

Financial Statements

| 2023



A F A R A K

FINANCIAL STATEMENTS RELEASE 2023

		H2/23	H2/22	FY2023	FY2022
Revenue	EUR million	58.3	106.6	153.7	198.7
EBITDA	EUR million	1.5	29.2	16.6	53.7
EBIT	EUR million	0.6	28.2	15.0	52.3
Earnings before taxes	EUR million	-0.2	26.6	12.0	49.2
Profit from continuing operations	EUR million	-0.5	23.5	10.0	44.7
Profit from discontinued operations	EUR million	0.0	0.0	0.0	2.9
Profit for the period	EUR million	-0.5	23.5	10.0	47.6
Earnings per share	EUR	0.00	0.09	0.04	0.19
EBITDA margin	%	2.5	27.4	10.8	27.1
EBIT margin	%	1.2	26.5	9.8	26.3
Earnings margin	%	-0.3	24.9	7.8	24.8
Personnel (end of period)		595	600	595	600

SECOND HALF 2023 HIGHLIGHTS

- Revenue for the second half of 2023 decreased to EUR 58.3 (H2/2022: 106.6) million;
- Speciality Alloys processed material sold decreased by 23.5%, to 7,854 (H2/2022: 10,880) tonnes;
- Tonnage mined increased significantly by 86.2%, to 173,629 (H2/2022: 93,253) tonnes;
- Group's EBITDA decreased to EUR 1.5 (H2/2022: 29.2) million and the EBITDA margin stood at 2.5% (H2/2022: 27.4%);
- EBIT was EUR 0.6 (H2/2022: 28.2) million and the EBIT margin stood at 1.2% (H2/2022: 26.5%);
- Loss for the period totalled EUR -0.5 (H2/2022: Profit 23.5) million;
- Cash flow from operations during H2 2023 was EUR 1.3 (H2/2022: 21.1) million;
- The interest-bearing debt of the Group remained at the same level at EUR 3.1 (31 December 2022: 2.2) (30 June 2023: 3.8) million;
- Cash and cash equivalents at 31 December totalled EUR 18.0 (31 December 2022: 12.4) (30 June 2023: 19.9) million.

FULL YEAR 2023 HIGHLIGHTS

- The Group revenue was lower compared to prior year EUR 153.7 (198.7) million;
- Speciality Alloys Processed material sold increased by 20.6%, to 20,709 (FY/2022: 26,085) tonnes;
- Tonnage mined increased by 154.3%, to 336,601 (FY/2022: 132,362) tonnes;
- EBITDA during the year decreased to EUR 16.6 (FY/2022: 53.7) million. EBIT stood at EUR 15.0 (FY/2022: 52.3) million;
- Profit for the full year 2023 totalled EUR 10.0 (FY/2022: 47.6) million.

MARKET SENTIMENT FOR 2024

The Indian and Chinese in-flows seem to be reducing, due to high logistics cost (cf. Suez Canal situation), and somewhat stronger internal demands. Hence we foresee a slightly more friendly market outlook, at least for the first quarter 2024. The interest rates should also reduce over 2024.

Afarak has been for many years now the only Western producer of low carbon ferro-chrome, a critical material for the production of the Aerospace, Automotive, Green energies, and various other industries.

We had to reduce our output of standard grades, as we could not produce and sell those in an economically responsible way, but we continue to improve our productivity and efficiency, so as to cope better and better with adverse market conditions. We expect the margin pressure to continue, at least through H1/2024, due to the weak state of the stainless steel industry, mostly in Europe.

DIVIDEND PROPOSAL

The Board of Directors will propose a new dividend policy to the Annual General Meeting. The Group will in future review its distributions to shareholders either through a capital redemption or dividend. The target dividend payout ratio in respect to each financial year shall be minimum 10% (ten percent) of the Afarak Group's EBITDA per full year. This new policy will allow the board to take prudent decisions based on market conditions whilst continuing to share its positive results with shareholders.

CEO GUY KONSBRUCK

In our previous release we stated:

“For H2 we foresee an ongoing challenging market environment, with further weak global market prices, combined with low demand. A lot will depend on the central banks inflation strategy, the recent government policies such as the US Inflation Reduction Act, the EU’s proposed Green Deal and the further development of the present geo-political tensions both in Europe and South-East Asia as well.”

We were proven right. The second half year 2023 was characterized by very sluggish markets and serious pressure on prices by the Russian imported material as well as the strong pressure of other imported materials from India and China. It took until the very end of 2023 for the EU, to put imports of Russian ferroalloys on the sanction list. Our margins were also impacted by high interest rates and freight cost. Nevertheless, we continued to be profitable and cash positive.

As expected, the ferro-alloys segment continued to perform well and improved the group’s profitability. We expect further positive developments in this segment for 2024.

We have been driving forward the drilling and exploration work in our Magnochrome plant and expect a complete and updated feasibility study by end of May 2024.

With all above in mind, we are still presenting in 2023 one of the best results in AFARAK’s history, which is largely an achievement of my ever so committed colleagues and EMT members. I wish to thank each and every one for their great work.

OVERVIEW OF RESULTS

This Interim Report is prepared in accordance with the IAS 34 standard and is unaudited. All the corresponding comparable figures of 2022 are presented in brackets, unless otherwise explicitly stated.

