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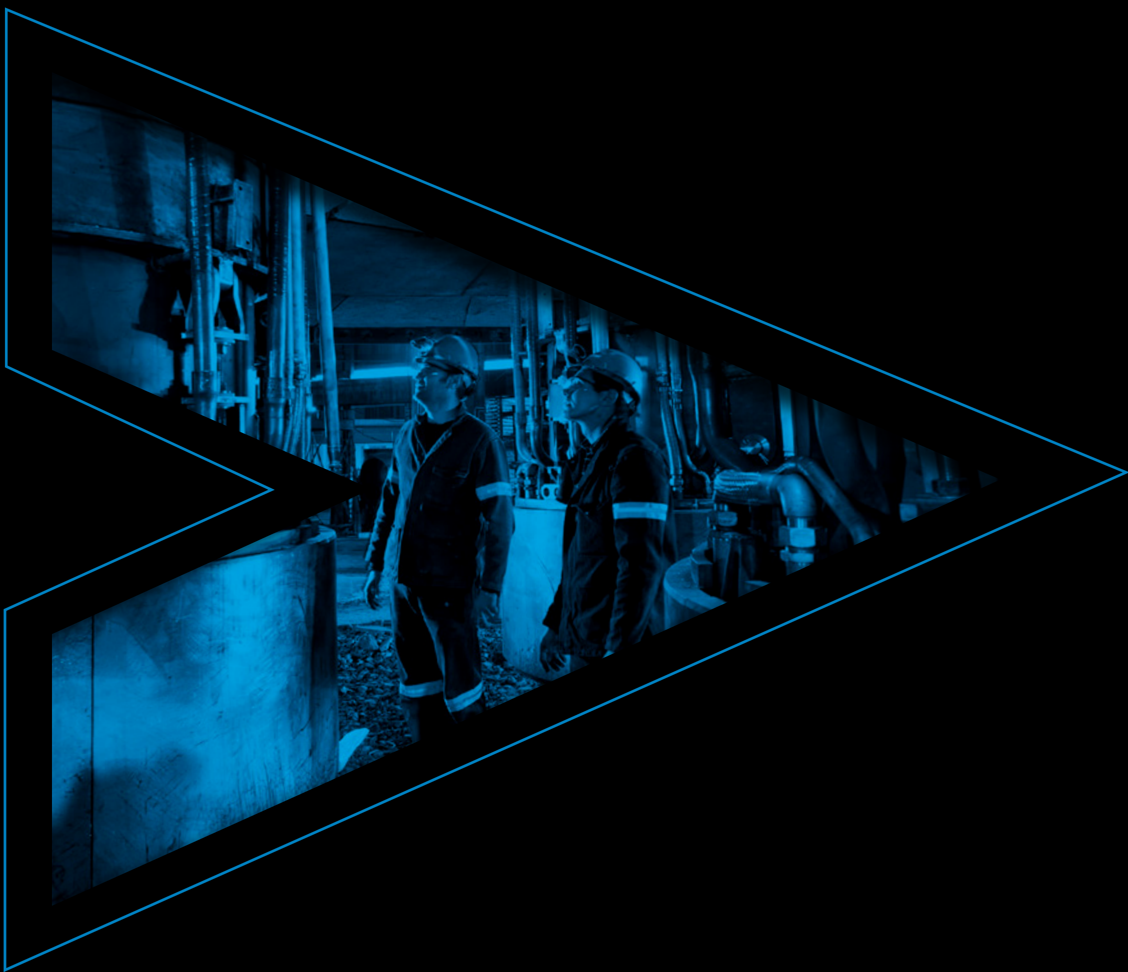
the speciality
alloy producer



AFARAK
GROUP

Afarak
Annual Report

We are Afarak

A vertically-integrated producer of speciality alloys, Afarak is a global organisation with operations in South Africa, Turkey and Germany. Afarak is listed on the NASDAQ OMX Helsinki Stock Exchange and the London Stock Exchange.

“the speciality alloy producer

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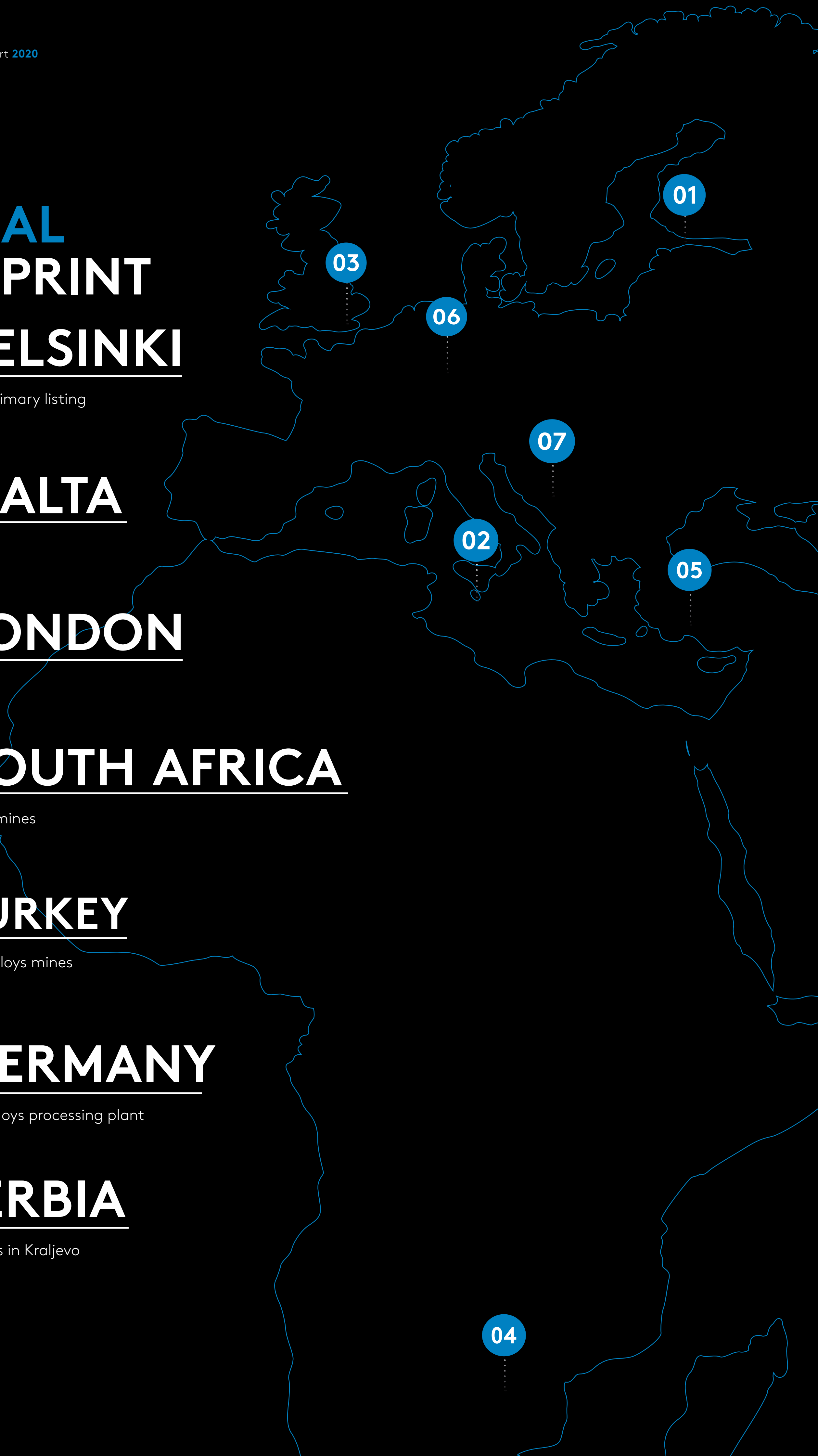
GLOBAL FOOTPRINT



