

Interim Financial Statements

H1 2024



FINANCIAL INTERIM RELEASE H1 2024

		H1/24	H1/23	2023
Revenue	EUR million	71.4	95.4	153.7
EBITDA	EUR million	4.2	15.1	16.6
EBIT	EUR million	3.1	14.4	15.0
Earnings before taxes	EUR million	1.9	12.1	12.0
Profit	EUR million	0.5	10.5	10.0
Earnings per share	EUR	0.0	0.04	0.04
EBITDA margin	%	5.9	15.8	10.8
EBIT margin	%	4.3	15.1	9.8
Earnings margin	%	0.0	12.7	7.8
Personnel (end of period)		588	610	595

FIRST HALF 2024 HIGHLIGHTS

- Revenue decreased by 25.1% to EUR 71.4 (H1/2023: 95.4) million;
- Processed material sold decreased by 7% to 11,922 (H1/2023: 12,855) tonnes;
- Tonnage mined increased significantly by 15% to 187,958 (H1/2023: 162,971) tonnes;
- The Group's EBITDA was EUR 4.2 (H1/2023: 15.1) million and the EBITDA margin was 5.9% (H1/2023: 15.8%);
- EBIT was EUR 3.1 (H1/2023: 14.4) million, with the EBIT margin at 4.3% (H1/2023: 15.1%);
- Profit for the period totalled EUR 0.5 (H1/2023: 10.5) million;
- Cash flow from operations stood at EUR -5.4 (H1/2023: 8.3) million;
- The interest-bearing debt amounted to EUR 4.6 (3.8) (31 December 2023: 3.1) million;
- Cash and cash equivalents at 30 June totalled EUR 10.1 (30 June 2023: 19.9) (31 December 2023: 18.0) million.

OUTLOOK FOR THE SECOND HALF OF 2024

On the low carbon ferro-chrome side, the sanctions against Russian material will only be fully implemented by end of 2024. Increased demand in aeronautics and defense applications should also start to show some positive impact on the supply and demand balances. Domestic price levels in China seem to have bottomed out as well. We expect further improvements in our cost structure during the second half-year and continue to develop new revenue streams in Europe. The market for low carbon ferro-chrome will be continuously competitive throughout the year.

The chrome ore market, on the other hand, is expected to remain strong. We have been finalizing investment decisions that will enable us to swiftly increase the output of chrome ore concentrates in South Africa.

CEO Mr. Guy Konsbruck

Afarak achieved a positive EBITDA of €4.2 Million for the six months ended 30 June 2024. This is no small achievement in a very difficult business environment. Higher realized chrome ore prices helped counterbalancing Low Carbon Ferrochrome prices that remained under pressure, mainly due to the presence of massive inventory of Russian material and low-cost imports, especially from India. The efficiency of our operations provided some buffer to protect our profitability. 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, Defense, Automotive, Green energies, and various other industries.

OVERVIEW OF RESULTS

This Interim Report is prepared in accordance with the IAS 34 standard and is unaudited. All the corresponding comparable figures of 2023 are presented in brackets, unless otherwise explicitly stated.

MARKET OVERVIEW

The Chrome Ore prices are expected to remain firm while the Low carbon ferrochrome prices for standard grade are expected to stabilize going forward, but they remain very low. We do not expect an increase in the output for these grades, unless the stainless mills improve their activity. The special grade market continues to grow and show upside.

FIRST HALF 2024 COMPARED TO FIRST HALF 2023

The Group's revenue fell by 25.1% in the first half of 2024, primarily due to lower sales volumes as a result of lower demand and reduced average selling prices of Low Carbon Ferrochrome. However, this was partially mitigated by sales to third parties from the Group's mines in Turkey and South Africa supported by favorable Chrome Ore prices. In South Africa, sales volumes continued to rise, with new sales from the Vlakpoort mine contributing to this growth. Operationally, higher mining activity at the South African mines, however a slight decrease in the Turkish mines due to a maintenance shutdown at one of the Turkish mines. The lower marginality due to low selling prices of Low Carbon Ferrochrome negatively affected EBITDA for the period, which reduced to EUR 4.2 (15.1) million. Reduced production levels led to higher unabsorbed costs, increasing the cost of production. Financial income and expenditure during the first half of the year were EUR -1.2 (-2.2) million.



