

Financial Statements

2022



A F A R A K

FINANCIAL STATEMENTS RELEASE 2022

A RECORD YEAR FOR AFARAK

		H2/22	H2/21	FY2022	FY2021
Revenue	EUR million	106.6	42.9	198.7	80.3
EBITDA	EUR million	29.2	6.8	53.7	5.9
EBIT	EUR million	28.2	5.9	52.3	6.8
Earnings before taxes	EUR million	26.6	3.4	49.2	2.9
Profit from continuing operations	EUR million	23.5	1.5	44.7	0.6
Profit from discontinued operations	EUR million	0.0	8.4	2.9	8.4
Profit for the period	EUR million	23.5	9.9	47.6	9.0
Earnings per share	EUR	0.09	0.04	0.19	0.04
EBITDA margin	%	27.4	15.9	27.1	7.4
EBIT margin	%	26.5	13.8	26.3	8.5
Earnings margin	%	24.9	7.8	24.8	3.6
Personnel (end of period)		600	503	600	503

SECOND HALF 2022 HIGHLIGHTS

- Revenue for the second half of 2022 increased sharply to EUR 106.6 (H2/2021: 42.9) million driven by stronger market demand and higher prices;
- Speciality Alloys processed material sold decreased by 14.4%, to 9,997 (H2/2021: 11,680) tonnes;
- Tonnage mined increased by 88.7%, to 93,253 (H2/2021: 49,428) tonnes;
- Group's EBITDA increased to EUR 29.2 (H2/2021: 6.8) million and the EBITDA margin stood at 27.4% (H2/2021: 15.9%);
- EBIT was EUR 28.2 (H2/2021: 5.9) million and the EBIT margin stood at 26.5% (H2/2021: 13.8%);
- Profit for the period from continuing operation totalled EUR 23.5 (H2/2021: 1.5) million;
- Cash flow from operations during H2 2022 was EUR 21.1 (H2/2021: 15.0) million.
- The interest-bearing debt of the Group reduced significantly to EUR 2.2 (31 December 2021: 38.5) (30 June 2022: 26.4) million;
- Cash and cash equivalents at 31 December totalled EUR 12.4 (31 December 2021: 6.3) (30 June 2022: 5.0) million.

FULL YEAR 2022 HIGHLIGHTS

- The Group revenue has grown substantially during the reporting period, reflecting both higher sales volumes as well as improved prices;
- Speciality Alloys Processed material sold increased by 11.3%, to 26,085 (FY/2021: 23,442) tonnes;
- Tonnage mined increased by 28.5%, to 132,362 (FY/2021: 102,970) tonnes;
- EBITDA during the year increased to EUR 53.7 (FY/2021: 5.9) million. EBIT stood at EUR 52.3 (FY/2021: 6.8) million;
- The result of the discontinued operation was EUR 2.9 (FY/2021: 8.4) million;
- Profit for the full year 2022 totalled EUR 47.6 (FY/2021: 9.0) million.

MARKET SENTIMENT FOR 2023

CRU Monitor expects the global demand for Stainless Steel to increase by 3% in 2023, which is an improvement compared to 2022, even though the purely European demand is set to decline during the same period.

The demand for regular grades of low carbon ferro-chrome, after being very sustained during the first 3 quarters of 2022, showed some decline during Q4. As a consequence, prices dropped during Q4, mainly due to the pressure of Chinese imports.

A good portion of Afarak's specialty alloys is widely used for more specific applications (aeronautics, medical, energy).

Plane makers reported a sharp jump in both new plane deliveries and new orders during 2022. This came during a time where strategic raw material supply chains were stretched and inventories low. This resulted in a rapid recovery in price and demand for raw materials used in aerospace grades of steel.

The forecast for new plane builds is positive for the next several years as is demand for other high temp alloys used in the medical and energy sectors.

The main global factor will be the speed of recovery of the Chinese economy, as well as the evolution of the Russian war in Ukraine.

CEO GUY KONSBRUCK

Dear Shareholders,

I am proud to present to you the results of AFARAK's second HY 2022, which reflects the excellent achievements of our teams.