01. HELSINKI

Registered office, Primary listing

02. MALTA

Corporate Office

03. LONDON

Secondary listing

04. SOUTH AFRICA

Mines – Ferroalloys mines

05. TURKEY

Mines – Speciality alloys mines

06. GERMANY

EWW – Speciality alloys processing plant

07. SERBIA

Magnohrom - mines in Kraljevo

SEGMENTS

Ferroalloys

End-user Industry

Stainless steel

Speciality Alloys

Products

LLL FeCr
ELC FeCr
HCr FeCr

End-user Industry

Aerospace
Renewable Energy
Automotive
Oil & Gas

CEO REPORT

2020 IN REVIEW

2020 was another bad year for the complete Ferro-Chrome industry. The pandemic led to world-wide collapse of demand with low prices. The South African energy prices made it impossible for Afarak to continue operations and the decision had to be taken to put Mogale into business rescue. Our Specialty Alloys segment also had to cope with falling market prices and reduced demand therefore underperformed, when compared to previous years. We have widely continued to temporarily stop mining operations in all mines. Some sites like Stellite and Zeerust continue to treat tailings, and/or toll-treat for third parties.

OUTLOOK

In recent months, we saw improving market prices and demand in the specialty segment. Our top priority remains the protection of our colleagues' health and the preservation of our assets. Even if we have reduced the losses compared to 2019, the general status of the company has certainly not improved during 2020. Chrome Ore prices, Ferrochrome benchmark and Low Carbon Ferrochrome prices have seriously improved recently, but it will take time before these developments can translate into positive cash flows for the company.

GROWTH STRATEGY

We have further enhanced the PGM recovery in the Stellite mine and are in production at present.
We are back to full production in Germany since beginning of 2021. The Business rescue of Mogale resulted in a sale of the asset. The consequences on our balance sheet will be positive. Our Magnesia project in Serbia is another asset with very big potential. Our focus today resides in raising the capital to start creating positive returns there.

THANK YOU

The times are very tough, and we have received enormous commitment and support from our staff across the organization. I cannot thank them enough.
I also wish to extend my deepest thanks to our board members, who help us with valuable advice and support on continuous basis.

GUY KONSBRUCK
CEO

THE FERROCHROME AND CHROME ORE MARKET

Afarak Group operates primarily in the chrome ore market.

Globally, most of the chrome ore is used in metallurgical applications. However, chrome ore is also used, though to a much lesser extent, in refractories, as foundry sands and as a chemical grade as shown below. Afarak produces ferrochrome which is the main type of chrome used in metallurgical applications, in turn mainly driven by the demand for stainless steel.

Therefore, chrome ore and ferrochrome are very much correlated to the developments of the stainless-steel industry.

2020 REVIEW

The Global Economy has been affected by the Pandemic which have generated general lockdowns, with many mines and plants closing, giving to all the markets very heavy hard times and giving signs of necessary changes to the World. IMF sees the World Economy shrinking by 4,4%.

The vaccines approvals and distribution will be one of the key factors for a change in the market place.

STAINLESS STEEL

The Global crude Stainless steel production decreased by almost 3%, to 50.7 million tonnes, which was lower than what was projected earlier in the year.

This is the first reduction in the world output after four years of continuous growth with the exception of China growth of 2.5%, due to the very rapid economic recovery post pandemic, and Indonesia of 15.5% which was marginally affected by the Pandemic and had a strong demand from export markets.

The productions in USA and Japan registered a reduction of more than 18%, with Europe showing a lower reduction at 7%.

In the main part of the stainless-steel producing Countries the output is reaching now the pre-pandemic outputs and the global production is expected to grow up to 55 million tonnes in 2021.

The aerospace industry reached its bottom in 2020, and 2021 is expected to be better in terms of number of flights and aircrafts orders.

The Chrome market was in a downtrend for almost four years, mainly due to an oversupply factor. In 2020, the Chrome Ore and Ferrochrome prices have been under sharp downward pressure which started than to soften slowly by the end of the year. This has been triggered by the demand, which has not been stable during all year, with a rollercoaster trend from the Automotive sector and consumer goods markets in combination with a general destocking trend during Q2 and Q3. China's Chrome ore stocks increased to over four million tonnes in mid 2020.