MARKET OVERVIEW

Low carbon ferrochrome prices for standard grade are expected to stabilize going forward, but they remain very low. We do not expect increasing the output for these grades, unless the stainless mills improve their activity. The special grade market continues to grow and show some upside. Generally speaking, Afarak is expecting solid results for 2024. The tense geopolitical situation combined with the money market uncertainties may have a major negative impact on the expectation.

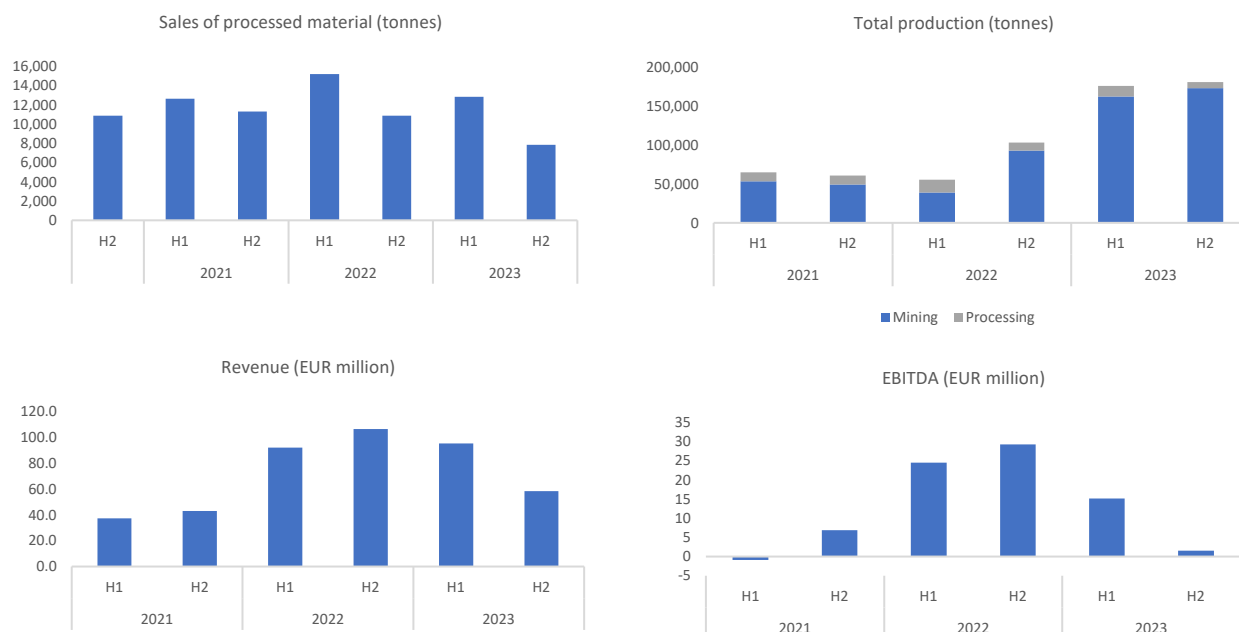
OVERVIEW OF RESULTS (Cont.)

H2 2023 COMPARED TO H2 2022

During the second half of 2023 the Group's results were affected by the market slowdown, leading to a decline in both revenue and profitability margins. The mines continued with a positive trend as both sales and mining activity increased in both the Turkish mines and the South African mines compared to same period last year. However, the lower average selling prices and sales volumes of LC Ferrochrome resulted in a negative impact on the Group's profitability as EBITDA was EUR 1.5 (29.2) million and EBIT was EUR 0.6 (28.2) million.

2023 COMPARED TO 2022

In 2023, despite market challenges, the Group achieved a good results. The Company faced a tough market with low global prices and demand, causing a drop in revenue and profit compared to the outstanding performance of the previous year. Revenue for 2023 totaled EUR 153.7 million, reflecting a 22.7% decrease compared to 2022. This decline was attributed to weaker market prices and lower market demand. The mining activity helped also to reduce the impact, as the sale of Chrome Ore material to third parties increased in both Turkish and South African mines. EBITDA decreased by 69.1% compared to a year earlier. The primary contributors to this decline include increased raw material cost and lower production resulted in higher unabsorbed costs. Financial income and expenditure during the year were EUR -3.1 (-3.1) million.



SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

The Speciality Alloys business consists of Türk Maadin Şirketi A.S (“TMS”), the mining and beneficiation operation in Turkey, and Elektrowerk Weisweiler GmbH (“EWW”), the chromite concentrate processing plant in Germany. TMS supplies EWW with high quality chromite concentrate which produces speciality products including specialised low carbon and ultra-low carbon ferrochrome. Chrome ore from TMS that is not utilised for the production of specialised low carbon ferrochrome is sold to the market.