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

		H1/24	H1/23	2023
Revenue	EUR million	62.8	89.6	140.3
EBITDA	EUR million	3.4	15.4	17.5
EBIT	EUR million	2.4	14.8	16.3
EBITDA margin	%	5.4	17.2	12.4
EBIT margin	%	3.9	16.5	11.6
Total sales	Tonnes	23,476	24,655	53,871
Mining	Tonnes	11,554	11,800	33,162
Processing	Tonnes	11,922	12,855	20,709
Total production	Tonnes	46,382	46,997	86,834
Mining	Tonnes	31,929	33,468	65,655
Processing	Tonnes	14,454	13,529	21,179
Personnel		471	482	468

PERFORMANCE COMPARED TO FIRST HALF 2024/2023

- Revenue during the first half of 2024 decreased by 29.9% to EUR 62.8 (89.6) million. Lower revenue due to lower sales volumes when compared to same period last year;
- Processing levels at the EWW plant in Germany were higher than last year;
- The mining activity at TMS was lower during the first half of 2024, resulting a decrease of 5% when compared to prior periods due to a maintenance shutdown at one of the Turkish mines during the month of June;
- EBITDA was EUR 3.4 (15.4) million, the decrease is due to significant lower sales volumes as a result of lower demand and reduced average selling prices.

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

		H1/24	H1/23	2023
Revenue	EUR million	8.3	5.7	13.2
EBITDA	EUR million	2.5	1.7	3.0
EBIT	EUR million	2.3	1.6	2.7
EBITDA margin	%	30.2	30.6	22.9
EBIT margin	%	27.7	27.9	20.6
Total sales	Tonnes	56,553	44,376	86,630
Mining	Tonnes	56,553	44,350	86,604
Processing	Tonnes	0	26	26
Total production	Tonnes	156,029	129,505	270,946
Mining	Tonnes	156,029	129,505	270,946
Personnel		100	112	111

PERFORMANCE COMPARED TO FIRST HALF 2024/2023

- Revenue increased significantly during the first half of 2024 due to higher sales volumes of Chrome Ore and favourable market prices;
- Production increased significantly at the South African mines to keep up with the demand and benefit from the improved market conditions;
- The above factors resulted in a positive EBITDA which stood at EUR 2.3 (1.7) million.

UNALLOCATED ITEMS

For the first half of 2024, the EBITDA from unallocated items was EUR -1.6 (-2.0) million when compared to same period of last year.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 30 June 2024 stood at EUR 170.7 (162.7) (31 December 2023: 162.3) million and net assets totaled EUR 109.1 (109.1) (31 December 2023: 105.7) million. During the first half of 2024, currency movements had an effect on Afarak's balance sheet, with the translation reserve moving by EUR 2.6 (-4.7) million. The Group's cash and cash equivalents, as at 30 June 2024, totalled EUR 10.1 (19.9) million (31 December 2023: 18.0). Operating cash flow in the first half of the year was EUR -5.4 (8.3) million.

The equity ratio was 63.9% (67.1%) (31 December 2023: 65.1%). Afarak's gearing at the end of June 2024 was -5.1% (-14.8%) (31 December 2023: -14.1%) while the interest-bearing debt was EUR 4.6 (3.8) (31 December 2023: 3.1) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the first half of 2024 increased to EUR 2.6 (1.4) million to sustain Group operations.

IMPAIRMENT TESTING

Afarak Group has carried out impairment testing on goodwill and other assets as of 30 June 2024 for the Speciality Alloys business and the South African mining business.

During H1 2024, 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 first half 2024, Afarak had 588 (610) employees. The average number of employees during the first half of 2024 was 592 (598).

SUSTAINABILITY

The company has not had any major incident during H1/2024.

Our goal is to keep the 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 30 June 2024, the registered number of Afarak Group SE shares was 277,041,814 (267,041,814) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 30 June 2024, the Company had 16,041,514 (6,541,514) own shares in treasury, which was equivalent to 5.79% (2.45%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 30 June 2024, was 261,000,300 (260,500,300).

At the beginning of the period under review, the Company's share price was EUR 0.40 on NASDAQ Helsinki and GBP 0.20 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.29 and GBP 0.20 respectively. During the first half of 2024, the Company's share price on NASDAQ Helsinki ranged from EUR 0.27 to 0.41 per share and the market capitalisation, as at 30 June 2024, was EUR 80.34 (1 January 2024: 107.88) 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 55.4 (1 January 2024: 53.4) million, as at 30 June 2024.

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 31 May 2024.

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 2023. The AGM resolved that no dividend would be paid for 2023. The AGM also adopted the Remuneration Report and Remuneration Policy 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 an 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 25,000 each as a one-off retroactive additional compensation for during the last year having continued to take on substantial more work on a 24/7 availability basis, to facilitate operating through difficult times with challenged market conditions during the year and with further changes in the Company organization and a slimmed management team and continued recovery and improvement of the Company to one of the best financial result in 2023.