The safety of our staff will always remain our top priority. We had to deplore 1 fatal accident in one of our Turkish mines in 2022. Although the investigation showed no major deficiencies in our set-up, our clear goal remains to provide secure working conditions to all our colleagues.

The terrible earthquake in Turkey did not impact our mining operations directly, but we were all shocked by the magnitude of the casualties. Several of our teams went into the affected area helping to search for survivors. I wish to thank them for their courageous commitment.

During H2/22, AFARAK continued to perform exceedingly well, although the business conditions remained challenging. The unlawful and ruthless Russian attack on Ukraine and all its economic consequences on the Western world have created a new layer of complexity to all businesses shortly after the pandemic crisis. This is particularly true for the commodities used in steel making which has a strong dependence on Russian products.

Afarak is not producing in Russia and does not use any raw materials from Russia.

After initial spikes, the market prices for regular grades saw downwards corrections after the summer holiday, and we had to face increasing energy and raw material cost. Afarak adapted the output of regular grades, and concentrated more on high quality alloys.

We are further developing new efficiencies and working on various solutions to reduce our exposure to fluctuating energy cost.

Afarak has resumed a more sustained mining activity in South Africa during H2 2022, which showed first positive results.

AFARAK will also maintain a strong focus on sustainability, where we pursue several projects of waste reduction, and further reduction of our CO2 foot print.

The main message to take home, though, is that 2022 has seen the best result in the history of AFARAK, which has allowed us to repay all of our long term debt. AFARAK can now count on a strong balance sheet to pursue future growth and diversification opportunities.

OVERVIEW OF RESULTS

This Interim Report is prepared in accordance with the IAS 34 standard and is unaudited. All the corresponding comparable figures of 2021 are presented in brackets, unless otherwise explicitly stated.

MARKET OVERVIEW

2022 has been a challenging year. After the gradual unwinding of the Covid hurdles, the world economy was hit hard by the consequences of the Russian attack on Ukraine. Both events triggered negative consequences on energy cost and inflation rates and led to high commodities prices and extremely volatile markets.

Especially after the summer holidays, the stainless steel output started to decline, and price levels weakened.

We expect strong fluctuations for 2023 as well. The Chinese economy was slowed down much longer by the COVID endemic, and will only start to recover gradually in 2023. This should lead to sustained demand and strong pricing for commodities, though high interest rates and difficult monetary access could present a threat to our business development.

Energy availability and cost will remain an issue. Strong pressure on CO2 reductions and creation of sustainable power alternatives will persist and should have a positive effect on our customer base in the energy sector. All these factors might continue to sustain a sharp price volatility also during 2023.

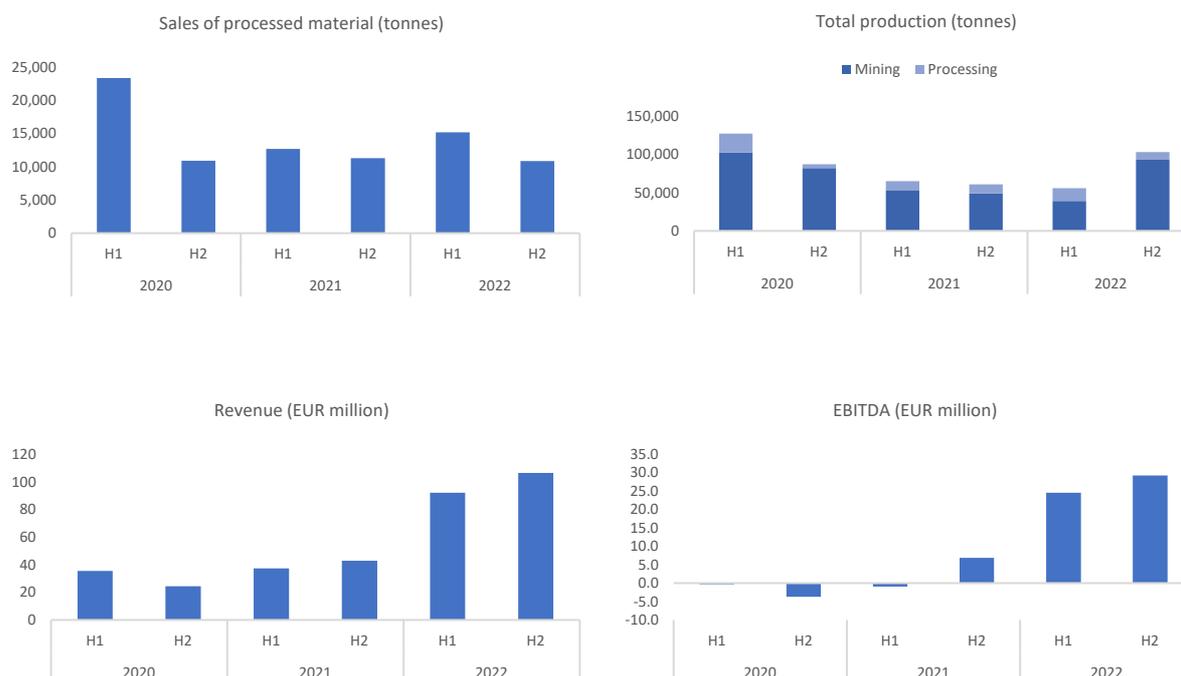
OVERVIEW OF RESULTS (Cont.)