Speciality Alloys key figures

		H2/23	H2/22	FY2023	FY2022
Revenue	EUR million	50.7	100.6	140.3	191.7
EBITDA	EUR million	2.1	30.6	17.5	56.2
EBIT	EUR million	1.5	30.2	16.3	55.4
EBITDA margin	%	4.1	30.4	12.4	29.3
EBIT margin	%	2.8	30.0	11.6	28.9
Sales	Tonnes	7,854	10,880	20,709	26,085
Total production	Tonnes	39,837	41,440	86,834	87,734
Mining	Tonnes	32,187	31,443	65,655	61,092
Processing	Tonnes	7,650	9,997	21,179	26,642
Personnel		468	488	468	488

PERFORMANCE COMPARED TO SECOND HALF 2022/2023

- During the second half of 2023, revenue decreased by 49.6% to EUR 50.7 (100.6) million due to lower average selling prices and lower demand;
- The mining operations at TMS remained consistent, leading to a slight 2.4% increase compared to same period last year;
- Processing levels at the EWW plant in Germany was lower than same period last year by 23.5% as it carried out a longer term planned maintenance shutdown during the fourth quarter of 2023;
- EBITDA declined to EUR 2.1 (30.6) million, attributed to lower sales volumes and diminished selling prices. Additionally, margins were adversely affected by higher raw material costs compared to the corresponding period last year and high financing cost.

PERFORMANCE COMPARED TO FULL YEAR 2022/2023

- Revenue for the full year decreased by 26.8% to EUR 140.3 (191.7) million, driven by a substantially weaker market environment. The preceding year demonstrated exceptional strength, but in 2023, there was a shift in the market;
- In order to manage stock levels in response to reduced demand, processing levels decreased by 20.5% compared to the previous year. This was offset by the marginal increase in mining activity at the Turkish mines;
- The above factors resulted in a lower EBITDA for the year to EUR 17.5 (56.2) million, and EBIT of EUR 16.3 (55.4) million.

FERROALLOYS BUSINESS

The FerroAlloys business consists of the Vlakpoort mine, Stellite mine, Mecklenburg mine and Zeerust mine in South Africa. The business produces chrome ore for sale to global markets.

FerroAlloys key figures

		H2/23	H2/22	FY2023	FY2022
Revenue	EUR million	7.5	4.9	13.2	5.3
EBITDA	EUR million	1.3	0.4	3.0	0.5
EBIT	EUR million	1.2	0.2	2.7	0.2
EBITDA margin	%	17.1	8.4	22.9	9.3
EBIT margin	%	15.0	4.7	20.6	4.4
Sales	Tonnes	0	0	26	0
Mining production	Tonnes	141,442	61,811	270,946	71,271
Personnel		111	94	111	94

PERFORMANCE COMPARED TO SECOND HALF 2022/2023

- Revenue during the second half of 2023 increased to EUR 7.5 (4.9) million;
- Production increased sharply in the second half of 2023 growing to 141,442 (61,811) tonnes, when compared to the same period in 2023;
- The segment's performance improved in the second half of the year, with EBITDA reaching EUR1.3 (0.4) million.

PERFORMANCE COMPARED TO FULL YEAR 2022/2023

- Revenue increased in 2023 when compared to prior year to EUR 13.2 (5.3) million;
- Production within the FerroAlloys segment increased significantly as the output increased in South African mines on account of the favourable market conditions;
- The above factors, resulted in a positive EBITDA was EUR 3.0 (0.5) million during the reporting period. The positive trend is also attributable to the resumed opencast mining at the Mecklenburg mine.

UNALLOCATED ITEMS

For the second half of 2023, the EBITDA from unallocated items was EUR -1.9 (-1.8) million, while the full year EBITDA from unallocated items was EUR -3.9 (-3.0) million.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 31 December 2023 stood at EUR 162.2 (159.8) (30 June 2023: 162.7) million and net assets totalled EUR 105.8 (104.8) (30 June 2023: 109.1) million. During the second half, the translation differences on conversion of foreign denominated subsidiaries was adjusted by EUR 1.6 million. The Group's cash and cash equivalents, as at 31 December 2023, totalled EUR 18.0 (12.4) million (30 June 2023: 19.9). Operating cash flow in the second half was positive, standing at EUR 1.3 (31.2) million.

The equity ratio stood at 65.1% (65.6%) (30 June 2023: 67.1%). Afarak's gearing at the end of the year was -14.1% (-9.8%) (30 June 2023: -14.8%), as the company kept low interest-bearing debt of EUR 3.1 (2.2) (30 June 2023: 3.8) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the second half of 2023 totalled EUR 1.6 (H2/2022 1.4) million and for the full year of 2023 totalled EUR 3.0 (2.1) million. Capital Expenditure was mainly incurred to sustain Group operations.

IMPAIRMENT TESTING

Afarak Group has carried out impairment testing on goodwill and other assets as of 31 December 2023 for the Speciality Alloys business and the South African minerals processing business.

During H2 2022, there were no indication of impairment at both the Speciality Alloys business and the South African mining business.

GOING CONCERN

The company is in sound condition and presents a healthy balance sheet.

PERSONNEL

At the end of the year 2023, Afarak had 595 (600) employees. The average number of employees during the year 2023 was 599 (545).

PLEDGES AND CONTINGENT LIABILITIES

On 31 December 2023, the Group had loans from financial institutions totalling EUR 2.8 (1.6) million. The Group has provided real estate mortgages and other assets as collateral, and corporate guarantees for a combined total carrying value of EUR 6.8 (5.6) million.

SUSTAINABILITY

The company has not had any major incident during 2023. Our goal is to keep the highest standards across all the business units concerning the health and safety of our employees, which continues to be our key central focus.