The Ferrochrome market have entered the 2021 with a fast increase in prices reflected across the major products including Low Carbon and Ultra Low Carbon Ferrochrome. This is basically triggered by robust demand from many different sectors which are fuelled by economic stimulus packages implemented by the major economies.

The price for Ore could be influenced by a South Africa's export tax decision, and the heavy dependence of the Chinese Ferrochrome producers might be an additional factor to be taken into consideration during 2021.

The general expectation in the industry is that prices will recover during 2021, however this could be impacted by the Pandemic incidence and the relevant influence on the supply and demand resultants.

In view of this uncertainty, to keep building resilience is a key goal for Afarak which will continue to allow to deal with extremely variable market conditions.

The Group has taken a conservative view for 2021 and is prepared also for weak market.

KEY FIGURES

FINANCIAL INDICATORS

CONTINUING OPERATIONS		2020	2019 Restated	2018
Revenue	EUR'000	59,805	97,894	194,013
EBITDA	EUR'000	-4,050	-5,432	-1,017
% of revenue		-6.8 %	-5.5 %	-0.5 %
Operating (loss) / profit (EBIT)	EUR'000	-28,192	-9,050	-14,092
% of revenue		-47.1 %	-9.2 %	-7.3 %
(Loss) / profit before taxes	EUR'000	-32,447	-5,756	-18,541
% of revenue		-54.3 %	-5.9 %	-9.6 %
Return on equity	%	-53.0 %	-5.4 %	-11.5 %
Return on capital employed	%	-18.3 %	0.9 %	-6.0 %
Equity ratio	%	20.9 %	33.3 %	-58.3 %
Gearing	%	161.8 %	74.0 %	8.2 %
Personnel at the end of the accounting period		621	905	942

SHARE-RELATED KEY INDICATORS

		2020		2019 Restated		2018	
		Group	Continuing Operations	Group	Continuing Operations	Group	Continuing Operations
Earnings per share, basic	EUR	-0.07	-0.10	-0.23	-0.02	-0.07	-0.07
Earnings per share, diluted	EUR	-0.07	-0.10	-0.23	-0.02	-0.07	-0.07
Equity per share	EUR	0.12	0.12	0.28	0.28	0.58	0.58
Price to earnings	EUR	neg.		neg.		neg.	
Average number of shares	1,000	238,488		251,785		260,080	
Average number of shares, diluted	1,000	241,403		254,374		260,702	
Number of shares at the end of the period	1,000	252,042		252,042		263,040	
Share price information (NASDAQ Helsinki)							
Average share price	EUR	0.33		0.90		0.94	
Lowest share price	EUR	0.15		0.40		0.67	
Highest share price	EUR	0.98		0.97		1.2	
Market capitalisation	EUR'000	56,961		133,834		190,968	
Share turnover	EUR'000	15,687		37,961		27,594	
Share turnover	%	18.7 %		16.8 %		11.1 %	
Share price information (London Stock Exchange)							
Average share price	EUR	0.32		0.72		1.00	
	GBP	0.28		0.63		0.89	
Lowest share price	EUR	0.06		0.43		0.82	
	GBP	0.05		0.38		0.73	
Highest share price	EUR	0.84		0.88		1.05	
	GBP	0.75		0.78		0.93	
Market capitalisation	EUR'000	56,070		111,090		213,190	
	GBP'000	50,408		94,516		190,705	
Share turnover	EUR'000	96		167		28	
	GBP'000	85		146		25	
Share turnover	%	0.1 %		0.1 %		0.0 %	

* From the financial year 2019 and 2020 the company did not distribute capital redemption. In 2020 the Board of Directors proposes to the Annual General Meeting that no distribution would be paid from the financial year 2020.

FORMULAS FOR CALCULATION OF INDICATORS

FINANCIAL INDICATORS

Return on equity	(Loss) / profit for the period / Total equity (average for the period) * 100
Return on capital employed	(Loss) / 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
EBITDA	Operating (loss) / profit + depreciation + amortisation + impairment losses
Operating profit / loss	Operating (loss) / 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.

SHARE-RELATED KEY INDICATORS

Earnings per share, basic	(Loss) / profit attributable to owners of the parent company / Average number of shares during the period.
Earnings per share, diluted	(Loss) / profit attributable to owners of the parent company / Average number of shares during the period, diluted.
Equity per share	Equity attributable to owners of the parent / Average number of shares during the period.
Distribution per share	Distribution / Number of shares at the end of the period. In the attached table of share related key indicators, the dividend and capital redemptions are presented in that year's column on which results the pay-out are based; hence the actual payment takes place during next year.
Price to earnings	Share price at the end of the period / Earnings per share
Average share price	Total value of shares traded in currency / Number of shares traded during the period.
Market capitalisation	Number of shares * Share price at the end of the period.

GROUP OPERATIONAL REVIEW

Operationally, 2020 presented lower sales and lower production for the Group which was mainly driven by the negative impact of the ongoing Covid-19 pandemic. Both the Speciality Alloys segment and the FerroAlloys recorded lower production compared to a year earlier, due to lower demand. In addition, within the FerroAlloys segment, Mogale was put in business rescue during 2020 and is now reported as discontinued operation, and COVID-19 also restricted the Group to move material out of South Africa during the second quarter. Sales volumes contracted from a year earlier in both the Speciality Alloys and FerroAlloys segments.

Group Sales
34,256mt
(81,802mt)

Group Mining
184,779mt
(357,557mt)

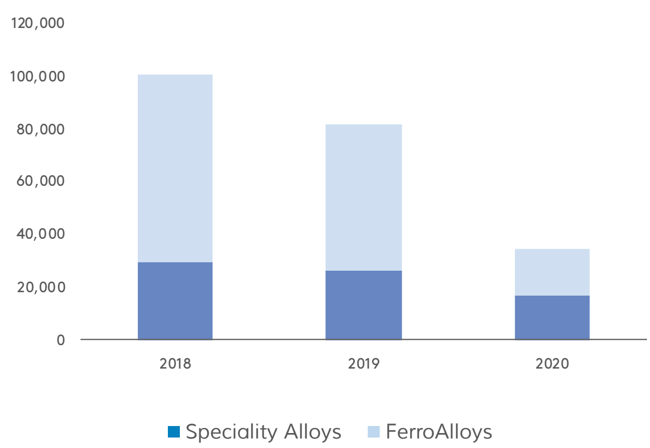
Group Processing
29.997mt
(69,217mt)

Human Resources
621
(905)

SALES

Sales volumes dropped in both the Speciality Alloys and FerroAlloys segments. The Group processing sales stood at 34,256 (2019: 81,802) tonnes, representing a contraction of 58.1% when compared to a year earlier. Sales of Speciality Alloys processed material contracted by 9,610 tonnes on account of lower demand. In the FerroAlloys segment, sale of processed material decreased significantly from a year earlier due to lower demand and sales are only accounted up to the demerge of Mogale business from Afarak Group.