H2 2022 COMPARED TO H2 2021

The Speciality Alloys segment registered an even stronger performance during the second half of the year. The Group revenue increased by more than two-fold when compared to same period last year driven by significantly higher average selling prices of LC Ferro Chrome material. The mining production decreased mainly at the Turkish mines while the South African mines continued with mining activity throughout the second half of 2022. The higher selling prices resulted in a positive impact on the Group's profitability as EBITDA was EUR 29.2 (6.8) million and EBIT was EUR 28.2 (5.9) million.

2022 COMPARED TO 2021

The observed top-line growth is attributable to general increase in selling prices and higher trading volumes following the improved market demand. The Group revenue increased by 148.5% to EUR 198.7 (80.3) million. Operationally, production levels of Speciality Alloys material increased to keep up with the demand and due to the increased mining activity in South Africa on account of the favorable market conditions. Profitability also increased at a fast rate despite higher cost of production due to significant cost inflation mainly in electricity and raw material prices. As a result, EBITDA during the reporting period increased to EUR 53.7 (5.9) million and EBIT stood at EUR 52.3 (6.8) million. Financial income and expenditure during the year were EUR -3.1 (-3.9) million.



DISTRIBUTION PROPOSAL

The Board of Directors will propose to the Annual General Meeting which is scheduled to be held on 1st June 2023 a distribution policy for 2022 and beyond.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

The Speciality Alloys business consists of Türk Maden 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

		H2/22	H2/21	FY2022	FY2021
Revenue	EUR million	100.6	42.2	191.7	77.8
EBITDA	EUR million	30.6	8.1	56.2	9.2
EBIT	EUR million	30.2	7.4	55.4	7.8
EBITDA margin	%	30.4	19.2	29.3	11.8
EBIT margin	%	30.0	17.6	28.9	10.1
Sales	Tonnes	10,880	11,198	26,085	23,443
Total production	Tonnes	41,440	48,556	87,734	99,844
Mining	Tonnes	31,443	36,876	61,092	76,592
Processing	Tonnes	9,997	11,680	26,642	23,252
Personnel		488	471	488	471

PERFORMANCE COMPARED TO SECOND HALF 2021/2022

- The Speciality Alloys segment strong performance was supported by improved market conditions, including higher ferrochrome prices;
- Revenue during the second half of 2022 increased by 138.7% EUR 100.6 (42.2) million during the second half of the year on account of higher average selling prices;
- The mining activity at TMS reduced during the second half of 2022, resulting in a decrease of 14.7% when compared to prior periods;
- Processing levels at the EWW plant in Germany was lower than same period last year by 14.4% as it carried out a longer term planned maintenance shutdown during the third quarter of 2022. It must be noted that Afarak thus limited the impact of very high energy prices during the said period;
- Profit margins continued to improve despite a marginal decrease in sales volumes, higher cost of production with higher energy and raw material prices, as EBITDA increased significantly to EUR 30.6 (8.1) million.

