refining metals, mainly copper, nickel and cobalt, as well as for substances such as

lithium and hydrogen - which enable the advancement of renewable energy, energy storage and fossil-free fuels.

2. Industrial Solutions

Permascand's Industrial Solutions segment supplies products with different areas of application in the chemicals industry. There is great experience and unique competence within this segment, wherein the company's high-performance electrodes enable customers to reduce their energy consumption and their investment costs - for better sustainability impact.

3. Water Treatment

Permascand's Water Treatment segment supplies products for electrochemical disinfection of water, primarily within the marine sector, and treatment of ballast water for ships, but the range also includes standard systems with other areas of application. Demand is largely being driven by the more stringent demand for treatment of ballast water from the International Maritime Organisation (IMO) and the United

States Coast Guard (USCG). The technology that underpins the company's product for ballast water treatment has been approved by IMO and USCG and is based on Permascand's electrochemical cells. When the cells come into contact with ballast water they clean it, removing marine organisms and thus stopping invasive species spreading to non-native environments.

2021	Water Treatment	Industrial Solutions	Electrification & Renewables	Total
Net sales				
Sweden	532	16,806	21,975	39,313
Other Nordic countries	817	6,214	6,940	13,971
Greece	193,418	-	-	193,418
Other Europe and UK	338	59,567	10,991	70,896
United States	184	45,380	800	46,364
Canada	-	2,325	4,900	7,225
Other countries	-	20,355	13,052	33,407
Total revenues from external customers	195,289	150,647	58,658	404,590
Gross profit	59,575	53,654	9,679	122,908
Operating profit/loss				37,910
Financial items - net				-10,420
Profit/loss before tax				27,490

2020	Water Treatment	Industrial Solutions	Electrification & Renewables	Total
Net sales				
Sweden	321	5,959	19,636	25,917
Other Nordic countries	2,263	7,387	2,302	11,951
Greece	252,161	-	-	252,161
Other Europe and UK	319	46,411	3,790	50,520
United States	-	28,048	-	28,048
Canada	-	19,176	361	19,537
Other countries	-	24,403	2,453	26,857
Total revenues from external customers	255,064	131,385	28,542	414,991
Gross profit	62,108	37,921	3,822	103,851
Operating profit/loss				60,284
Financial items - net				-15,266
Profit/loss before tax				45,017



Information on major customers

The table below specifies revenues from specific customers that exceed 10% of the Group's total revenues:

	2021	2020
Customer A	48%	61%
Customer B	13%	15%
Total	60%	76%

Customer A's revenues are in the Water Treatment segment and Customer B's revenues are in the Industrial Solutions segment.

Assets per segment

Non-current assets, over and above financial instruments and deferred tax assets, pertain solely to the production site in Ljungaværk in Sweden.

Revenue recognition date

	2021	2020
Revenue recognised over time	370,604	391,573
Revenue recognised at a given point in time	33,986	23,419
Total	404,590	414,992

Note 5 Auditors' fees

The audit assignment refers to the statutory annual and consolidated financial statements and accounts as well as the Board of Directors' and the CEO's administration of the company, as well as auditing and other examination performed as contractually agreed.

This includes other duties that the company's auditor performs as well as advice or other counsel that arise through the observations of such audits, or the performance of other such duties.

	2021	2020
KPMG		
Audit assignment	1,310	1,678
Audit services in addition to the audit assignment	3,510	-
Other services	455	12
Total	5,275	1,700

Note 6 Employee benefits, etc

	2021	2020
Salaries and benefits	55,199	56,443
Social security contributions	24,374	25,067
Of which Pension costs - defined contribution plans	6,400	5,379
Total	85,972	81,510

Salaries and benefits and other social security expenses

	2021		2020	
	Salaries and other benefits (of which booked variable salary)	Social security expenses (of which pension costs)	Salaries and other benefits (of which booked variable salary)	Social security expenses (of which pension costs)
Board members and Chief Executive Officer	3,983 (675)	1,468 (690)	1,810 (256)	1,251 (549)
Other employees	51,216 (4,545)	22,906 (5,710)	53,764 (1,214)	23,816 (4,830)
Group, total	55,199 (5,220)	24,374 (6,400)	56,443 (1,470)	25,067 (5,379)

Remuneration of the Board, CEO and management team in 2021

	Salaries and benefits incl. Board fees	Variable remuneration	Pension costs	Total
Board of Directors				
Per Lindberg	550	-	-	550
Marie Grönborg	225	-	-	225
Mario Houde	163	-	-	163
Ingar Jensen	225	-	-	225
Pernilla Lundin	215	-	-	215
Per-Ola Baalerud	-	-	-	-
Johan Karlsson	300	-	-	300
Erik Zimmerman	**	**	**	**
Emil Wiljesäter	**	**	**	**
Total Board of Directors	1,678	-	-	1,678
Senior executives				
Peter Lundström, CEO	1,969	675	690	3,334
Other senior executives	7,907	1,515	1,120	10,542
Total senior executives	9,876	2,190	1,810	13,876
Total Board of Directors and Senior executives	11,554	2,190	1,810	15,554

*) For information on related-party transactions, including invoiced Board fees, see Note 28.

**) Remuneration for employee representatives is part of the normal salary, in accordance with collective agreements. No remuneration has been paid for Board work.

***) Converted from USD (18 thousand)

Average number of employees per country

	2021		2020	
	Average number of employees	of which, men	Average number of employees	of which, men
Sweden	109	92	129	108
Canada	1	-	1	-
Group, total	110	92	130	108

Gender distribution in the Group (including subsidiaries) for Board members and other senior executives

	2021		2020	
	Number at the balance sheet date	of which, men	Number at the balance sheet date	of which, men
Board members	9	7	9	7
Chief Executive Officer and other senior executives	7	4	9	6
Group, total	16	11	18	13

Guidance

Fees for the Chairman of the Board and members of the Board are paid according to the decision of the general meeting of shareholders. All Board members who receive Board fees do so in the form of salary, with the exception of one member who issues an invoice for fees.

The general meeting of shareholders has adopted the

following guidelines (summarised) for remuneration of management: Remuneration of the Chief Executive Officer and other senior executives is comprised of basic salary, variable remuneration, other benefits, pensions etc. "Other senior executives" refers to the members of the Group leadership team along with the Chief Executive Officer.