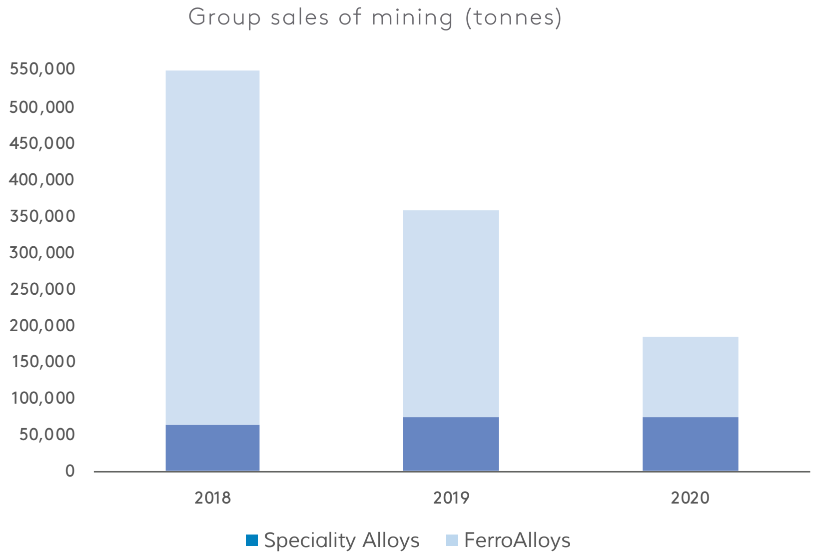
Group sales of processed material (tonnes)



GROUP MINING

Group mining activity decreased by 48.3% to 184,779 (2019: 357,557) tonnes, when compared to a year earlier, with marginal decrease in the Turkish mines and significantly lower mining activity in South African mines.

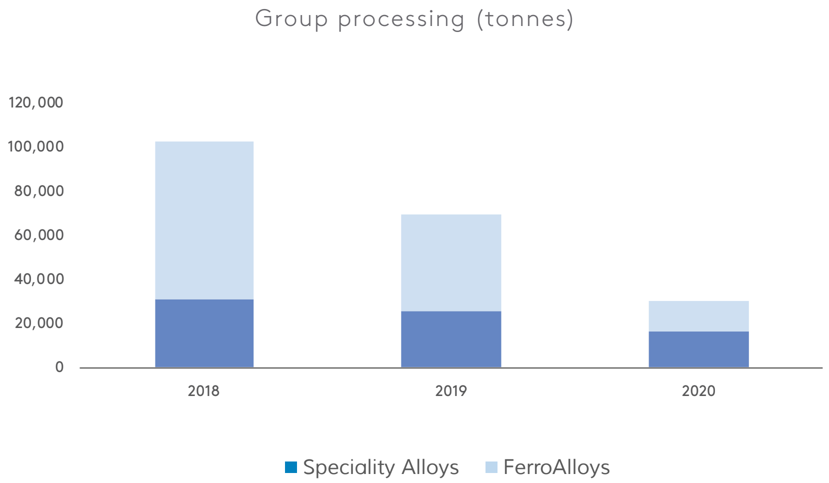
Annual mining levels in the Speciality Alloys segment decreased marginally by 2.6% to 73,306 (75,251) tonnes. In the FerroAlloys segment, the mines in South Africa recorded lower mining activity during 2020 of 60.5% to 111,472 (2019: 282,306) tonnes due to minimal mining activity at the South African mines.



GROUP PROCESSING

Group processing for 2020 decreased by 56.7% to 29,997 (2019: 69,217) tonnes in both the Speciality Alloys and FerroAlloys segments.

The contraction in Group processing was driven by lower activity in both the Speciality Alloys and FerroAlloys segments. During 2020, processing levels in the Speciality Alloys segment contracted by 35.7% to 16,409 (2019: 25,515) tonnes to address lower demand. Processing levels in the FerroAlloys decreased by 68.9% to 13,588 (2019: 43,702) tonnes and are only accounted up to the demerge of Mogale business from Afarak Group.



HUMAN RESOURCES

At the end of 2020, Afarak had 621 (905) employees. The average number of employees during the 2020 was 747 (1,022).

GROUP FINANCIAL PERFORMANCE

The ongoing Covid-19 pandemic negatively affected the Group results of 2020. The lower demand for low carbon ferrochrome and the weaker selling prices led to lower margins to the Group results when compared to 2019.

Afarak Group has restated its figures for 2019 due to the loss of control and the end of the consolidation of Afarak Mogale (Pty) Ltd. Afarak Group reclassified Afarak Mogale (Pty) Ltd's previously reported income statement figures as discontinued operations. There is no change to the previously reported balance sheet figures.