PERFORMANCE COMPARED TO FULL YEAR 2021/2022

- Revenue for the full year increased by 146.4% to EUR 191.7 (77.8) million. The increase in revenue was due to higher sales prices and trading volumes of speciality material when compared to prior year;
- Processing levels increased by 14.6% compared to previous year to keep up with the increase in demand for Low Carbon Ferrochrome. This increase in processing levels was outweighed by a contraction in mining tonnages due to planned maintenance at the Turkish mines;
- The improved market conditions enabled EBITDA for the year to increase to EUR 56.2 (9.2) million, resulting in EBIT of EUR 55.4 (7.8) 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

		H2/22	H2/21	FY2022	FY2021
Revenue	EUR million	4.9	0.4	5.3	1.8
EBITDA	EUR million	0.4	0.0	0.5	-0.9
EBIT	EUR million	0.2	0.0	0.2	1.6
EBITDA margin	%	8.4	9.5	9.3	-53.4
EBIT margin	%	4.7	0.2	4.4	88.2
Sales	Tonnes	0	108	0	531
Total production	Tonnes	61,811	12,552	71,271	26,379
Mining	Tonnes	61,811	12,552	71,271	26,379
Personnel		94	14	94	14

PERFORMANCE COMPARED TO SECOND HALF 2021/2022

- Revenue during the second half of 2022 increased to EUR 4.9 (0.4) million;
- Production increased sharply in the second half of 2022 growing to 61,811 (12,552) tonnes, when compared to the same period in 2022.
- During the second half of the year, EBITDA reported was EUR 0.4 (0.0) million;

PERFORMANCE COMPARED TO FULL YEAR 2021/2022

- Revenue increased in 2022 when compared to prior year to EUR 5.3 (1.8) 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 0.5 (-0.9) 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 2022, the EBITDA from unallocated items was EUR -1.8 (-1.3) million, while the full year EBITDA from unallocated items was EUR -3.0 (-2.3) million.

DISCONTINUED OPERATION

On 16th September 2020 the Business Rescue Plan which provided the plan for the disposal of the assets of Afarak Mogale (Pty) Ltd was approved. This led to Afarak Group loss of control on its subsidiary Afarak Mogale (Pty) Ltd, and as a result the Mogale business was reclassified to discontinued operation in the consolidated financial statements of Afarak Group.

Afarak Group reclassified Afarak Mogale (Pty) Ltd's previously reported income statement figures as discontinued operations in 2020. As from September 2020 Afarak Group is no longer consolidating Afarak Mogale (Pty) ltd.

In the consolidated income statement, continuing and discontinued operations are presented separately. Discontinued operations are presented as their own line item and comparative information has been adjusted accordingly.

Profit from discontinued operations in 2022, amounted to EUR 2.9 (8.4) million arising from the transaction.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 31 December 2022 stood at EUR 159.8 (146.3) (30 June 2022: 172.2) million and net assets totalled EUR 104.8 (43.4) (30 June 2022: 74.1) million. During the second half, the translation differences on conversion of foreign denominated subsidiaries was adjusted by EUR 4.5 million. The Group's cash and cash equivalents, as at 31 December 2022, totalled EUR 12.4 (6.3) million (30 June 2022: 5.0). Operating cash flow in the second half was positive, standing at EUR 31.2 (13.1) million.

The equity ratio stood at 65.6% (29.7%) (30 June 2022: 43.0%). Afarak's gearing at the end of the year decreased to -9.8% (74.2%) (30 June 2022: 28.9%), due to significantly lower interest-bearing debt of EUR 2.2 (38.5) (30 June 2022: 26.4) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the second half of 2022 totalled EUR 1.5 (H2/2021 0.6) million and for the full year of 2022 totalled EUR 2.1 (0.9) million. Capital Expenditure was mainly incurred to sustain Group operations.

During the first half of 2021, Afarak acquired a further 20% of the shares in Chromex Mining Company (Pty) Ltd, in exchange for total consideration of 7,088,608 shares in Afarak Group SE. Afarak now holds 94% interest in the company.

During May 2021, the Group concluded the sale of its Ilitha's plant, assets and mining right. The remaining assets related to Ilitha have been presented on the Group's statement of financial position as other receivables.