The distribution between basic salary and variable

remuneration must be in proportion to the executive's responsibility and powers. The variable remuneration for the Chief Executive Officer shall amount to no more than 30 per cent of the basic salary. For other senior executives who may be paid variable remuneration through their employment, the variable remuneration shall amount to no more than 20 per cent of the basic salary. Variable remuneration is based on the achievement of individual goals.

Retirement benefits and other benefits for the Chief Executive Officer and other senior executives are paid as part of the total remuneration, pension premiums to defined-contribution schemes shall amount to no more than 35 per cent of the fixed annual cash salary. Retirement applies to senior executives at the relevant and applicable retirement age.

Defined-contribution pension

The Group has only defined contribution pension plans. Pension costs relate to costs that affect profit/loss for the year. Of the Group's pension costs, SEK 690 thousand (745) pertain to the company's Chief Executive Officer.

Pension premiums for the Chief Executive Officer shall amount to no more than 30% of the pensionable salary. Pensionable salary includes the basic salary and variable remuneration. For other senior executives, the retirement age varies between 55 and 65 years. Pension premiums shall be the same level as stipulated in collective agreements.

No pension obligations have been agreed for Board members that do not have fixed employment in one of the Group companies.

Severance pay

The company does not have any severance pay agreements.

Share-based remuneration

At the Extraordinary General Meeting on 3 June 2021 it was decided to issue warrants as part of the two new incentive

programmes. One programme is for senior executives and other key employees and one for the Board of Directors. The warrants were assigned at market values, set by PricewaterhouseCoopers according to the Black & Scholes valuation model. The terms of the warrants contain the usual conversion provisions, for instance those pertaining to dividends paid prior to the redemption date. The company retains the right to repurchase warrants, for example if a participant wishes to sell warrants to a third party or if the employee's employment is terminated, or if a Board member's assignment ends.

Management and other key employees, LTIP 2021/2024

This programme includes twelve employees and 729,153 warrants. The warrants can be exercised during the period 1 May - 10 June 2024 and the exercise price will be the equivalent of 120 per cent of the offered purchase price, i.e. SEK 40.8.

Assuming that the entire 729,153 warrants in LTIP 2021/2024 will be used to subscribe for new shares, the company's share capital will increase by approximately SEK 27,005.67 which corresponds to around 1.2 per cent of the company's share capital after implementation.

Board of Directors, LTIP 2021/2025

Encompasses 504,899 warrants and covers the company's Board of Directors. The warrants can be exercised during the period 1 May - 10 June 2025 and the exercise price will be the equivalent of 110 per cent of the offered purchase price, i.e. SEK 37.4.

Assuming that the entire 504,899 warrants in LTIP 2021/2025 will be used to subscribe for new shares, the company's share capital will increase by approximately SEK 18,699.96 which corresponds to around 0.9 per cent of the company's share capital after implementation.

At year-end the company's share price is below the exercise price, which is why the market value of the programmes is 0.

Management and other key employees, LTIP 2021/2024

Participant	Warrants	Share of programme (%)
Peter Lundström	227,205	31.2
Fredrik Herlitz	72,292	9.9
Linda Ekman	72,292	9.9
Viktoria Lindstrand	72,292	9.9
Lars Nyman	72,292	9.9
Lena Oskarsson Engberg	48,195	6.6
Jens-Michael Povelsen	48,195	6.6
Erik Zimmerman	48,195	6.6
Louis Obaro Andrew	48,195	6.6
Nicholas Laroche	20,000	2.7
Total LTIP 2021/2024	729,153	100

Board of Directors, LTIP 2021/2025

Participant	Warrants	Share of programme (%)
Per Lindberg	151,470	30
Johan Karlsson	88,357	17.7
Ingar Jensen	66,268	13.1
Marie Grönberg	66,268	13.1
Pernilla Lundin	66,268	13.1
Mario Houde	66,268	13.1
Total LTIP 2021/2025	504,899	100

Note 7 Other operating income and other operating expenses

	2021	2020
Government support	108	6,955
Exchange rate fluctuations	3,491	1,295
Other operating income	1,909	1,062
Total other income	5,508	9,312
Disposal of non-current assets	-128	-
Exchange rate fluctuations	-	-2,725
Total other operating expenses	-128	-2,725

Note 8 Operating expenses by type of cost

	2021	2020
Raw materials and consumables	-198,130	-214,775
Personnel costs	-84,121	-82,144
Consulting expenses	-29,589	-11,502
Property and energy costs	-8,275	-9,123
Repairs and maintenance, incl consumables	-12,560	-10,144
Depreciation of non-current assets	-15,196	-12,770
Other expenses	-24,062	-23,562
Total operating expenses	-371,933	-364,019

Note 9 Financial income and financial expenses

	2021	2020
Interest income	1	1
Total financial income	1	1
Interest expense, bank loans	7,528	12,886
Interest expense, lease liability	92	120
Other liability-related expenses	2,800	2,261
Total financial expenses	10,421	15,267
Financial items - net	10,420	15,266

Interest income and interest expenses include financial assets and liabilities that are recognised as accrued cost.

Note 10 Income tax

	2021	2020
Tax for the year		
Current tax on profit for the year	5,430	8,207
Adjusted tax, prior year	-104	-189
Deferred tax	1,820	4,062
Total	7,146	12,080

Income tax on the Group's pre-tax profit differs from the theoretical amount that would have arisen when using the Swedish tax rate for the results of the consolidated companies as follows:

Reconciliation of effective tax	2021	2020
Profit/loss before tax	27,490	45,017
Income tax calculated according to Swedish tax rate (2020: 21.4%, 2021: 20.6%).	5,663	9,634
<i>Tax effects from:</i>		
Non-deductible expenses	8	48
Non-deductible interest	1,531	2,786
Adjusted tax, prior year	-104	-189
Other items	205	-37
Loss carry forwards not previously recognised in the balance sheet	-157	-162
Income tax	7,146	12,080

The Group's tax expenses correspond to an effective tax rate of 26 per cent (27).