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 90.24 % 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 2023 and is valid two (2) years from the decision of the Annual General Meeting.

BOARD OF DIRECTORS

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

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

FLAGGING NOTIFICATION

Afarak Group SE has on **29 February 2024** 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.

According to the notification, Afarak holds 16,041,514 treasury shares in Afarak, which corresponds to approximately 5.79 % of the total shares in Afarak. This is based on the fact that a total of 10,000,000 new shares issued on the basis of the directed share issuance without payment to the Company itself decided by Afarak's Board of Directors on February 14, 2024 based on the authorization granted by Afarak's Annual General Meeting on June 21, 2023 have been registered in the Trade Register on 29 February 2024.

REPORTING

EVENTS DURING THE REVIEW PERIOD

On **22 January 2024**, 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.

After the execution of the share issue 6,041,514 treasury shares shall remain in the possession of Afarak, representing approximately 2.26 per cent of the total shares and votes of the Company.

On **14 February 2024**, Afarak's Board of Directors has decided, to direct a share issuance without payment to the Company itself, by virtue of the authority granted by the General Annual Meeting of 21 June 2023 and according to chapter 9, section 20 of the Companies' Act.

The share issuance consists of 10,000,000 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.

On **29 February 2024**, a total of 10,000,000 new shares issued on the basis of the directed share issuance without payment to the Company itself was decided by Afarak's Board of Directors on February 14, 2024 based on the authorization granted by Afarak's Annual General Meeting on June 21, 2023 have been registered in the Trade Register today. The new shares are of the same share series as the existing shares of the Company.

The new shares will be applied for public trading on Nasdaq Helsinki Oy from on or about March 1, 2024.

As a result of the registration of the new shares, the number of Afarak Group SE's shares is 277,041,814, of which 16,041,514 are treasury shares.

On **22 April 2024**, Afarak held an Extraordinary General Meeting in connection with the Report of the Special Audit which was published on 25 March 2024. No resolutions were made during this Extraordinary General Meeting.

EVENTS SINCE THE END OF THE REVIEW PERIOD

On **1 July 2024**, the company issued a profit warning that it expected to post an EBITDA in the region of 4 to 5 million and a turnover between 70 to 75 million euro for the first half of year 2024, representing a decrease of 70% and 26% respectively when compared to same period 2023. The reasons for these decreases are due to a range of market-induced factors.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

H1/2024 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	62,814	8,313	1,104	-817	71,414
EBITDA	3,361	2,509	-1,632	0	4,238
EBIT	2,424	2,306	-1,650	0	3,080
Segment's assets	157,864	54,462	6,815	-48,427	170,714
Segment's liabilities	49,406	47,303	31,169	-66,257	61,621

H1/2023 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	89,578	5,684	898	-840	95,320
EBITDA	15,363	1,737	-1,993	0	15,107
EBIT	14,817	1,584	-2,010	0	14,391
Segment's assets	168,183	45,239	7,114	-57,856	162,680
Segment's liabilities	47,364	39,781	39,778	-73,346	53,577

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

RESULTS DEVELOPMENT

	H1/21	H2/21	H1/22	H2/22	H1/23	H2/23	H1/24
Sales (tonnes)							
Mining	33,656	16,311	10,764	57,118	56,150	63,616	68,107
Processing	12,667	11,307	15,205	10,880	12,881	7,854	11,922
Trading	31	12	25	0	23	142	275
Total	46,354	27,630	25,994	67,998	69,054	71,612	80,304
Average rates*							
EUR/USD	1.2053	1.161	1.0934	1.014	1.081	1.082	1.0813
EUR/ZAR	17.5244	17.431	16.8485	17.560	19.679	20.229	20.2476
Euro (million)							
Revenue	37.3	42.9	92.1	106.6	95.3	58.3	71.4
EBITDA	-0.9	6.8	24.5	29.2	15.1	1.5	4.2
EBITDA margin	-2.4%	15.9%	26.7%	27.4%	15.8%	2.5%	5.9%
EBIT	0.9	5.9	24.0	28.2	14.4	0.6	3.1
EBIT margin	2.4%	13.8%	26.1%	26.5%	15.1 %	1.1%	4.3%