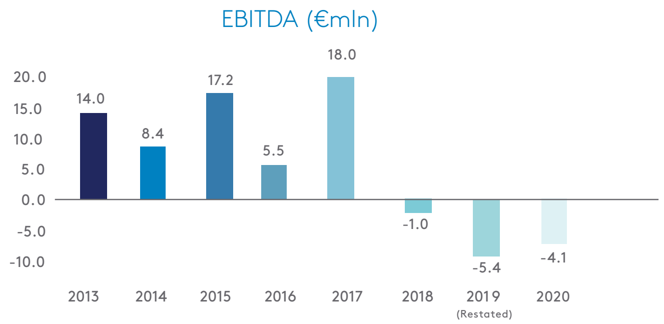
REVENUE
€59.8 mln
[€144.9 mln]

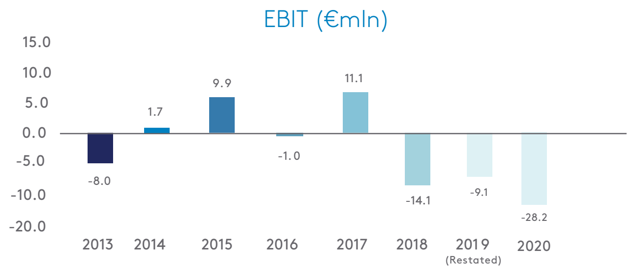
EBITDA
€-4.1 mln
[€-5.4 mln]

EBIT
€-28.2 MLN
[€-9.1 mln]

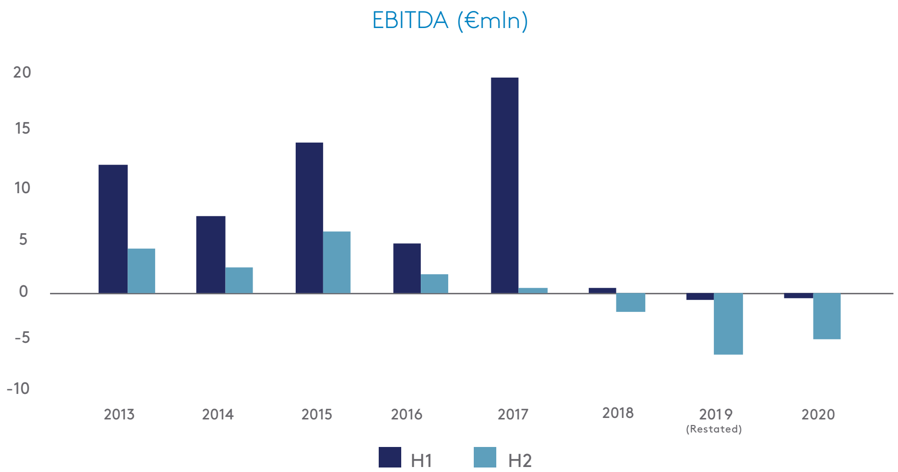
PROFIT FROM CONTINUING OPERATIONS
€-27.6 MLN
[€-6.1 mln]

The adverse selling prices and the higher unabsorbed costs as a result of lower production during 2020 negatively affected EBITDA to EUR -4.1 (2019: -5.4) million, however margins were kept at the same level as prior year. Results were also negatively impacted by an impairment write-down on long term assets in Stellite mine amounting to EUR 21.5 million less deferred tax of EUR 6.0 million.. The result of the discontinued operation was EUR 6.1 (2019: -52.8) million, consisting of the result of the Mogale business no longer being consolidated in Afarak Group.



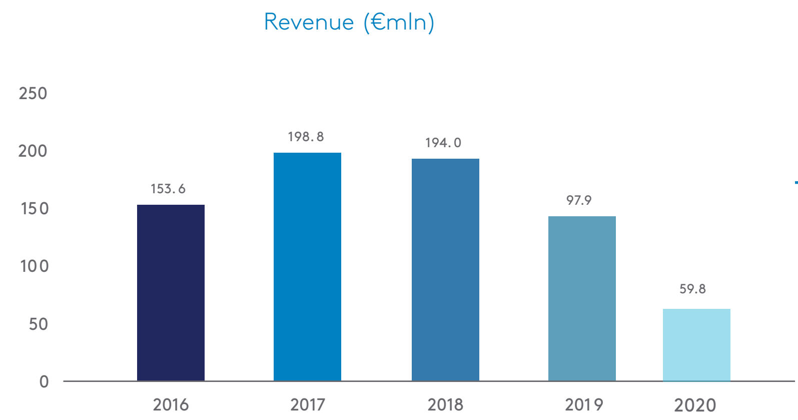


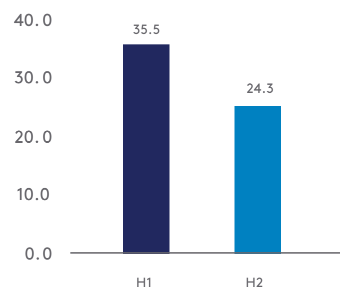
At the beginning of 2020, market started to recover and as a result both segments performed better than prior year during the first quarter of 2020, with margins being better than same period last year. However, the outbreak of COVID-19 pandemic impacted heavily on the recovery and margins deteriorated throughout the year.



2020 PERFORMANCE

Afarak Group faced a challenging year. The Group revenue for the year decreased significantly by 38.9%. and stood at EUR 59.8 (2019: 97.9) million. Revenues in both segments were lower when compared to prior year. In the Speciality Alloys segment revenue decreased by 35.5% and in the FerroAlloys segment revenue dropped by 58.6%.

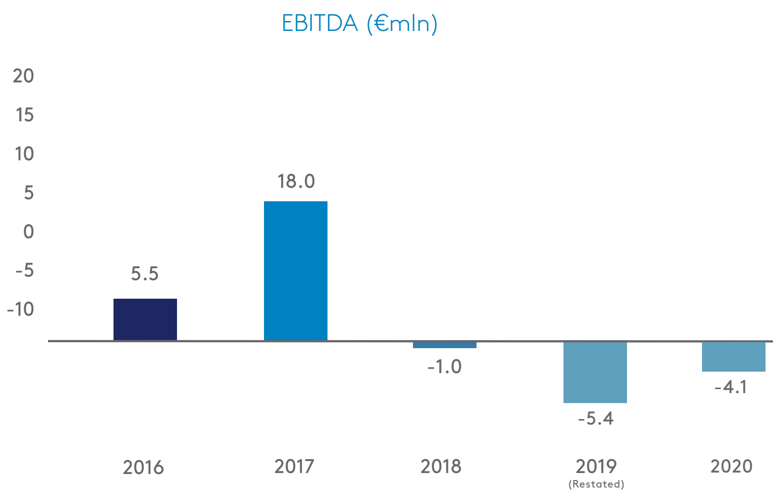


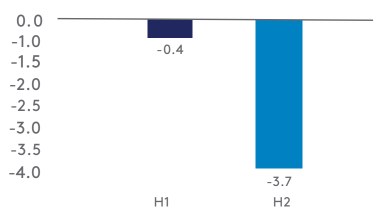


In the Speciality Alloys segment, the adverse low carbon ferrochrome selling prices, together with lower sales volumes throughout 2020 resulted in a decrease in revenue for the full year by 35.5%, to EUR 53.2 (2019: 82.5) million. In the FerroAlloys segment, revenue decreased significantly in 2020 to EUR 6.1 (2019: 14.8) million, when compared to prior year, mainly due to lower availability of saleable material, lower sales prices, as well as the impact of COVID-19 which restricted the Group to move material out of South Africa during the second quarter.