Note 11 Exchange rate differences, net

Exchange rate differences are recognised in the statement of comprehensive income, as follows:

	2021	2020
Other operating income (Note 7)	3,491	1,295
Other operating expenses (Note 7)	-	-2,724
Total	3,491	-1,429

Not 12 Earnings per share

	2021	2020
SEK		
Earnings per share - basic and diluted	0.37	0.65
Income measure used in the calculation of earnings per share		
Net profit/loss for the year attributable to the shareholders of the Parent Company used for calculation of earnings per share basic and diluted	20,344	32,937
Quantity	55,616,036	50,490,000
Weighted average number of ordinary shares after calculation of earnings per share basic and diluted	55,616,036	50,490,000

*) During the year the company has implemented a subdivision of shares due to which historic information on earnings per share and average number of ordinary shares has been recalculated for comparability. The subdivision of shares was implemented at a ratio of 1:27. The prior quantity of 1,870,000 ordinary shares has therefore been recalculated to the new amount of 50,490,000 shares, and the previous earnings per share for 2020 which was SEK 17.6 per share has been recalculated to a new figure of SEK 0.65 per share.

**) Instruments that can have a future dilutive effect and incur changes after year-end.

In 2021 the company had outstanding warrants programmes with an exercise price of SEK 37.4 and SEK 40.8 respectively, which exceeded the average ordinary share price, SEK 37.4. There is therefore no dilutive effect of these warrants and they have been excluded from the calculation of earnings per share after dilution. If the future market value rises to a level exceeding the exercise price, these options will have a dilutive effect.

Note 13 Group companies

As of 31 December 2021, the Group included the following subsidiaries:

Name	Country of registration and operation	Business	Per centage of ordinary shares directly owned by the Parent Company (%)	Per centage of ordinary shares owned by the Group (%)
Permascand Middle Holding AB	Sweden	Holding company	100	
Permascand Holding AB	Sweden	Holding company		100
Permascand Group AB	Sweden	Holding company		100
Permascand AB	Sweden	Operating company in which Permascand operates its business activities		100
Permascand Ltd	Canada	Sales company on behalf of Permascand AB		100

Note 14 Intangible assets

	Goodwill	Capitalised expenditure for development	Ongoing investments	Total
2020 financial year				
Opening carrying amount	55,540	7,562	-	63,102
Acquisitions during the year	-	385	4,398	4,783
Depreciation for the year	-	-91	-	-91
Closing carrying amount	55,540	7,856	4,398	67,794
At December 31, 2020				
Acquisition cost	55,540	9,281	4,398	69,219
Accumulated depreciation and impairment losses	-	-1,425	-	-1,425
Carrying amount	55,540	7,856	4,398	67,794
Closing carrying amount	55,540	7,856	4,398	67,794
2021 financial year				
Opening carrying amount	55,540	7,856	4,398	67,794
Acquisitions during the year	-	1,290	2,841	4,131
Depreciation for the year	-	-308	-	-308
Reclassifications for the year	-	7,395	-6,576	819
Closing carrying amount	55,540	16,233	663	72,436
At December 31, 2021				
Acquisition cost	55,540	17,967	663	74,170
Accumulated depreciation and impairment losses	-	-1,734	-	-1,734
Carrying amount	55,540	16,233	663	72,436



Note 14 Intangible assets, cont.

Impairment testing of goodwill

The company's CEO assesses the performance of the business according to the Group's three operating segments: Water Treatment, Industrial Solutions, and Electrification & Renewables. Goodwill is monitored by the CEO at the operating segment level. Below is a summary of goodwill per operating segment.

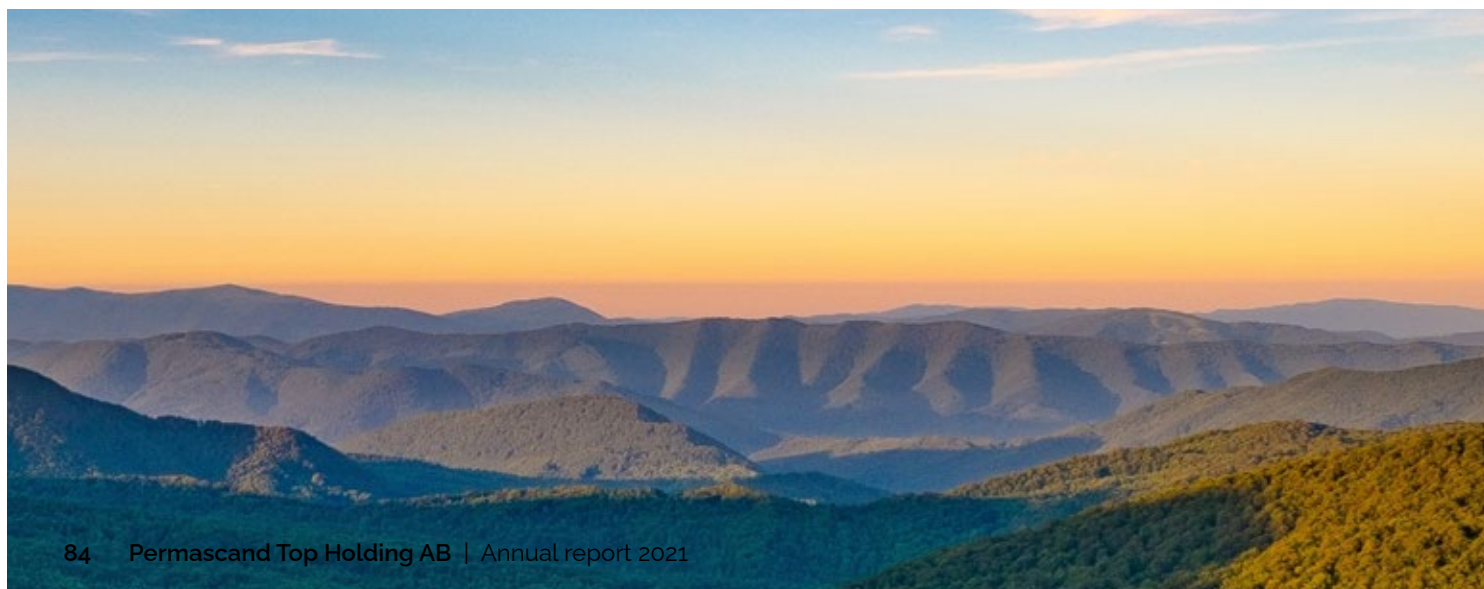
Goodwill	31/12/2021	31/12/2020
Water Treatment	27,770	27,770
Industrial Solutions	22,216	22,216
Electrification & Renewables	5,554	5,554
Total	55,540	55,540

Significant assumptions used in calculation of value in use:

Water Treatment	31/12/2021	31/12/2020
Discount interest rate before tax	10.0%	11.6%
Long-term growth rate**	2%	2%
Industrial Solutions	31/12/2021	31/12/2020
Discount interest rate before tax	10.0%	11.8%
Long-term growth rate**	2%	2%
Electrification & Renewables	31/12/2021	31/12/2020
Discount interest rate before tax	10.0%	11.6%
Long-term growth rate**	2%	2%

* Pre-tax discount rate used in calculating the present value of estimated future cash flows.