SHARES & SHAREHOLDERS

On 31 December 2023, the registered number of Afarak Group SE shares was 267,041,814 (267,041,814) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2023, the Company had 6,541,514 (7,041,514) own shares in treasury, which was equivalent to 2.45% (2.64%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2023, was 260,500,300 (260,000,300).

At the beginning of the period under review as at December 2022, the Company's share price was EUR 0.35 on NASDAQ Helsinki and GBP 0.20 on the London Stock Exchange. At the end of the review period as at December 2023, the share price was EUR 0.40 and GBP 0.20 respectively. During the second half of 2023, the Company's share price on NASDAQ Helsinki ranged from EUR 0.36 to 0.50 per share and the market capitalisation, as at 31 December 2023, was EUR 107.88 (1 January 2023: 94.27) million. For the same period on the London Stock Exchange, the share remained at GBP 0.20 per share and the market capitalisation was GBP 53.41 (1 January 2023: 50.41) million, as at 31 December 2023.

RISKS & UNCERTAINTIES

Afarak's financial performance is dependent on the general market conditions of the mining, smelting and minerals processing business. Global stainless-steel demand also carries direct influence on the company and it depends on the general pace of recovery of the global economy and the stimulus policies applied by the governments around the world. In particular, the chrome ore prices as well as the benchmark settlements have been extremely volatile in the past. This situation is likely to continue going forward.

Changes in foreign exchange rates, if adverse, could have a negative impact on the Group's profitability, in particular changes in US Dollar/South African Rand. To better manage its foreign exchange US Dollar/South African Rand exposure, the Group constantly evaluates its current and potential exposures and the need to enter into forward contract arrangements. The Group continuously assesses its working capital to minimise the time during which the Group is exposed to exchange movements and to ensure that it has sufficient funds to meet its liabilities.

Afarak's processing operations in Germany and South African mines are intensive users of energy, primarily electricity. Fuel and energy prices globally have been characterised by volatility and cost inflation. In South Africa the majority of the electricity supply, price and availability are controlled by one entity, Eskom. Increased electricity prices and/or reduced, or uncertain electricity supply, or allocation may negatively impact Afarak's current operations, which could have an impact on the Group's financial performance.

CORPORATE GOVERNANCE

ANNUAL GENERAL MEETING

Afarak Group SE's Annual General Meeting was held in Helsinki on 21 June 2023.

The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2022. The AGM resolved that no dividend would be paid for 2022. The AGM also adopted the Remuneration Report for the Company's governing bodies.

THE BOARD OF DIRECTORS

The AGM resolved that the Board of Directors would comprise of three (3) members: Dr Jelena Manojlovic (UK citizen), Mr Thorstein Abrahamsen (Norwegian citizen) and Mr Guy Konsbruck (Luxembourg citizen) were re-elected as Board members.

The AGM resolved that the Non-executive Board Members shall be paid EUR 5,000 per month and the Chairman of the board shall be paid an additional EUR 1,500 per month. Non-Executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership. Board Members shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work in accordance with the company's travel rules.

THE AUDITOR

The AGM resolved that the Company will pay the fee to the auditor against an invoice that is inspected by the Company and that according to the recommendation by the Audit Committee, the Authorised Public Accountant Tietotili Audit Oy was re-elected as the Auditor of the Company. Tietotili Audit Oy has informed the Company that the individual with the principal responsibility at Tietotili Audit Oy, is Authorised Public Accountant Urpo Salo.

ONE-OFF RETROACTIVE ADDITIONAL COMPENSATION TO NON-EXECUTIVE BOARD MEMBERS

The AGM resolved that the Non-Executive Board Members Thorstein Abrahamsen and Dr Jelena Manojlovic shall be paid EUR 50,000 each as a one-off retroactive additional compensation for during the last couple of years having taken on substantial more work on a 24/7 availability basis, to facilitate operating through difficult times with reduced income during the pandemic and with a lot of changes in the Company (divestment of assets, downsizing, further development), and through recovery and significant improved performance of the Company to its' best ever financial result in 2022.

CHANGE OF THE ARTICLES OF ASSOCIATION

The AGM resolved that the Articles of Association of the Company are amended by changing the Article 8 (Call to the General Meeting) so that the general meeting can be held completely without a meeting venue as a so-called remote meeting.

Following the changes, the above-mentioned Article 8 of the Articles of Association reads as follows:

“8 Call to the General Meeting

The call to the General Meeting shall be published on the company's website and as a stock exchange release no earlier than two (2) months and no later than twenty-one (21) days before the meeting, however, in any event nine (9) days before the record date of the General Meeting. The Board of Directors may, at its discretion, also publish the call to the General Meeting in one or two national newspapers or by sending the call to the meeting to the shareholders to their addresses recorded in the share register by registered mail or other verifiable means. Aside from the location of the registered office, the General Meeting may also be held in Espoo, Oulu, Oulunsalo or Vantaa. The Board of Directors may also decide that the General Meeting will be held without a meeting venue so that the shareholders will exercise their decision-making power full-on and on an up-to-date basis by means of a telecommunications connection and a technical device during the meeting.”

ACQUISITION OF LL-RESOURCES GMBH

The AGM approved the Transaction, as detailed in the Circular dated 31 May 2023, and authorized the Board of Directors to take all such steps as may be necessary or acceptable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (providing such modifications, variations, revisions or amendments are not of a material nature) as they shall deem necessary or desirable.