IMPAIRMENT TESTING

Afarak Group has carried out impairment testing on goodwill and other assets as of 31 December 2022 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 2022, Afarak had 600 (503) employees. The average number of employees during the year 2022 was 545 (567).

PLEDGES AND CONTINGENT LIABILITIES

On 31 December 2022, the Group had loans from financial institutions totalling EUR 1.6 (2.9) million. The Group has provided real estate mortgages and other assets as collateral, and corporate guarantees for a combined total carrying value of EUR 5.6 (2.2) million.

SUSTAINABILITY

Afarak announced a fatality at its Tavas underground mine in Turkey. While working at the Denizli-Tavas / Acipayam Underground Mine, an experienced underground employee passed away as he was trapped in the wreckage. Legal assistance was provided to the deceased family. As per the technical investigation report and the preliminary survey report of the Denizli- Acipayam Prosecution Office, no significant deficiencies of our Company have been identified. The prosecution investigation is still ongoing.

Our goal is to keep very highest standards across all the business unit concerning health and safety of our employees ,which continue to be our key central focus.

SHARES & SHAREHOLDERS

On 31 December 2022, the registered number of Afarak Group SE shares was 267,041,814 (252,041,814) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2022, the Company had 7,041,514 (5,673,991) own shares in treasury, which was equivalent to 2.64% (2.25%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2022, was 260,000,300 (246,367,823).

At the beginning of the period under review as at December 2021, the Company's share price was EUR 0.14 on NASDAQ Helsinki and GBP 0.20 on the London Stock Exchange. At the end of the review period as at December 2022, the share price was EUR 0.35 and GBP 0.20 respectively. During the second half of 2022, the Company's share price on NASDAQ Helsinki ranged from EUR 0.29 to 0.53 per share and the market capitalisation, as at 31 December 2022, was EUR 94.27 (1 January 2022: 34.28) 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 2021: 50.41) million, as at 31 December 2022.

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 Plc's Annual General Meeting was held at the Company's headquarter in Helsinki on June 1, 2022 under special arrangements due to the COVID-19 pandemic.

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 2021. The AGM resolved that no dividend would be paid for 2021. The AGM also adopted the Remuneration Report for the Company's governing bodies.

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 3,500 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 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.

The AGM decided according to chapter 9, section 20 of the Companies' Act to direct a share issuance without payment to the company itself. The share issuance consists of 15,000,000 new shares. The shares are of the same share series than the existing shares of the company and they have the same share rights as of their registration than the company's existing shares. The shares which will be held by the company 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. The new shares will be registered into the Trade Register without

undue delay after which the company will apply for the shares to be publicly traded on Nasdaq Helsinki Oy.

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 99,19 % 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 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 04 January 2022, the Company published the financial calendar for 2022.

On 10 February 2022, the Company published information in relation to Afarak's website being down.

On 10 February 2022, the Company announced changes regarding Afarak Group Plc'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 25 February 2022, Afarak published the Financial statement release for 2021.

On 30 March 2022, Afarak announced that on this day, the Supreme Administrative Court has rejected Afarak's application for permission to appeal. The Supreme Administrative Court therefore does not rule on the Afarak's appeal. Therefore, the penalty payment of EUR 1,450,000 imposed by

FIN-FSA on 23 September 2019 to Afarak for failures relating to disclosure of inside information and maintenance of insider lists is lawful.

On 31 March 2022, Afarak published the Board of Directors and the Annual financial statements for 2021.

On 2 May 2022, Afarak published the production report for the first quarter of 2022

On 9 May 2022, Afarak Group Plc invited the shareholders of Afarak Group Plc (“Afarak”) to the Annual General Meeting which was held on 1 June 2022.

On 16 May 2022, Afarak announced changes in Corporate Management as the Group’s Chief Operating Officer, Dr Danko Koncar stepped down from his position as COO as of 31 May 2022 and that he will continue serving the Group as the Operational Manager of Afarak Trading Ltd.

On 25 May 2022, Afarak announced a fatality at its Tavas underground mine in Turkey. Due to collapsed upper level of ore body, one experienced underground team worker passed away.

On 1 June 2022, the company released the resolutions regarding the Annual General Meeting.