** Weighted average growth rate used to extrapolate cash flows beyond the budget period.



Note 15 Property, plant and equipment

	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Fixed assets under construction and advance payment of property, plant and equipment	Total
2020 financial year					
Opening carrying amount	15,661	32,246	24,402	45,047	117,356
Acquisitions during the year	316	327	301	38,124	39,066
Reclassifications	33,416	47,465	1,405	-82,286	-
Divestments and disposals	-	-786	-4	-	-790
Depreciation for the year	-1,874	-5,255	-5,550	-	-12,679
Closing carrying amount	47,520	73,998	20,553	883	142,954
At December 31, 2020					
Acquisition cost	71,647	160,284	74,281	883	307,095
Accumulated depreciation	-24,127	-86,287	-53,727	-	-164,141
Carrying amount	47,520	73,998	20,553	883	142,954
2021 financial year					
Opening carrying amount	47,520	73,998	20,553	883	142,954
Acquisitions during the year	189	900	569	16,941	18,599
Reclassifications for the year	1,440	6,232	714	-9,189	-803
Divestments and disposals	-	-1,431	-	-	-1,431
Depreciation for the year	-3,363	-6,009	-4,214	-	-13,586
Closing carrying amount	45,786	73,690	17,622	8,635	145,733
At December 31, 2021					
Acquisition cost	73,276	165,985	75,563	8,635	323,459
Accumulated depreciation	-27,490	-92,295	-57,941	-	-177,726
Carrying amount	45,786	73,690	17,622	8,635	145,733

In the column for Land and buildings, the amount of SEK 277 thousand (277) is for the book value of land.

Note 16 Lease contracts

	2021	2020
Depreciation of rights of use		
Premises	324	419
Cars	587	619
Forklift trucks	541	541
Total	1,450	1,579
Interest expense (included in financial expenses)	92	120
Expenses attributable to lease agreements for which the underpinning asset is of a low value, and which is not a short-term lease agreement	589	974

The maturity analysis for lease liabilities is presented in Note 3

	Land and buildings	Machinery	Vehicles	Total
2020 financial year				
Opening carrying amount	689	2,527	994	4,210
Acquisitions during the year	-	-	304	304
Depreciation for the year	-419	-541	-619	-1,579
Closing carrying amount	270	1,986	679	2,935
At December 31, 2020				
Acquisition cost	1,640	3,244	2,197	7,081
Accumulated depreciation	-1,370	-1,258	-1,518	-4,146
Carrying amount	270	1,986	679	2,935
2021 financial year				
Opening carrying amount	270	1,986	679	2,935
Acquisitions during the year	514	-	887	1,401
Depreciation for the year	-324	-541	-587	-1,450
Closing carrying amount	461	1,446	979	2,839
At December 31, 2021				
Acquisition cost	2,154	3,244	3,084	8,482
Accumulated depreciation	-1,693	-1,798	-2,105	-5,596
Carrying amount	461	1,446	979	2,839



Note 17 Other non-current receivables

	31/12/2021	31/12/2020
Opening amount:	110	110
Changes during the year	-	-
Closing amount:	110	110

Other non-current receivables are valued at amortised cost.

Note 18 Financial assets and liabilities

31/12/2020	Fair value - hedging instruments	Financial assets measured at amortized cost	Total
Assets in the balance sheet			
Other non-current receivables		110	110
Accounts receivable		65,023	65,023
Derivative instruments	792		792
Cash and cash equivalents		19,182	19,182
Total	792	84,315	85,107
31/12/2020			
Liabilities in the balance sheet			
Liabilities to credit institutions (non-current and current)		286,920	286,920
Accounts payable		26,258	26,258
Total	-	313,178	313,178
31/12/2021			
Assets in the balance sheet			
Other non-current receivables		110	110
Accounts receivable		71,211	71,211
Cash and cash equivalents		35,829	35,829
Total	-	107,150	107,150
31/12/2021			
Liabilities in the balance sheet			
Liabilities to credit institutions (non-current and current)		39,126	39,126
Accounts payable		32,697	32,697
Derivative instruments		346	346
Total	-	72,169	72,169

In addition to the financial instruments detailed in the tables (above), the Group has financial liabilities in the form of lease liabilities that are recognised and valued according to IFRS 16.

Note 19 Accounts receivable and Accrued revenue

	31/12/2021	31/12/2020
Accounts receivable and Accrued revenue	80,530	78,506
Less: allowance for expected credit losses	-32	-23
Accounts receivable, net	80,498	78,483

The Group has not experienced any noted credit losses during the last year. The fair value of trade receivables corresponds to its carrying amount, since the discount effect is insignificant.

No trade receivables have been pledged as security for any debt.

Note 20 Equity

	Number of shares	Share capital	Other contributed capital
At December 31, 2020	1,870,000	1,870	662,830
Split 1:27	50,490,000	-	-
New share issue on 4 June 2021 minus issue expenses	+ 8,823,529	327	273,997
Warrants obtained	-	-	5,342
At December 31, 2021	59,313,529	2,197	942,169

In 2020 and until the company's listing in June 2021, the share capital was comprised of 1,630,000 class A shares and 240,000 class B shares, both A and B shares carried a quotient value of SEK 1. Both A and B shares carried one vote per share. In connection with the listing of the company on 1 June 2021, all class B shares were converted, thereafter the share capital is comprised solely of class A shares which have a quotient value of SEK 0.037.

All shares issued by the Parent Company are paid in full.