In relation to the Transaction, the AGM authorized the Board of Directors to issue ordinary shares. By virtue of the authorization shares could be issued up to a maximum of 140,000,000 new shares. This equates approximately 52.43 % of the Company's current registered shares. The Board of Directors

will be entitled to decide on the directed share issue related to the implementation of the Transaction in such a way that the payment of the whole subscription price will be made with contribution in kind (the entire share capital of LL-resources GmbH). The authorization does not replace the previous authorizations and it is valid two (2) years as from the decision of the General Meeting.

AUTHORIZATION TO THE BOARD OF DIRECTORS TO DECIDE UPON SHARE ISSUE AND UPON ISSUING OTHER SPECIAL RIGHTS THAT ENTITLE TO SHARES

The AGM resolved to authorize the Board of Directors to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 250,000,000 new shares or shares owned by the Company. This equates to approximately 93.62 % of the Company's currently registered shares. The authorization may be used among other things to raise additional finance and enabling corporate and business acquisitions or other arrangements and investments of business activity or for employee incentive and commitment schemes. By virtue of the authorization, the Board of Directors can decide both on share issues against payment and on share issues without payment. The payment of the subscription price can also be made with consideration other than money. The authorization contains the right to decide on derogating from shareholders' pre-emptive right to share subscriptions provided that the conditions set in the Finnish Companies' Act are fulfilled. The authorization replaces all previous authorizations granted in the Annual General Meeting in 2022 and is valid two (2) years from the decision of the Annual General Meeting.

BOARD OF DIRECTORS

The AGM resolved that the Board of Directors would comprise of three (3) members: Dr Jelena Manojlovic (UK citizen), Mr Thorstein Abrahamsen (Norwegian citizen) and Mr Guy Konsbruck (Luxembourg citizen) were re-elected as Board members. The Board Committees and their composition are as follows:

Audit and Risk Management Committee

Thorstein Abrahamsen (Chair) and Jelena Manojlovic

Nomination and Remuneration Committee

Jelena Manojlovic (Chair) and Thorstein Abrahamsen

Health, Safety and Sustainable Development Committee

Thorstein Abrahamsen (Chair), Jelena Manojlovic and Guy Konsbruck

Following the AGM, the Board of Directors held a meeting in which Thorstein Abrahamsen was unanimously re-elected as the Chairperson.

REPORTING

EVENTS DURING THE REVIEW PERIOD

On 17 January 2023, the Company announced changes regarding Afarak Group SE's treasury shares, where a total of 500,000 shares were transferred to the CEO Guy Konsbruck, which form part of the remuneration package under the CEO agreement.

On 23 February 2023, Afarak announced that the business rescue proceeding of Afarak South Africa (PTY) Ltd were terminated and that the company is to continue with its normal business operations.

On 24 February 2023, Afarak published the Financial statement release for 2022.

On 31 March 2023, Afarak Group SE's publishes the financial statements for 2022.

On 26 April 2023, Afarak published the production report for the first quarter of 2023.

On 12 May 2023, Afarak published that Afarak Group and LL Resources GmbH have signed a combination agreement.

On 16 May 2023, Afarak issued clarifications after the release of 12th May 2023.

On 31 May 2023, the company released notice to the Annual General Meeting.

On 31 May 2023, the Company published a notice publication of circular. Afarak announces that, further to the announcement (Invitation to the Annual General Meeting) published earlier today, the Company has prepared the attached Circular in connection with the proposed related party transaction. The proposed related party transaction concerns combining LL-resources GmbH into Afarak as set out in the terms and conditions of the Combination Agreement.

On 12 June 2023, the Company published Afarak Group SE managers transactions, as the Group CEO have disposed 1,000,000 of his own shares.

On 21 June 2023, the company published the resolution for the annual general meeting.

On 21 June 2023, Afarak announced changes in the senior management of Afarak Group SE.

On 03 August 2023, the Company announced that the competition authorities approved the combination with LL Resources.

On 18 August 2023, Afarak published the Financial Interim Release HI 2023.

On 12 October 2023, the company announced that Afarak Group and the shareholders of LL-Resources GMBH have entered into an agreement on the termination of the combination agreement and the cancellation of the transaction.

On 12 October 2023, the company announced Afarak Group's CEO changes.

On 03 November 2023, Afarak published the production report for the third quarter of 2023.

On 07 November 2023, the Company published changes in corporate management.

On 28 December 2023, the Company published Afarak Group SE's 2024 financial calendar.

EVENTS SINCE THE END OF THE REVIEW PERIOD

On 22 January 2024, the Company announced changes regarding Afarak Group SE's treasury shares. Pursuant to the share issue authorization granted by the Company's Annual General Meeting held on June 21, 2023, the Board of Directors has resolved on a directed share issue without payment. Based on the share issue 500,000 of the Company's treasury shares ("Shares") have now been transferred to CEO Guy Konsbruck. The Shares form a part of the remuneration package under the CEO agreement.

On 14 February 2024, Afarak announced that the Board of Directors decided, to direct a share issuance without payment to the Company itself, by virtue of the authority granted by the Annual General Meeting. The share issuance consisted of 10,000,000 new shares.