On 6 July 2022, the Company announced changes regarding Afarak Group Plc’s treasury shares, were a total of 15,000,000 new shares were issued on the basis of the directed share issuance without payment to the Company itself, which was decided at Afarak’s Annual General Meeting on June 1, 2022 and which have been registered in the Trade Register on this day.

On 6 July 2022, the company made a flagging notification to FIN-FSA pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to the flagging notification Afarak’s portion of the Company’s shares has exceeded the threshold of 5 per cent.

On 18 August 2022, the company has resolved on directed share issue (“Share Issue”) to RCS Trading Corporation Ltd (“RCS”). The Share Issue is connected to an Arrangement approved by the Board of Directors on 18th August 2022 related to the purchase by Afarak of certain loan receivables that RCS Trading Corporation Ltd has from Afarak’s Group company Synergy Africa Limited

On 19 August 2022, Afarak published the Financial Interim Release HI 2022.

On 29 August 2022, the company announced changes in company's own shares related to the communication published on 18 August 2022, regarding directed share issue relating to Arrangement to decrease the amount of Afarak Group’s external debt burden. A total of 13,132,477 treasury shares have been transferred in such a way that the shares are not anymore held by the Company or by its subsidiary.

On 29 August 2022, the company announced the conversion of Afarak Group PLC in an European company (SE) will be registered on 2 September 2022

On 2 September 2022, the company announced that the conversion of Afarak into a European Company (SE) was registered on this day in the Trade Register and the Company has therefore also changed its name to Afarak Group SE.

On 31 October 2022, Afarak published the production report for the third quarter of 2022

On 19 December 2022, The company published the financial calendar for 2023.

EVENTS SINCE THE END OF THE REVIEW PERIOD

On 17 January 2023, the Company announced changes regarding Afarak Group Plc'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.

The Company had announced on 8th May 2020, that Afarak South Africa (Pty) Ltd was placed into business rescue. On 21 February 2023, the business rescue practitioner has concluded that there are no longer reasonable grounds to believe that the company is financially distressed. Accordingly, the proceedings were terminated.

FLAGGING NOTIFICATIONS

On 29 August 2022, Afarak Group Plc made a flagging notification to FIN-FSA pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to the flagging notification Afarak's portion of the Company's shares has fallen below the threshold of 5 per cent.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

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

FY 2021 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	77,824	1,763	2,889	-2,220	80,256
EBITDA	9,181	-942	-2,299	0	5,940
EBIT	7,839	1,554	-2,571	0	6,822
Segment's assets	133,046	49,055	9,209	-44,960	146,350
Segment's liabilities	80,062	47,522	37,260	-61,933	102,911

RESULTS DEVELOPMENT

	H1/20 Restated	H2/20	H1/21	H2/21	H1/22	H2/22
Sales (tons)						
Mining	78,084	118,797	33,656	16,311	10,764	57,118
Processing	23,356	10,900	12,667	11,307	15,205	10,880
Trading	28	0	31	12	25	0
Total	101,468	129,697	46,354	27,630	25,994	67,998
Average rates*						
EUR/USD	1.102	1.181	1.205	1.161	1.093	1.014
EUR/ZAR	18.311	19.206	17.524	17.431	16.848	17.560
Euro (million)						
Revenue	35.5	24.3	37.3	42.9	92.1	106.6
EBITDA	-0.3	-3.7	-0.9	6.8	24.5	29.2
EBIT	-1.7	-26.5	0.9	5.9	24.0	28.2
EBITDA margin	-1.0%	-15.2%	-2.4%	15.9%	26.7%	27.4%
EBIT margin	-4.8%	-109.0%	2.4%	13.8%	26.1%	26.5%