At an Extraordinary General Meeting on 3 June 2021 it was decided to introduce the long-term incentive programmes based on warrants for senior executives and certain key employees, as well as to the Board members, amounting to a total of 1,234,052 warrants maturing in 2024 and 2026.

The Board proposes that no dividends be paid for 2021, profit brought forward including profit for the year is to be carried forward.

	2021	2020
Hedging reserve		
Opening balance 1 January	629	-
Changes in hedging reserve attributable to remeasurement of foreign exchange contracts	-904	629
Closing balance 31 December	-275	629

Note 21 Cash and cash equivalents

	31/12/2021	31/12/2020
Bank balances	35,829	19,182
Total	35,829	19,182



Note 22 Borrowings

	31/12/2021	31/12/2020
Long-term loans with pledged collateral		
Liabilities to credit institutions (bank loans)	10,048	263,108
Bank overdraft	24,278	17,092
Lease liabilities	1,500	1,664
Total, loans with pledged collateral	35,826	281,864
Short-term loans with pledged collateral		
Liabilities to credit institutions (bank loans) capex	4,800	6,720
Lease liabilities	1,304	1,247
Total, short-term loans with pledged collateral	6,104	7,967
Total borrowing	41,930	289,831

Liabilities to credit institutions in the form of Facilities Agreements were reviewed in November 2019, renegotiated into a new agreement in 2021 and mature in September 2023. From 2019 to 2021, the Facility was comprised of bank loans that were repaid in 2021 in connection with the company's listing, as well as a capex loan, a bank overdraft and further scope for borrowing in the form of an investment loan, which the company has not exercised in 2021.

The Group's borrowings are denominated in SEK.

Short-term borrowing

Liabilities to credit institutions that have been classified as

short-term pertain to the portion of the loan for which there is no unconditional right to defer the loan payment at least 12 months after the close of the reporting period. The unused portion of the bank overdraft is included in short-term borrowing.

Collateral has been pledged against liabilities to credit institutions in the form of subsidiary shareholding, floating charges and property mortgages. For further details, see Note 26.

Bank overdraft facility

The Group has an allowed bank overdraft in SEK in the amount of SEK 80,000 thousand, which was renegotiated in June 2021.

Changes in interest-bearing liabilities

	2021	2020
As of 1 January	289,831	307,372
Cash flows	-251,376	-16,882
Changes in accrued borrowing costs	2,523	1,158
Changes in lease liabilities	-107	499
Reclassification	-	-2,316
At 31 December	41,930	289,831

Note 23 Deferred tax

Deferred tax assets/liabilities are allocated as follows:

Deferred tax assets	Right-of-use asset/Lease liability	Total
At December 31, 2020	5	5
Recognized in the statement of comprehensive income	-2	-2
At December 31, 2021	2	3

Deferred tax liabilities	Property, plant and equipment	Current receivables	Total
At 1 January, 2021	7,746	1,491	9,237
Recognised in the statement of comprehensive income	1,987	-404	1,583
At December 31, 2021	9,733	1,087	10,820

Note 24 Contract liabilities

	31/12/2021	31/12/2020
Advance payments from customers	24,227	18,115
Unearned revenue	39,769	49,500
Total	63,996	67,615

Of the SEK 63,996 thousand recognised as contract liabilities as per 31 December 2021, SEK 28,437 thousand was recognised as revenue in 2021. (2020: SEK 12,438 thousand).

Note 25 Accrued expenses and deferred income

	31/12/2021	31/12/2020
Accrued personnel expenses	14,384	15,644
Other items	2,096	3,730
Total	16,480	19,374

Note 26 Pledged assets

	31/12/2021	31/12/2020
Property mortgages	15,400	15,400
Floating charges	48,500	48,500
Total	63,900	63,900

Over and above mortgages as stated above, the shares in Permascand Middle Holding AB, 559227-6116, which have a negative value, and shares in other Group subsidiaries are pledged as collateral against the external borrowing, and disposal of holdings is therefore limited.

Note 27 Contingent liabilities

	31/12/2021	31/12/2020
Contingent liabilities	None	None
Total	None	None

Note 28 Related-party transactions

The following related-party transactions have taken place:	2021	2020
Purchase of services		
Mario Houde	-	14
Total	-	14

In addition to Board fees, Board member Mario Houde received remuneration for a consulting assignment regarding Industrial Solutions in the north American market in prior years. In 2021 no fees were invoiced above and beyond Board

fees. Fees and remuneration for the Board and senior executives are detailed in Note 6.

The Group has no related-party receivables or liabilities as at the accounting year-end.

Note 29 Events after the end of the reporting period

On 11 February 2022, Permascand announced that it had won two orders amounting to SEK 100m from a world-leading supplier of chlorate for the supply of electrochemical cells and related equipment for a Greenfield project in South America.

Russia's invasion of Ukraine is creating uncertainty in the

market and supply chain disruption. Permascand has been impacted as the global availability of certain raw materials has become limited, however the company has no direct business exposure to Russia or Ukraine. The company's management is monitoring developments closely to be able to act quickly if the circumstances change.

Parent Company accounts



Parent Company Income Statement

Amount in SEK t	Note	01/01/2021 – 31/12/2021	20/11/2019 – 31/12/2020
Net sales		4,772	
Administrative expenses		-23,855	-760
Operating profit/loss		-19,083	-760
Intra-group interest income	2	24,000	26,000
Interest expenses		-348	
Profit/loss after financial items		4,569	25,240
Group contributions received		19,838	-
Profit/loss before tax		24,407	25,240
Tax	3	-	-
Profit/loss for the year		24,407	25,240

In the Parent Company there are no items recognised as other comprehensive income, which is why total comprehensive income corresponds to profit/loss for the year.

The notes on pages 96 to 98 constitute an integrated part of these Parent Company accounts.