FLAGGING NOTIFICATIONS

On 27 February 2023, Afarak published that on 27 February 2023 it received from Aida Djakov and the company Atkey Limited (“Atkey”), in which Aida Djakov has a controlling interest, a flagging notification pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to the notification, Aida Djakov holds 61,926,701 Afarak shares as a result of a transaction carried out on 27 February 2023, which is equivalent to approximately 23.19 per cent of the shares and votes of Afarak.

On 06 October 2023, Afarak Group SE published a notification pursuant to chapter 9, section 10 of the Finnish securities market act. According to the flagging notification as a result of an intragroup merger in which LNS Resources Ltd (previous direct shareholder in Afarak Group SE) has been merged into its sister company LNS International Ltd, LNS International Ltd is as of 3 October 2023 the direct shareholder in Afarak Group SE.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

FY 2023 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	140,308	13,166	2,648	-2,467	153,655
EBITDA	17,464	3,018	-3,888	0	16,594
EBIT	16,251	2,710	-3,929	0	15,032
Segment's assets	166,573	47,650	7,714	-59,595	162,342
Segment's liabilities	49,635	42,407	40,798	-76,239	56,601

FY 2022 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	191,736	5,259	4,029	-2,333	198,691
EBITDA	56,228	490	-2,972	0	53,747
EBIT	55,381	229	-3,318	0	52,293
Segment's assets	160,747	49,331	7,639	-57,959	159,758
Segment's liabilities	48,184	42,461	39,036	-74,710	54,971

RESULTS DEVELOPMENT

	H1/21	H2/21	H1/22	H2/22	H1/23	H2/23
Sales (tons)						
Mining	33,656	16,311	10,764	57,118	56,150	63,616
Processing	12,667	11,307	15,205	10,880	12,881	7,854
Trading	31	12	25	0	23	142
Total	46,354	27,630	25,994	67,998	69,054	71,612
Average rates*						
EUR/USD	1.205	1.161	1.093	1.014	1.081	1.082
EUR/ZAR	17.524	17.431	16.848	17.560	19.679	20.229
Euro (million)						
Revenue	37.3	42.9	92.1	106.6	95.3	58.3
EBITDA	-0.9	6.8	24.5	29.2	15.1	1.5
EBIT	0.9	5.9	24.0	28.2	14.4	0.6
EBITDA margin	-2.4%	15.9%	26.7%	27.4%	15.8 %	2.5 %
EBIT margin	2.4%	13.8%	26.1%	26.5%	15.1 %	1.1 %

*Average rates in the respective half year

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	H2/23	H2/22	FY/23	FY/22
Revenue	58,334	106,639	153,655	198,691
Other operating income	4,752	1,788	5,722	2,641
Operating expenses	-61,599	-79,221	-142,783	-147,585
Depreciation and amortisation	-845	-804	-1,562	-1,297
Impairment	<u>0</u>	<u>-157</u>	<u>0</u>	<u>-157</u>
Operating profit	642	28,245	15,032	52,293
Financial income and expense	-826	-1,693	-3,067	-3,106
Profit before tax	-184	26,552	11,965	49,187
Income tax	<u>-278</u>	<u>-3,072</u>	<u>-1,966</u>	<u>-4,475</u>
Profit for the period from continuing operations	-462	23,480	9,999	44,712
Discontinued operations				
Profit for the period from discontinued operations	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,885</u>
Profit for the period	-462	23,480	9,999	47,597
Profit attributable to				
Owners of the parent	-856	23,519	9,451	47,716
Non-controlling interests	<u>394</u>	<u>-39</u>	<u>549</u>	<u>-119</u>
Total	-462	23,480	9,999	47,597
Earnings per share for profit attributable to the shareholders of the parent company, EUR				
Basic earnings per share, EUR	0.00	0.09	0.04	0.19
Diluted earnings per share, EUR	0.00	0.09	0.04	0.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	H2/23	H2/22	FY2023	FY2022
Profit/(loss) for the period	-462	23,480	9,999	47,597
Other comprehensive income				
Remeasurement of defined benefit pension plans	-1,241	8,101	-1,241	8,101
Exchange differences on translating foreign operations – Group	-1,782	-4,459	-6,394	2,069
Other comprehensive income, net of tax	-3,023	3,642	-7,634	10,170
Total comprehensive income for the period	-3,485	27,122	2,365	57,767
Total comprehensive income attributable to:				
Owners of the parent	-3,853	27,108	1,751	57,885
Non-controlling interests	368	14	614	-118

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

	31.12.2023	31.12.2022
ASSETS		
Non-current assets		
Goodwill	46,996	48,720
Other intangible assets	4,643	5,239
Property, plant and equipment	37,497	38,976
Deferred tax	1,044	654
Other non-current assets	<u>1,202</u>	<u>961</u>
Non-current assets total	91,382	94,550
Current assets		
Inventories	29,583	24,734
Trade receivables	7,467	7,833
Other receivables	15,878	20,223
Cash and cash equivalents	<u>18,032</u>	<u>12,418</u>
Current assets total	70,960	65,208
Total assets	162,342	159,758
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	23,642	23,642
Share premium reserve	25,223	25,223
Paid-up unrestricted equity reserve	215,359	215,116
Legal Reserve	18	31
Translation reserves	-42,683	-36,224
Retained earnings	<u>-115,512</u>	<u>-122,081</u>
Equity attributable to owners of the parent	106,047	105,707
Non-controlling interests	<u>-306</u>	<u>-920</u>
Total equity	105,741	104,787
Liabilities		
Non-current liabilities		
Deferred tax liabilities	8,051	9,111
Provisions	11,400	12,207
Pension liabilities	12,839	11,988
Financial liabilities	<u>342</u>	<u>427</u>
Non-current liabilities total	32,632	33,733
Current liabilities		
Trade payables	10,863	7,352
Other current liabilities	<u>13,106</u>	<u>13,886</u>
Current liabilities total	23,969	21,238
Total liabilities	56,601	54,971
Total equity and liabilities	162,342	159,758