During 2020, Mogale has been reclassified to discontinued operation due to the loss of control and both the reported first half of 2020 and prior year has been restated and reclassified to discontinued operation.

The positive EBITDA recorded during the first half of 2020 in the Speciality Alloys segment was offset by the losses incurred during the second half of 2020, due to the above factors and the negative impact of COVID-19 pandemic throughout the year, resulting in an EBITDA of EUR 0.3 (2019: 6.8) million. The lower Ferrochrome production to address lower demand, has led to higher unabsorbed costs. At the same time production within the FerroAlloys segment decreased significantly due to minimal mining activity at the South African mines. Despite profitability being negatively affected by lower revenue and lower production, EBITDA margins improved when compared to previous year as a result of the cost cutting initiative that have been implemented. Results were also negatively impacted by an impairment write-down on long term assets in Stellite mine amounting to EUR 21.5 million less deferred tax of EUR 6.0 million.





The full year EBITDA from unallocated items was EUR -3.1 (2019: -7.0) million.

EUR MILLION	H1/20 Restated	H2/20	FY20	FY19 Restated
Revenue	35.5	24.3	**59.8**	97.9
EBITDA	-2.8	-3.7	**-4.1**	-5.4
EBITDA margin	-7.9	-15.2	**-6.8**	-5.5
EBIT	-9.6	-18.6	**-28.2**	-9.1
EBIT margin	-27.0	-76.5	**-47.2**	-9.2
Profit from continuing operations	-4.6	-23.0	**-27.6**	-6.1
Profit from discontinued operations	-11.5	17.6	**6.1**	-52.8
Profit for the period	-16.2	-5.4	**-21.6**	-58.9

BALANCE SHEET, CASH FLOW AND FINANCING

ROE	ROCE	Equity ratio	Gearing ratio
-53.0%	**-18.3%**	**20.9%**	**161.8%**
(-5.4)	(0.9)	(33.3)	(74.0)

Inventories	Turnover-on-inventory	Trade receivables	Cash balance
€13.5 mln	**4.4**	**€7.7 mln**	**€1.1 mln**
(€30.0 mln)	(3.3)	(€12.4 mln)	(€5.4 mln)

The Group's total assets on 31 December 2020 stood at EUR 142.6 (223.6) (30 June 2020: 195.9) million and net assets totalled EUR 29.8 (74.5) (30 June 2020: 50.3) million. During the second half, the translation differences on conversion of foreign denominated subsidiaries was adjusted by EUR 13.7 million, which is the circulation of Mogale's translation reserve to discontinued operation. The Group's cash and cash equivalents, as at 31 December 2020, totalled EUR 1.1 (5.4) million (30 June 2020: 6.1). Operating cash flow in the second half was negative, standing at EUR -2.2 (3.1) million.

The equity ratio stood at 20.9% (33.3%) (30 June 2020: 25.7%). Afarak's gearing at the end of the year decreased to 161.8% (74.0%) (30 June 2020: 108.7%), due to lower interest-bearing debt of EUR 49.3 (60.5) (30 June 2020: 60.8) million.

Major changes in Balance sheet during the year related to the write off Mogale Balance sheet to discontinuing operation, as a result of Afarak Group loss of control in Afarak Mogale (Pty) Ltd.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the full year of 2020 totalled EUR 1.1 (5.0) million. Capital Expenditure was mainly incurred to sustain Group operations.

TRADING INFORMATION

Afarak Group Plc's shares are listed on the main market of the London Stock Exchange and on NASDAQ Helsinki. Afarak shares are traded on the London Stock Exchange under the trading code AFRK and on the NASDAQ Helsinki under code AFAGR. The ISIN code is FI0009800098 and the trading takes place in Pound Sterling (GBP) and in Euros (EUR).

SHARE PERFORMANCE AND TRADING

During the financial year 2020, the price of Afarak Group's share in London Stock Exchange varied between GBP 0.05 (2019: 0.38) and GBP 0.75 (2019: 0.78) and in NASDAQ Helsinki between EUR 0.147 (2019: 0.40) and EUR0.978 (2019: 0.97). Afarak's share closed in London at the end of the financial year at GBP 0.20 (2019: 0.38) and Helsinki at EUR 0.226 (2019: 0.53). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 252,041,814 (2019: 252,041,814) shares of GBP 50.4 (2019: 94.5) million and EUR 57.0 (2019: 133.8) million.

A total of 335,874 (2019: 248,862) Afarak shares were traded in London and 47,131,285 (2019: 42,304,860) shares in Helsinki during the financial year, representing 0.13% (2019: 0.10%) of stock in London and 18.7% (2019: 16.78%) in Helsinki.

SHAREHOLDERS

On 31 December 2020, the Company had a total of 6,238 shareholders (5,952 shareholders on 31 December 2019), of which eight were nominee-registered. The registered number of shares on 31 December 2020 was 252,041,814 (2019: 252,041,814).