Summary of the Parent Company balance sheet

Amount in SEK t	Note	31/12/2021	31/12/2020
ASSETS			
Non-current financial assets			
Participation in subsidiaries	4	50	50
Receivables from Group companies	5	731,932	480,000
Total non-current assets		731,982	480,050
Current assets			
Current receivables			
Receivables from group companies	5	70,646	26,000
Prepaid expenses and accrued income		112	3,244
Other receivables		196	0
Cash and bank balances		12,576	0
Total current assets		83,529	29,244
TOTAL ASSETS		815,511	509,294
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	6	2,197	1,870
Non-restricted equity			
Share premium reserve		757,469	478,130
Profit or loss brought forward		25,240	-
Profit/loss for the year		24,407	25,240
Total equity		809,313	505,240
LIABILITIES			
Current liabilities			
Accounts payable		535	1,994
Liabilities to Group companies		3,808	800
Other current liabilities		131	-
Accrued expenses and deferred income		1,724	1,260
Total current liabilities		6,198	4,054
Total liabilities		6,198	4,054
TOTAL EQUITY AND LIABILITIES		815,511	509,294

Parent Company Statement of changes in equity

Amount in SEK t	Note	Restricted equity	Non-restricted equity		Profit/loss for the year	Total equity
		Share capital	Share premium reserve	Retained earnings incl. profit for the year		
Opening balance, 20 November 2019		-	-	-	-	-
Formation of limited company (AB)		50			50	50
Withdrawal of shares		-50			-50	-50
Non-cash issue		1,870	478,130		480,000	480,000
Profit/loss for the year				25,240	25,240	25,240
Total comprehensive income for the year		1,870	478,130	25,240	505,240	505,240
Closing balance, December 31 2020		1,870	478,130	25,240	505,240	505,240
Opening balance, January 1 2021		1,870	478,130	25,240	505,240	505,240
Profit/loss for the year and comprehensive income				24,407	24,407	24,407
Total comprehensive income for the year		1,870	478,130	49,647	529,647	529,647
Transactions with shareholders in their capacity as owners						
Appropriation of profits					-	-
New share issue		327	299,673		300,000	300,000
Warrants obtained			5,342		5,342	5,342
Expenses for share issue			-25,676		-25,676	-25,676
Closing balance, December 31 2021		2,197	757,469	49,647	809,313	809,313

Parent Company Cash flow statement

Amount in SEK t	Note	01/01/2021 – 31/12/2021	20/11/2019 – 31/12/2020
Cash flow from operating activities			
Operating profit/loss		-19,083	-760
Interest income and expense		23,657	-
Tax paid		-16	-
Cash flow from operating activities before changes in working capital		4,558	-760
Cash flow from changes in working capital			
Changes in current operating receivables		-16,107	-3,000
Changes in current operating liabilities		-3,608	3,810
Total change in working capital		-19,716	810
Cash flow from operating activities		-15,158	50
Cash flow from investing activities			
Acquisition of subsidiary		-	-50
Disposal/sale of subsidiary		-	220,000
Investment in receivables from Group companies		-251,932	-
Cash flow from investing activities		-251,932	219,950
Cash flow from financing activities			
Loan repayment		-	-220,000
New share issue		300,000	-
Warrants obtained		5,342	-
Issue expenses		-25,676	-
Cash flow from financing activities		279,666	-220,000
Cash flow for the year		12,576	
Cash and bank balances at the beginning of the year		-	-
Cash and bank balances at the close of the year		12,576	-

Notes to the Parent Company accounts

NOTE 1 Parent Company's accounting policies

The most important accounting policies applied in the preparation of this annual report are set out below. These policies have been applied consistently for all years presented, unless otherwise specified.

The annual report of the Parent Company has been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The cases where the Parent Company applies accounting policies other than those applied by the Group, as described in Note 2 in the consolidated financial statements, are stated below.

This is Permascand Top Holding AB's (the Parent Company's) second financial year and second annual report that has been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The Parent Company's first financial year was prolonged, encompassing 14 months, and the opening balances pertain to 20 November 2019.

The annual report has been prepared in accordance with the acquisition method.

The preparation of financial statements in conformity with RFR 2 requires the use of critical accounting estimates and judgements. Furthermore, it requires management to make certain judgements in applying the Parent Company's accounting policies. Complex areas that contain a high degree of judgement, or such areas where estimates and judgements are of material importance for the annual report are shown in Note 2 to the consolidated financial statements.

The Parent Company is exposed to a variety of financial risks via its operations: market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Parent Company's overall risk management policy is focused on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial results. For more information about financial risks, see Note 3 to the consolidated financial statements.

The Parent Company applies accounting policies other than those applied by the Group in the following cases:

Design and presentation format

The Profit & Loss Statement and Balance Sheet conform to the presentation specified in the Swedish Annual Accounts Act. The statement of changes in equity also complies with the Group's presentation format but also includes the columns specified in the Swedish Annual Accounts Act. Furthermore, this entails a difference in terminology compared to the consolidated financial statements, primarily with regard to financial income and expenses and equity.

Participation in subsidiaries

Participation in subsidiaries is recognised at acquisition cost less any impairment losses. Acquisition cost includes acquisition-related expenses as well as any contingent consideration.

Where there is an indication that participation in a subsidiary has decreased in value, the recoverable value is calculated. If this is lower than the carrying amount, an impairment loss is recognised. Impairment losses are recognised in "Gains/losses from ownership in Group companies".

Financial instruments

IFRS 9 is not applied in the Parent Company. Instead, the Parent Company applies the provisions specified in RFR 2 (IFRS 9 Financial Instruments, pages 3-10).

Financial instruments are measured based on acquisition cost. In subsequent periods, the financial assets that have been purchased for the purpose of short-term holding will be recognised in accordance with the lowest value principle, at the lower of acquisition cost and fair market value.

When calculating the net realisable value on receivables that are recognised as current assets, impairment testing and loss allowance reserves according to IFRS 9 shall apply. For a receivable recognised at amortised cost at the Group level, the loss risk reserves recognised in the Group according to IFRS 9 shall also be reflected in the Parent Company.