SUMMARY OF CASH, INTEREST-BEARING RECEIVABLES AND INTEREST-BEARING LIABILITIES

EUR '000	31.12.2023	31.12.2022
Cash and cash equivalents	18,032	12,418
Interest-bearing receivables		
Current	0	0
Non-current	<u>78</u>	<u>102</u>
Interest-bearing receivables	78	102
Interest-bearing liabilities		
Current	2,766	1,790
Non-current	<u>362</u>	<u>404</u>
Interest-bearing liabilities	3,128	2,194
NET TOTAL	14,982	10,326

SUMMARY OF GROUP'S PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

EUR '000	Property, plant and equipment	Intangible assets
Acquisition cost 1.1.2023	73,378	133,319
Additions	2,988	104
Disposals	-702	-71
Right-of-use assets (IFRS 16)	5	0
Reclass between items	689	0
Effect of movements in exchange rates	-7,819	-5,105
Acquisition cost 31.12.2023	68,540	128,247
Accumulated depreciation and impairment 1.1.2023	-34,401	-79,359
Depreciation	-1,460	-101
Disposals	592	44
Effect of movements in exchange rates	4,228	2,809
Accumulated depreciation and impairment at 31.12.2023	-31,041	-76,606
Carrying amount at 1.1.2023	38,978	53,960
Carrying amount at 31.12.2023	37,497	51,640
Acquisition cost 1.1.2022	72,497	127,038
Additions	1,896	55
Disposals	-790	-275
Right-of-use assets (IFRS 16)	172	0
Reclass between items	815	-209
Effect of movements in exchange rates	-1,212	6,709
Acquisition cost 31.12.2022	73,378	133,318
Accumulated depreciation and impairment 1.1.2022	-34,026	-75,461
Depreciation	-1,206	-90
Impairment	-157	0
Disposals	278	238
Effect of movements in exchange rates	709	-4,046
Accumulated depreciation and impairment at 31.12.2022	-34,402	-79,359
Carrying amount at 1.1.2022	38,471	51,577
Carrying amount at 31.12.2022	38,976	53,959

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

EUR '000	FY2023	FY2022
Profit / (Loss) from continuing operation	9,999	44,712
Adjustments to profit for the period	1,761	3,744
Changes in working capital	-2,181	-18,336
Discontinued operations	0	1,089
Net cash used in operating activities	9,579	31,209
Capital expenditure on non-current assets, net	-3,216	-1,682
Other investments, net	-19	84
Proceeds from repayments of loans and loans given	-200	0
Net cash used in investing activities	-3,435	-1,598
Proceeds from borrowings	61	2,183
Repayment of borrowings, and other financing activities	-115	-27,184
Movement in short-term financing activities*	1,122	1,555
Net cash from / used in financing activities	1,069	-23,446
Net increase/(decrease) in cash and cash equivalents	7,212	6,165
Cash at the beginning of the period	12,418	6,287
Translation differences	-1,599	-34
Cash at the end of the period	18,032	12,418
Change in the statement of financial position	7,212	6,165

*This includes trade receivable facilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital
 B = Share premium reserve
 C = Paid-up unrestricted equity reserve
 D = Translation reserve
 E = Retained earnings
 F = Legal reserve
 G = Equity attributable to owners of the parent, total
 H = Non-controlling interests
 I = Total equity

EUR '000	A	B	C	D	E	F	G	H	I
Equity at 31.12.2021	23,642	25,223	209,798	-38,292	-176,170	39	44,240	-801	43,439
Profit for the period 1-12/2022 + comprehensive income				2,068	47,716		49,784	-119	49,664
Translation differences							0	1	1
Share-based payments			67				67		67
Issue of shares in exchange for settlement of liability			5,252				5,252		5,252
Remeasurements of defined benefit pension plans					8,101		8,101		8,101
Provision for withholding tax from previous financial periods					-1,728		-1,728		-1,728
Other changes in equity						-9	-9		-9
Equity at 31.12.2022	23,642	25,223	215,116	-36,224	-122,081	31	105,707	-920	104,787
Profit for the period 1-12/2023 + comprehensive income				-8,100	9,451		1,351	549	1,900
Translation differences							0	65	65
Share-based payments			242				242		242
Remeasurements of defined benefit pension plans					-1,241		-1,241		-1,241
Other changes in equity				1,641	-1,641	-12	-12		-12
Equity at 31.12.2023	23,642	25,223	215,359	-42,683	-115,512	18	106,047	-306	105,741

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	FY2023	FY2022
Financing expense to other related parties	0	-336
Trade and other receivables from other related parties	47	23
Loan payable to other related party	0	0

FINANCIAL INDICATORS

	FY2023	FY2022
Return on equity, % p.a.	9.5%	60.3%
Return on capital employed, % p.a.	18.8%	59.9%
Equity ratio, %	65.1%	65.6%
Gearing, %	-14.1%	-9.8%
Personnel at the end of the period	595	600

EXCHANGE RATES

The balance sheet date rate is based on exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of daily rates from the European Central Bank during the year.