LARGEST SHAREHOLDERS ON 31 DECEMBER 2020

	Shareholder	Shares	%
1	Skandinaviska Enskilda Banken AB	144,013,036	57.14%
2	Hino Resources Co. Ltd	36,991,903	14.68%
3	Afarak Group Plc	13,162,599	5.22%
4	Hanwa Company Limited	9,000,000	3.57%
5	Joensuun Kauppa ja Kone Oy	5,746,777	2.28%
6	Nordea Bank ABP	3,245,735	1.29%
7	Kankaala Markku Olavi	2,921,314	1.16%
8	Hukkanen Esa Veikko	1,908,108	0.76%
9	Saxo Bank A/S	1,720,379	0.68%
10	Osuusasunnot Oy	1,700,000	0.67%
	Total	**220,409,851**	**87.45%**
	Other Shareholders	31,631,963	12.55%
	Total shares registered	**252,041,814**	**100.00%**

Afarak Group Plc's Board members and Chief Executive Officer owned in total 1,550,000 (2019: 1,150,000) Afarak Group Plc shares on 31 December 2020, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.6% (2019: 0.5%) wof the total number of registered shares on 31 December 2020.

SHAREHOLDERS BY CATEGORY 31 DECEMBER 2020

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1 - 100	1,134	18.1%	57,830	0.0%
101 - 1000	2,596	41.5%	1,250,095	0.5%
1001 - 10000	1,978	31.7%	6,903,606	2.7%
10001 - 100000	475	7.6%	12,935,193	5.1%
100001 - 1000000	44	0.7%	9,175,239	3.6%
1000001 - 1000000	8	0.1%	27,552,313	10.9%
10000001 -	3	0.0%	194,167,538	77.0%
Total	**6,238**	**100%**	**252,041,814**	**100%**
of which nominee-registered	11	0.18%	149,803,858	59.44%
Total outstanding			**252,041,814**	**100%**

SHAREHOLDERS BY SHAREHOLDER TYPE ON 31 DECEMBER 2020

	% of share capital
Finnish shareholders	**22.07%**
of which:	
Companies and business enterprises	10.33%
Banking and insurance companies	0.34%
Non-profit organisations	0.00%
Households	11.40%
Foreign shareholders	77.93%
Total	100.00%
of which nominee-registered	59.44%

SPECIALITY ALLOYS SEGMENT

2020 in Review

Speciality Alloys segment started the year to perform in a satisfactory way, however the outbreak of COVID-19 pandemic impacted heavily on the recovery. Low Carbon ferrochrome prices which resulted in lower revenue and lower Ferrochrome production to address lower demand, has led to additional unabsorbed costs.

REVENUE
€53.2mln
(€82.5mln)

EBITDA
€0.3mln
(€6.8mln)

EBIT
€1.3mln
(€4.5mln)

MINING PRODUCTION
73,306mt
(75,251mt)

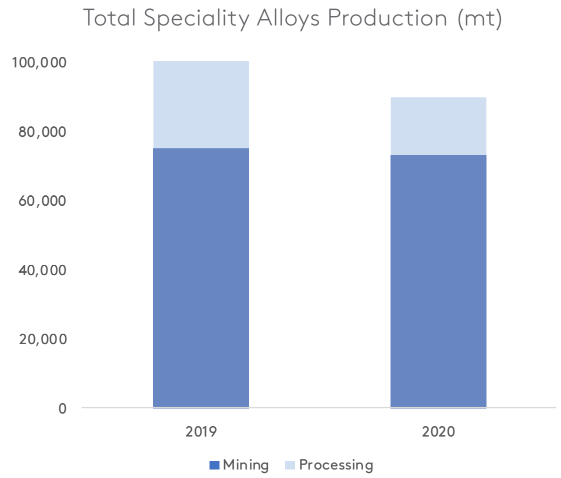
PROCESSING PRODUCTION
16,409mt
(25,515mt)

SALES OF PROCESSED MATERIALS
16,999mt
(26,609mt)

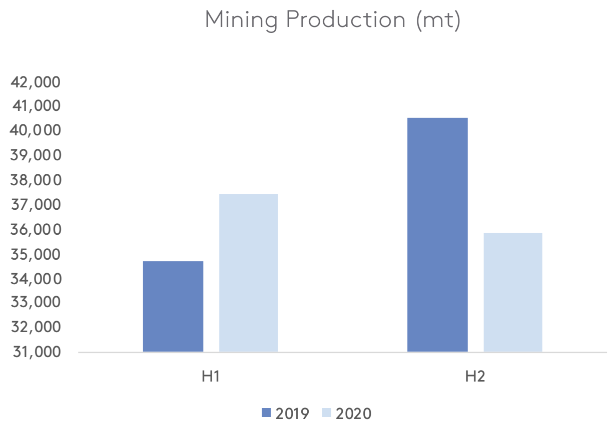
PERSONNEL
516
(534)

PRODUCTION

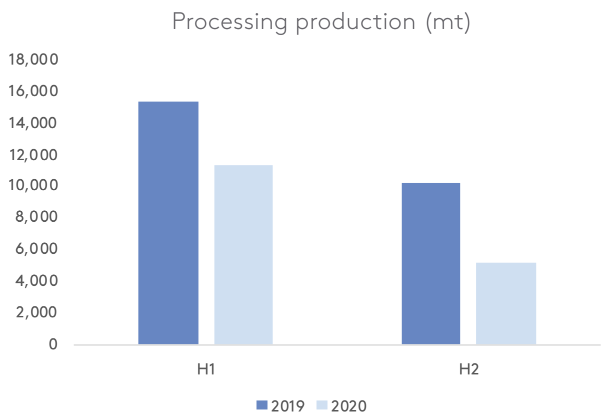
Total production levels during 2020 decreased by 11% to 89,715 (2019: 100,765) tonnes, mainly in the second half of the year, were it was driven by a slight decrease in mining tonnages and a larger decrease in the production of processed material to address lower demand.



The mining activity at both Turkish mines for the full year of 2020 decreased marginally by 2.6% during the year when compared to prior year.