Note 2 Other interest income

	01/01/2021 – 31/12/2021	20/11/2019 – 31/12/2020
Interest income from Group companies	24,000	26,000
Total interest income	24,000	26,000

Note 3 Tax on profit/loss for the year

Tax recognised in the statement of comprehensive income	01/01/2021 – 31/12/2021	20/11/2019 – 31/12/2020
Current tax		
Current tax on profit for the year	-	-
Adjustments pertaining to previous years	-	-
Total current tax	-	-
Total tax reported	-	-

Income tax on pre-tax profit differs from the theoretical amount that would have arisen when using the Parent Company's tax rate as follows:

Profit/loss before tax	24,407	25,240
Income tax calculated according to Swedish tax rate (2020: 21.4%)	-5,028	-5,401
Tax effects from:		
Tax effect of non-taxable revenues/transferred net interest	4,873	5,564
Tax effect of non-deductible expenses	- 2	-163
Tax effect of prior year's loss carry-forwards	157	-163
Total tax reported	0	0

Note 4 Participation in subsidiaries

Name	Co. Reg. No.	Registered office and country of registration and operation	Number of shares	Book value
Permascand Middle Holding AB	559227-6116	Ljungaverk, Sweden	50,000	50

	31/12/2021	31/12/2020
Opening balance	50	-
Acquisitions	-	700,050
Divestments	-	-700,000
Closing balance	50	50

Note 5 Receivables from Group companies

	31/12/2021	31/12/2020
Opening balance	480,000	-
Promissory notes receivables	-	480,000
Additional receivables	251,932	-
Closing balance	731,932	480,000

Promissory notes receivables from Group companies mature at a fixed interest rate of 5% per year. The credit risk of the receivable is deemed to be limited thus no impairment has been made.

Note 6 Share capital

See Note 20 in the Consolidated financial statements for information about the Parent Company share capital.

Note 7 Pledged assets

	31/12/2021	31/12/2020
Property mortgages	15,400	15,400
Floating charges	48,500	48,500
Shares in subsidiaries	50	50
Intra-group receivables	731,932	480,000
Total	795,882	543,950

All pledged collateral in the Parent Company has been pledged as collateral against external borrowing for the Group.

Note 8 Proposed distribution of profits

The following profit is at the disposal of the Annual General Meeting:

Share premium reserve	757,469,316
Retained earnings	25,240,000
Profit/loss for the year	24,407,194
Total SEK	807,116,504

The Board of Directors proposes that these earnings be appropriated as follows:

To be carried forward	807,116,504
<i>Of which to the share premium reserve</i>	<i>757,469,316</i>
Total	807,116,504

Alternative performance measures

Alternative performance measures are used in this report, in other words, key indicators and performance measures that are not defined under IFRS. These alternative performance measures are used to help investors and management alike to analyse the company's business. The alternative performance measures used are described below.

Permascand presents certain financial metrics in the Annual report that are not defined under IFRS. Permascand deems that these metrics provide valuable supplementary information to investors and the company's management as they enable evaluation of trends and performance. As not all companies calculate financial metrics in the same way, these are not always comparable to metrics used in other

companies. These financial metrics should not therefore be seen as a replacement for the metrics defined under IFRS.

Permascand uses the alternative performance measures of net debt and equity/assets ratio which are deemed to be useful for readers of the financial reports, as a complement to other key ratios, in assessing opportunities for dividends and assessing the Group's ability to live up to financial obligations. Further, Permascand uses the performance measures of adjusted operating profit, operating profit as a per centage of sales, and EBITDA, which are measurements that are relevant to investors who want to understand earning generation before items affecting comparability. See the following page for the definition of performance measures.

Alternative performance measures

Amount in SEK t	2021	2020
Adjusted operating profit		
Operating profit/loss	37,910	60,284
Items affecting comparability in the form of the IPO preparations and several activities related to the company's 50-year anniversary.	22,182	4,557
Adjusted operating profit	60,092	64,841
Operating margin		
Operating profit/loss	37,910	60,284
Sales	404,590	414,991
%	9%	15%
EBITDA		
Profit/loss for the year	20,344	32,937
Income tax	7,146	12,080
Net financial items	10,420	15,266
Depreciation	15,325	12,770
EBITDA	53,235	73,054
Amount in SEK M	31/12/2021	31/12/2020
Net liabilities		
Non-current liabilities to credit institutions, interest-bearing	34,326	280,200
Non-current lease liability	1,500	1,664
Current liabilities to credit institutions, interest-bearing	4,800	6,720
Current lease liability	1,304	1,247
Cash and cash equivalents	-35,829	-19,182
Net debt	6,101	270,649
Equity/assets ratio		
Equity	282,998	-16,152
Total assets	454,501	413,432
Equity/assets ratio, %	62%	neg
Return on equity		
Profit/loss for the year	20,344	32,937
Average equity	133,423	neg
Return on equity, %	15%	neg
Return on total assets		
Operating profit/loss	37,910	60,284
Financial income	1	1
Average balance sheet total	433,966	397,469
Return on assets, %	9%	15%

*) Average equity and average balance sheet total have been calculated by taking OB+CB/2

Signatures of the Board of Directors

The Board of Directors and Chief Executive Officer hereby give their assurance that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and provide a true and fair view of the Group's financial position and results. The annual report has been prepared in accordance with generally accepted accounting principles and provides a true and

view of the financial position and results of the Parent Company.

The Administration Report pertaining to the Group and the Parent Company provides a true and fair view of the development of the Group's and Parent Company's operations, financial position and results, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Ljungaverk 12/04/2022

Per Lindberg
Chairman of the Board

Ingar Jensen
Member of the Board

Johan Karlsson
Member of the Board

Marie Grönborg
Member of the Board

Mario Houde
Member of the Board

Per-Ola Baalerud
Member of the Board

Pernilla Lundin
Member of the Board

Peter Lundström
Chief Executive Officer

Erik Zimmerman
Trade representative

Our Auditor's Report was submitted on 12/04/2022

KPMG

Helena Nilsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders
of Permascand Top Holding AB,
co.reg. no. 559227-6124

Report on the annual accounts and consolidated financial statements

Opinion

We have audited the annual accounts and consolidated financial statements of Permascand Top Holding AB for the year 2021, with the exception of the Corporate Governance report on pages 32-46. The annual accounts and consolidated financial statements of the company are included on pages 32-46 and 51-102 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Parent Company as of 31 December, 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December, 2021 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not include the Corporate Governance Report on pages 32-46, and 51-102. The statutory Director's report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Consolidated statement of comprehensive income and Consolidated balance sheet.

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other information than the annual accounts and consolidated financial statements

This document also contains information other than the annual accounts and consolidated financial statements, and this can be found on pages 1-31, 47-50 and 106-107. The Board

of Directors and CEO are responsible for this other information.