*Average rates in the respective half year

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	H2/22	H2/21	FY/22	FY/21
Revenue	106,639	42,919	198,691	80,256
Other operating income	1,788	2,993	2,641	3,633
Operating expenses	-79,221	-39,087	-147,585	-77,949
Depreciation and amortisation	-804	-966	-1,297	-2,086
Impairment	-157	56	-157	2,968
Operating profit	28,245	5,915	52,293	6,822
Financial income and expense	-1,693	-2,563	-3,106	-3,944
Profit before tax	26,552	3,352	49,187	2,878
Income tax	-3,072	-1,821	-4,475	-2,268
Profit for the period from continuing operations	23,480	1,531	44,712	610
Discontinued operations				
Profit for the period from discontinued operations	0	8,396	2,885	8,396
Profit for the period	23,480	9,927	47,597	9,006
Profit attributable to				
Owners of the parent	23,519	9,995	47,716	9,161
Non-controlling interests	-39	-68	-119	-155
Total	23,480	9,927	47,597	9,006
Earnings per share for profit attributable to the shareholders of the parent company, EUR				
Basic earnings per share, EUR	0.09	0.04	0.19	0.04
Diluted earnings per share, EUR	0.09	0.04	0.19	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	H2/22	H2/21	FY2022	FY2021
Profit/(loss) for the period	23,480	9,927	47,597	9,006
Other comprehensive income				
Remeasurement of defined benefit pension plans	8,101	2,289	8,101	2,289
Exchange differences on translating foreign operations – Group	-4,459	22	2,069	2,244
Other comprehensive income, net of tax	3,642	2,311	10,170	4,533
Total comprehensive income for the period	27,122	12,238	57,767	13,539
Total comprehensive income attributable to:				
Owners of the parent	27,108	12,443	57,885	13,699
Non-controlling interests	14	-205	-118	-160

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

	31.12.2022	31.12.2021
ASSETS		
Non-current assets		
Goodwill	48,720	46,029
Other intangible assets	5,239	5,548
Property, plant and equipment	38,976	38,471
Deferred tax	654	1,766
Other non-current assets	961	<u>132</u>
Non-current assets total	94,550	91,946
Current assets		
Inventories	24,734	13,689
Trade receivables	7,833	13,518
Other receivables	20,223	20,910
Cash and cash equivalents	<u>12,418</u>	<u>6,287</u>
Current assets total	65,208	54,404
Total assets	159,758	146,350
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	215,116	209,798
Legal Reserve	31	39
Translation reserves	-36,224	-38,292
Retained earnings	<u>-122,081</u>	<u>-176,170</u>
Equity attributable to owners of the parent	105,707	44,240
Non-controlling interests	-920	-801
Total equity	104,787	43,439
Liabilities		
Non-current liabilities		
Deferred tax liabilities	9,111	9,182
Provisions	12,207	11,671
Pension liabilities	11,988	20,619
Financial liabilities	<u>427</u>	<u>17,777</u>
Non-current liabilities total	33,733	59,249
Current liabilities		
Trade payables	7,352	14,126
Other current liabilities	<u>13,886</u>	<u>29,536</u>
Current liabilities total	21,238	43,662
Total liabilities	54,971	102,911
Total equity and liabilities	159,758	146,350

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

EUR '000	31.12.2022	31.12.2021
Cash and cash equivalents	12,418	6,287
Interest-bearing receivables		
Current	0	0
Non-current	<u>102</u>	<u>127</u>
Interest-bearing receivables	102	127
Interest-bearing liabilities		
Current	1,790	20,762
Non-current	<u>404</u>	<u>17,749</u>
Interest-bearing liabilities	2,194	38,511
NET TOTAL	10,326	-32,097

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

EUR '000	Property, plant and equipment	Intangible assets
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
Reclass between items	0	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
Acquisition cost 1.1.2021	119,567	198,941
Additions	916	16
Disposals	-26,785	-721
Discontinued operation		
Right-of-use assets (IFRS 16)	11	0
Reclass between items	-5,185	-28,667
Effect of movements in exchange rates	-16,027	-42,531
Acquisition cost 31.12.2021	72,497	127,038
Accumulated depreciation and impairment 1.1.2021	-57,950	-150,604
Depreciation	-1,975	-112
Impairment	0	0
Reclass between items	5,330	28,687
Disposals	5,887	173
Effect of movements in exchange rates	14,682	46,395
Accumulated depreciation and impairment at 31.12.2021	-34,026	-75,461
Carrying amount at 1.1.2021	61,617	48,337
Carrying amount at 31.12.2021	38,471	51,577