*Average rates in the respective half year

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	H1/24	H1/23	FY2023
Revenue	71,414	95,320	153,655
Other operating income	1,375	970	5,722
Operating expenses	-68,550	-81,183	-142,783
Depreciation and amortisation	-1,159	-716	-1,562
Impairment	0	0	0
Operating profit	3,080	14,391	15,032
Financial income and expense	-1,207	-2,242	-3,067
Profit before tax	1,873	12,149	11,965
Income tax	-1,338	-1,688	-1,966
Profit for the period	535	10,461	9,999
Profit attributable to:			
Owners of the parent	215	10,306	9,450
Non-controlling interests	320	155	549
Total	535	10,461	9,999
Earnings per share for profit attributable to the shareholders of the parent company, EUR			
Basic earnings per share, EUR	0.00	0.04	0.04
Diluted earnings per share, EUR	0.00	0.04	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	H1/24	H1/23	FY2023
Profit for the period	535	10,461	9,999
Other comprehensive income			
Remeasurement of defined benefit pension plans	0	0	-1,241
Exchange differences on translating foreign operations – Group	2,611	-4,611	-6,394
Other comprehensive income/(loss), net of tax	2,611	-4,611	-7,634
Total comprehensive income for the period	3,146	5,850	2,365
Total comprehensive income attributable to:			
Owners of the parent	2,834	5,604	1,751
Non-controlling interests	312	246	614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	30.6.2024	30.6.2023	31.12.2023
ASSETS			
Non-current assets			
Goodwill	48,572	47,476	46,996
Other intangible assets	4,883	4,590	4,643
Property, plant and equipment	39,889	36,196	37,497
Deferred tax asset	810	480	1,044
Other non-current assets	<u>1,353</u>	<u>932</u>	<u>1,202</u>
Non-current assets total	95,507	89,674	91,382
Current assets			
Inventories	32,314	25,098	29,583
Trade receivables	14,014	8,371	7,467
Other receivables	18,809	19,591	15,878
Cash and cash equivalents	<u>10,070</u>	<u>19,946</u>	<u>18,032</u>
Current assets total	75,207	73,006	70,960
Total assets	170,714	162,680	162,342
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	23,642	23,642	23,642
Share premium reserve	25,223	25,223	25,223
Paid-up unrestricted equity reserve	215,460	215,233	215,359
Legal Reserve	17	21	18
Translation reserves	-40,065	-40,926	-42,683
Retained earnings	<u>-115,187</u>	<u>-113,415</u>	<u>-115,512</u>
Equity attributable to owners of the parent	109,090	109,778	106,047
Non-controlling interests	3	-675	-306
Total equity	109,093	109,103	105,741
Liabilities			
Non-current liabilities			
Deferred tax liabilities	8,367	7,986	8,051
Provisions	13,017	11,253	11,400
Pension liabilities	12,572	11,434	12,839
Financial liabilities	<u>369</u>	<u>384</u>	<u>342</u>
Non-current liabilities total	34,325	31,057	32,632
Current liabilities			
Trade payables	9,019	3,636	10,863
Other current liabilities	<u>18,277</u>	<u>18,884</u>	<u>13,106</u>
Current liabilities total	27,296	22,520	23,969
Total liabilities	61,621	53,577	56,601
Total equity and liabilities	170,714	162,680	162,342

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

EUR '000	30.6.2024	30.6.2023	31.12.2023
Cash and cash equivalents	10,070	19,946	18,032
Interest-bearing receivables			
Current	0	0	0
Non-current	90	87	78
Interest-bearing receivables	90	87	78
Interest-bearing liabilities			
Current	4,206	3,438	2,766
Non-current	346	362	362
Interest-bearing liabilities	4,552	3,800	3,128
NET TOTAL	5,608	16,233	14,982

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

EUR '000	Property, plant and equipment	Intangible Assets
Acquisition cost 1.1.2024	68,540	128,247
Additions	2,512	109
Disposals	-33	-9
Right-of-use assets (IFRS 16)	79	0
Reclass between items	164	0
Effect of movements in exchange rates	1,601	4,027
Acquisition cost 30.06.2024	72,863	132,374
Accumulated depreciation and impairment 1.1.2024	-31,041	-76,606
Depreciation	-1,112	-47
Disposals	27	4
Effect of movements in exchange rates	-847	-2,268
Accumulated depreciation and impairment at 30.06.2024	-32,972	-78,917
Carrying amount at 1.1.2024	37,497	51,639
Carrying amount at 30.06.2024	39,889	53,455
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