The key exchange rates applied in the accounts:

Average rates

	FY2023	FY2022
TRY	25.7597	17.4088
USD	1.0813	1.0530
ZAR	19.9551	17.2086

Balance sheet rates

	31.12.2023	31.12.2022
TRY	32.6531	19.9649
USD	1.1050	1.0666
ZAR	20.3477	18.0986

FORMULAS FOR FINANCIAL INDICATORS

Financial ratios and indicators have been calculated with the same principles as applied in the 2022 financial statements. These principles are presented below.

Return on equity, % = Profit for the period / Total equity (average for the period) * 100

Return on capital employed, % = (Profit before taxes + financing expenses) / (Total assets - interest-free liabilities) average * 100

Equity ratio, % = Total equity / (Total assets - prepayments received) * 100

Gearing, % = (Interest-bearing debt - liquid funds) / Total equity * 100

Net interest-bearing debt = Interest-bearing debt - liquid funds

Earnings per share, basic, EUR = Profit attributable to owners of the parent company / Average number of shares during the period

Earnings per share, diluted, EUR = Profit attributable to owners of the parent company / Average number of shares during the period, diluted

Operating profit (EBIT) = Operating profit is the net of revenue plus other operating income, plus gain/loss on finished goods inventory change, minus employee benefits expense, minus depreciation, amortisation and impairment and minus other operating expense. Foreign exchange gains or losses are included in operating profit when generated from ordinary activities. Exchange gains or losses related to financing activities are recognised as financial income or expense.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) = Operating profit + depreciation + amortisation + impairment losses

ACCOUNTING POLICIES

This Interim Report is prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with Afarak's financial statements for 2022. Afarak has applied the same accounting principles in the preparation of this Interim Report as in its financial statements for 2022, except for the adoption of new standards and interpretations that become effective in 2023. The changes did not have material impact on the Interim Report.

IAS 29 Financial Reporting in Hyperinflationary Economies applies where an entity's functional currency is that of a hyperinflationary economy. The standard requires the financial statements of an entity with a functional currency that is hyperinflationary to be restated for the changes in the general pricing power of the functional currency. The Group assessed the impact of IAS 29, and as of December 31, 2023, the standard has not been applied due to amounts are considered immaterial to the annual consolidated financial statements.

The preparation of the Interim Report in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

The figures in the tables have been rounded off, which must be considered when calculating totals. Average exchange rates for the period have been used for income statement conversions, and period-end exchange rates for balance sheet.

The Interim Report data is unaudited.

SHARE-RELATED KEY FIGURES

		H2/2023	H2/2022	FY 2023	FY 2022
Share price development in London Stock Exchange					
Average share price*	EUR	0.23	0.23	0.23	0.23
	GBP	0.20	0.20	0.20	0.19
Lowest share price*	EUR	0.00	0.23	0.00	0.23
	GBP	0.00	0.20	0.00	0.20
Highest share price*	EUR	0.23	0.23	0.23	0.23
	GBP	0.20	0.20	0.20	0.20
Share price at the end of the period**	EUR	0.23	0.23	0.23	0.23
	GBP	0.20	0.20	0.20	0.20
Market capitalisation at the end of the period**	EUR million	61.46	60.22	61.46	60.22
	GBP million	53.41	53.41	53.41	53.41
Share trading development					
Share turnover	thousand shares	9	1,424	63	6,142
Share turnover	EUR thousand	4	562	34	2,125
Share turnover	GBP thousand	3	485	29	1,812
Share turnover	%	0.00%	0.53%	0.02	2.30%
Share price development in NASDAQ Helsinki					
Average share price	EUR	0.43	0.38	0.52	0.42
Lowest share price	EUR	0.36	0.29	0.35	0.12
Highest share price	EUR	0.50	0.53	0.69	0.98
Share price at the end of the period	EUR	0.40	0.35	0.40	0.35
Market capitalisation at the end of the period	EUR million	107.88	94.27	107.88	94.27
Share trading development					
Share turnover	thousand shares	21,362	39,304	81,870	149,199
Share turnover	EUR thousand	9,107	14,922	42,513	62,146
Share turnover	%	8.0%	14.7%	30.7%	55.9%

* Share prices have been calculated on the average EUR/GBP exchange rate published by Bank of Finland.

** Share price and market capitalisation at the end of the period have been calculated on the EUR/GBP exchange rate published by Bank of Finland at the end of the period.

Formulas for share-related key indicators

Average share price = Total value of shares traded in currency / Number of shares traded during the period

Market capitalisation, million = Number of shares * Share price at the end of the period

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. Save as required by law (including the Finnish Securities Markets Acts (746/2012), as amended, or by the Listing Rules or the Disclosure and Transparency Rules of the UK Financial Services Authority), the Company undertakes no obligation to update any forward-looking statements in this report that may occur due to any changes in the Directors' expectations or to reflect events or circumstances after the date of this report.