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

EUR '000	FY2022	FY2021
Profit / (Loss) from continuing operation	44,712	610
Adjustments to profit for the period	3,744	3,133
Changes in working capital	-18,336	5,148
Discontinued operations	1,089	4,234
Net cash used in operating activities	31,209	13,125
Capital expenditure on non-current assets, net	-1,682	-836
Other investments, net	84	17
Proceeds from repayments of loans and loans given	0	0
Net cash used in investing activities	-1,598	-819
Proceeds from borrowings	2,183	7,905
Repayment of borrowings, and other financing activities	-27,184	-11,574
Movement in short-term financing activities*	1,555	-3,207
Net cash from / used in financing activities	-23,446	-6,876
Net increase/(decrease) in cash and cash equivalents	6,165	5,430
Cash at the beginning of the period	6,287	1,098
Translation differences	-34	-241
Cash at the end of the period	12,418	6,287
Change in the statement of financial position	6,165	5,430

*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 31.12.2020	23,642	25,223	208,005	-40,540	-188,860	65	27,536	2,270	29,806
Profit for the period 1-12/2021 + comprehensive income				2,248	9,162		11,410	-155	11,254
Translation differences							0	-5	-5
Share-based payments			112				112		112
Acquisitions and disposals of subsidiaries			1,680		1,235		2,915	-2,915	0
Remeasurements of defined benefit pension plans					2,289		2,289		2,289
Other changes in equity					5	-26	-21	4	-17
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	0	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

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	FY2022	FY2021
Financing expense to other related parties	-336	-464
Trade and other receivables from other related parties	23	31
Loan payable to other related party	0	15,719

FINANCIAL INDICATORS

	FY2022	FY2021
Return on equity, % p.a.	60.3%	1.7%
Return on capital employed, % p.a.	59.9%	16.8%
Equity ratio, %	65.6%	29.7%
Gearing, %	-9.8%	74.2%
Personnel at the end of the period	600	503

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

	FY2022	FY2021
TRY	17.4088	10.5124
USD	1.0530	1.1827
ZAR	17.2086	17.4766

Balance sheet rates

	31.12.2022	31.12.2021
TRY	19.9649	15.2335
USD	1.0666	1.1326
ZAR	18.0986	18.0625

FORMULAS FOR FINANCIAL INDICATORS

Financial ratios and indicators have been calculated with the same principles as applied in the 2021 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 2021. Afarak has applied the same accounting principles in the preparation of this Interim Report as in its financial statements for 2021, except for the adoption of new standards and interpretations that become effective in 2022. The changes did not have material impact on the Interim Report.

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

		H2/2022	H2/2021	FY 2022	FY 2021
Share price development in London Stock Exchange					
Average share price*	EUR	0.23	0.23	0.23	0.23
	GBP	0.20	0.20	0.19	0.20
Lowest share price*	EUR	0.23	0.06	0.23	0.06
	GBP	0.20	0.05	0.20	0.05
Highest share price*	EUR	0.23	0.29	0.23	0.29
	GBP	0.20	0.25	0.20	0.25
Share price at the end of the period**	EUR	0.23	0.24	0.23	0.24
	GBP	0.20	0.20	0.20	0.20
Market capitalisation at the end of the period**	EUR million	60.22	59.99	60.22	59.99
	GBP million	53.41	50.41	53.41	50.41
Share trading development					
Share turnover	thousand shares	1,424	1,028	6,142	2,199
Share turnover	EUR thousand	562	171	2,125	368
Share turnover	GBP thousand	485	145	1,812	317
Share turnover	%	0.53%	0.41%	2.30%	0.87%
Share price development in NASDAQ Helsinki					
Average share price	EUR	0.38	0.16	0.42	0.19
Lowest share price	EUR	0.29	0.13	0.12	0.13
Highest share price	EUR	0.53	0.21	0.98	0.32
Share price at the end of the period	EUR	0.35	0.14	0.35	0.14
Market capitalisation at the end of the period	EUR million	94.27	34.28	94.27	34.28
Share trading development					
Share turnover	thousand shares	39,304	18,390	149,199	34,249
Share turnover	EUR thousand	14,922	2,890	62,146	6,582
Share turnover	%	14.7%	7.3%	55.9%	13.6%

* 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.