Our opinion regarding the annual accounts and consolidated financial statements does not extend to this information, and we do not provide any opinion with assurance regarding this other information.

In connection with our audit of the annual accounts and consolidated financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. During this review, we also take into consideration the knowledge we have otherwise gained during the audit and assess whether the information otherwise seems to contain material misstatement.

If, based on the work carried out regarding this information, we conclude that the other information contains a material misstatement, we are required to report that fact. We have nothing to report in this respect.

Responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated financial statements and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated financial statements, in accordance with IFRS as adopted by the EU. The Board of Directors and CEO are also responsible for such internal control as the Board of Directors and the CEO deem necessary for the preparation of the annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated financial statements the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, where applicable, conditions that could affect the Group's ability to continue its operation and to apply the going concern assumption. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

The auditor's responsibility

Our goals are to express an opinion with reasonable assurance on whether the annual accounts and consolidated financial statements as a whole contain any material misstatements, whether due to fraud or error, and to provide an auditors' report containing our opinions. Reasonable assurance is a high degree of certainty, but it is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always discover a material misstatement should one exist. Misstatements can arise from fraud or error, and are deemed to be material if individually or in the aggregate they could reasonably be expected to influence the financial decisions taken by users based on these annual accounts and consolidated financial statements.

As part of an audit performed in accordance with ISA, we use professional judgement and we take a professionally sceptical approach during the entire audit. Furthermore:

- We identify and assess the risks of material misstatement of the annual accounts and consolidated financial statements, whether due to fraud or error, we design and perform audit procedures, responsive to those these risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. There is a higher risk of not discovering a material misstatement due to fraud than one due to error as fraud may entail acting in collusion, falsification, intentional omissions, incorrect information or disregarding internal control.
- We obtain an understanding of the company's internal control relevant to our 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 internal control.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- We conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis in preparing the annual accounts and consolidated financial statements. Based on the audit evidence obtained, we conclude on whether there are any material uncertainties relating to any events or conditions that could result in significant doubt about the company's and the Group's ability to continue the operation. If we conclude that there is a material uncertainty, we are required to draw attention in our auditors' report to the related disclosures in the annual accounts and consolidated financial statements about the material uncertainty, or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated financial statements. Our

conclusions are based on the audit evidence obtained up until the date of the auditors' report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the annual accounts and consolidated financial statements, including the disclosures, and whether the annual accounts and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the entities or 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 opinions.

We are required to inform the Board of Directors of the planned scope and direction of the audit, as well as the timing of the audit. We must also provide information about significant observations during the audit, including any significant deficiencies we identify in the internal control.

Report on other legal and regulatory requirements

Opinion

In addition to our audit of the annual accounts and consolidated financial statements, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Permascand Top Holding AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Director's report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for our opinion

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility as set out in these standards is described in more detail in the section on "The auditor's responsibility". We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal

of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes, for example, continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in an adequate manner.

The Chief Executive Officer shall manage the ongoing administration in accordance with the Board of Directors' guidelines and instructions and, for example, take the necessary measures to ensure that the company's accounting is fulfilled in conformity with legislation and to ensure that management of assets is handled in an adequate manner.

The auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the

company's profit or loss are not in accordance with the Companies Act.

As part of an audit performed in accordance with generally accepted auditing standards in Sweden we use professional judgement and we take a professionally sceptical approach during the entire audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Decisions regarding additional audit procedures carried out are based on our professional judgement with the starting points of risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Auditor's examination of the Corporate Governance report

The Board of Directors is responsible for the corporate governance report on pages 32-46 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU16 The auditor's examination of the corporate governance report This means that our examination of the corporate governance report is different and substantially less in scope than with an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6, second paragraph, points 2-6 of the Annual Accounts Act and chapter 7 section 31, second paragraph of the same law are consistent with the annual accounts and the consolidated financial statements and are in accordance with the Annual Accounts Act.

Stockholm, 12/04/2022

KPMG AB

Helena Nilsson

Authorised Public Accountant

Definitions and Glossary

GLOSSARY

Ballast water	Water that is pumped into the hull of a ship that is not fully loaded in order to stabilise the ship. Various living organisms are carried in the water, which are then spread out in the world's oceans and can cause environmental problems when they are released in new locations.
BWTS	Abbreviation for Ballast Water Treatment System, a product for the treatment of ballast water.
DSA (PERMASCAND DSA®)	Abbreviation for Dimensionally Stable Anodes, and the brand name for Permascand's anode electrodes with a catalytic coating.
Electrification & Renewables	Permascand's segment for products in the area of electrification and renewable energy.
Electrochemical cell	Consists of several coated electrodes that are assembled together in a single cell that is used to induce chemical reactions through the application of electricity.
Electrochemical solutions	Collective term for Permascand's products
Catalytic coatings	The fundamental technological component within all of Permascand's products. Catalytic coatings are made up of a mixture of precious metals and other compounds, which create a "surface layer" that is applied to metal substrates such as titanium or nickel.
Aftermarket services	The collective term for Permascand's customer offerings mainly related to recoating of electrodes or replacing electrochemical cells.
Electrodes	The collective term for anodes and cathodes
Industrial Solutions	Permascand's segment for products supplied mainly to the chemicals industry.
Chlorate	A chemical compound that can be made through electrochemistry and is used in several sectors, such as pulp and paper, organic and non-organic chemical manufacturing.
Water Treatment	Permascand's segment for products used in water treatment.
Recoating	The process by which electrodes are given new catalytic coatings

DEFINITIONS

Return on equity	Net profit/loss for the period divided by the average equity
Return on assets	Operating profit plus financial income divided by the average total assets.
EBITA	Operating profit/loss before depreciation and amortisation of intangible assets
EBITDA	Operating profit before depreciation and amortisation of tangible and intangible assets
Adjusted operating profit	Operating profit/loss excluding items affecting comparability
Items affecting comparability	Income and expenses that affect comparability
Net debt	Interest-bearing current and non-current liabilities less cash and cash equivalents
Earnings per share	Profit/loss for the year divided by the total number of shares for the year
Operating profit/loss	Profit/loss before financial items and taxes
Operating margin	Operating profit/loss divided by net sales
Equity/assets ratio	Equity divided by total assets





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