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

EUR '000	H1/24	H1/23	FY2023
Profit for the period	535	10,461	9,999
Adjustments to profit for the period	3,098	2,226	1,761
Changes in working capital	-8,986	-4,375	-2,181
Net cash from operating activities	-5,353	8,312	9,579
Capital expenditure on non-current assets, net	-2,713	-1,583	-3,216
Other investments, net	-18	-20	-19
Repayments of loan receivables and loans given, net	-1,499	0	-200
Net cash used in investing activities	-4,230	-1,603	-3,435
Proceeds from borrowings	3	0	61
Repayment of borrowings, and other financing activities	-51	-18	-115
Movement in short-term financing activities*	1,389	1,700	1,122
Net cash used in financing activities	1,341	1,682	1,069
Net increase in cash and cash equivalents	-8,242	8,391	7,212
Cash at the beginning of the period	18,032	12,418	12,418
Translation differences	280	-863	-1,599
Cash at the end of the period	10,070	19,946	18,032
Change in the statement of financial position	-8,242	8,391	7,212

*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 31.12.2022	23,642	25,223	215,117	-36,224	-122,081	30	105,707	-920	104,787
Profit for the period 1-6/2023 + comprehensive income				-6,343	10,306		3,963	155	4,118
Translation differences					0		0	91	91
Share-based payments			116				116		116
Reclassification of exchange differences on translation of foreign operations				1,641	-1,641		0		0
Other changes in equity						-9	-9		-9
Equity at 30.06.2023	23,642	25,223	215,233	-40,926	-113,415	21	109,777	-675	109,103
Profit for the period 7-12/2023 + comprehensive income				-1,757	-856		-2,613	394	-2,219
Translation differences							0	-25	-25
Remeasurements of defined benefit pension plans					-1,241		-1,241		-1,241
Share-based payments			126				126		126
Other changes in equity						-3	-3		-3
Equity at 31.12.2023	23,642	25,223	215,359	-42,683	-115,512	18	106,047	-306	105,741
Profit for the period 1-6/2024 + comprehensive income				2,618	216		2,834	320	3,154
Translation differences							0	-11	-11
Share-based payments			101				101	0	101
Other changes in equity					109	-1	108	0	108
Equity at 30.06.2024	23,642	25,223	215,460	-40,065	-115,187	17	109,090	3	109,093

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	H1/24	H1/23	FY2023
Financing expense to other related parties	0	0	0
Trade and other receivables from other related parties	47	6	47
Loan payables to other related parties	0	0	0

FINANCIAL INDICATORS

	H1/24	H1/23	FY2023
Return on equity, % p.a.	1.0%	19.6%	9.5%
Return on capital employed, % p.a.	11.6%	35.2%	18.8%
Equity ratio, %	63.9%	67.1%	65.1%
Gearing, %	-5.1%	-14.8%	-14.1%
Personnel at the end of the period	588	610	595

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

	H1/24	H1/23	FY2023
TRY	34.2364	21.5662	25.7597
USD	1.0813	1.0807	1.0813
ZAR	20.2476	19.6792	19.9551

Balance sheet rates

	30.6.2024	30.6.2023	31.12.2023
TRY	35.1868	28.3193	32.6531
USD	1.0705	1.0866	1.1050
ZAR	19.497	20.5785	20.3477

FORMULAS FOR FINANCIAL INDICATORS

Financial ratios and indicators have been calculated with the same principles as applied in the 2023 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 2023. Afarak has applied the same accounting principles in the preparation of this Interim Report as in its financial statements for 2023, except for the adoption of new standards and interpretations that become effective in 2024. 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 are unaudited.

SHARE-RELATED KEY FIGURES

		H1/24	H1/23	FY2023
Share price development in London Stock Exchange				
Average share price*	EUR	0.23	0.23	0.23
	GBP	0.20	0.20	0.20
Lowest share price*	EUR	0.23	0.23	0.00
	GBP	0.20	0.20	0.00
Highest share price*	EUR	0.23	0.23	0.23
	GBP	0.20	0.20	0.20
Share price at the end of the period**	EUR	0.23	0.23	0.23
	GBP	0.20	0.20	0.20
Market capitalisation at the end of the period**	EUR million	65.47	62.23	61.46
	GBP million	55.41	53.41	53.41
Share trading development				
Share turnover	thousand shares	5	54	63
Share turnover	EUR thousand	2	30	34
Share turnover	GBP thousand	2	26	29
Share turnover	%	0.00	0.02	0.02
Share price development in NASDAQ Helsinki				
Average share price	EUR	0.36	0.55	0.52
Lowest share price	EUR	0.27	0.35	0.35
Highest share price	EUR	0.42	0.69	0.69
Share price at the end of the period	EUR	0.29	0.47	0.40
Market capitalisation at the end of the period	EUR million	80.34	125.38	107.88
Share trading development				
Share turnover	thousand shares	13,844	60,508	81,870
Share turnover	EUR thousand	4,869	33,406	42,513
Share turnover	%	5.0	22.7	30.7

* 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.