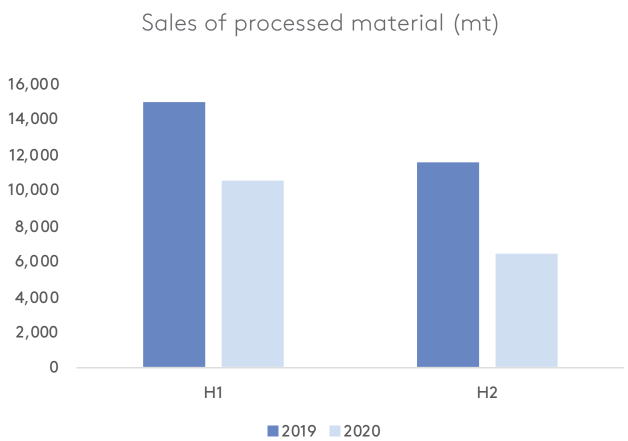


The production of processed material decreased by 35.7% following various temporary shutdowns during the year to manage lower demand.



SALES

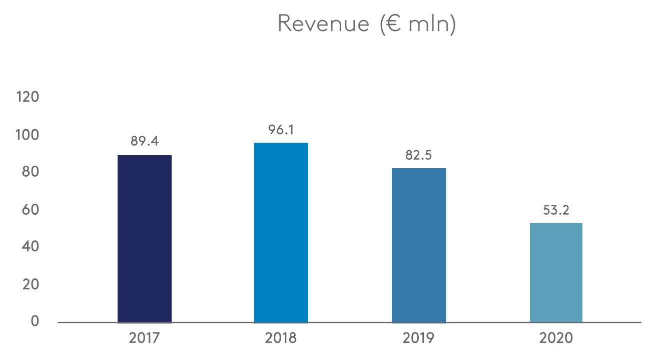
The unfavourable low carbon ferrochrome selling prices, together with lower sales volumes throughout 2020 resulted in a decrease in revenue for the full year.

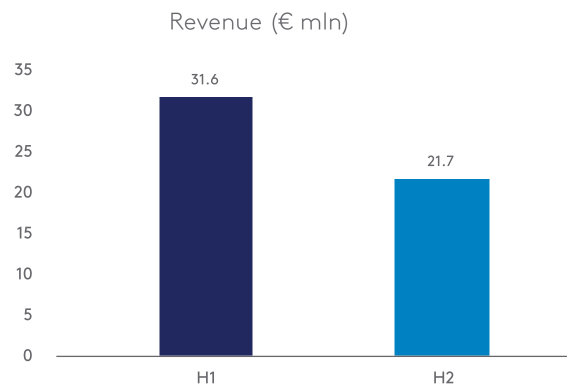


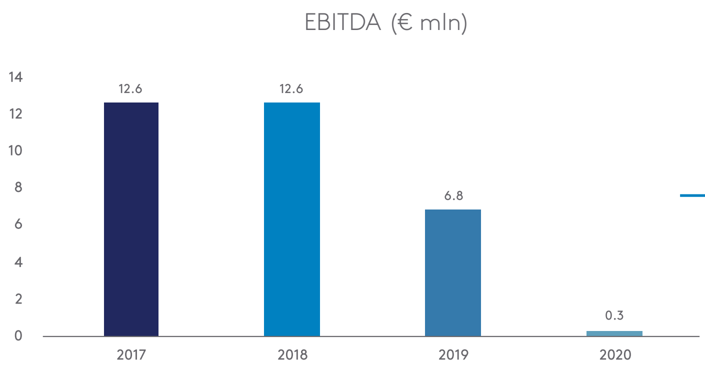
FINANCIAL PERFORMANCE

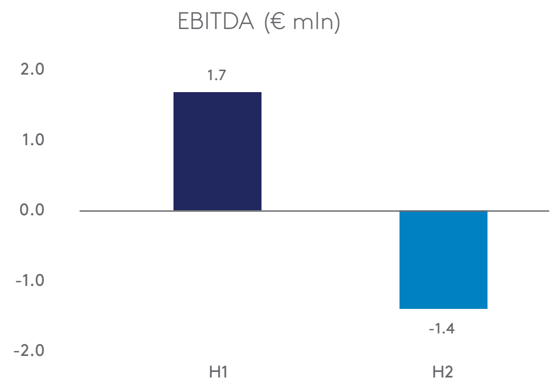
The unfavourable low carbon ferrochrome selling prices, together with lower sales volumes throughout 2020 resulted in a decrease in revenue for the full year by 35.5%, to EUR 53.2 (2019: 82.5) million. The lower Ferrochrome production to address lower demand, has led to additional unabsorbed costs of EUR 3.4 (2.1) million in 2020. The positive EBITDA recorded during the first half of 2020 was offset by the losses incurred during the second half of 2020, due to the above factors and the negative impact of COVID-19 pandemic throughout the year, resulting in an EBITDA of EUR 0.3 (2019: 6.8) million.

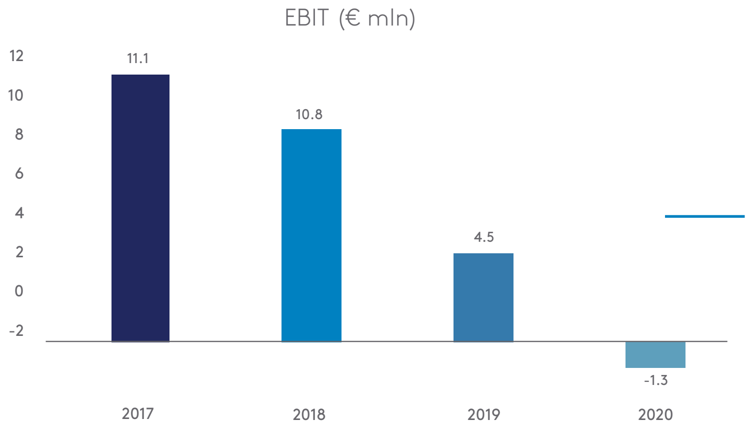
EUR MILLION	H1/20	H2/20	FY20	FY19
Revenue	31.6	21.7	53.2	82.5
EBITDA	1.7	-1.4	0.3	6.8
EBITDA margin	5.3%	-6.3%	0.6%	8.3%
EBIT	0.7	-2.0	-1.3	4.5
EBIT margin	2.1%	-9.2%	-2.5%	5.4%

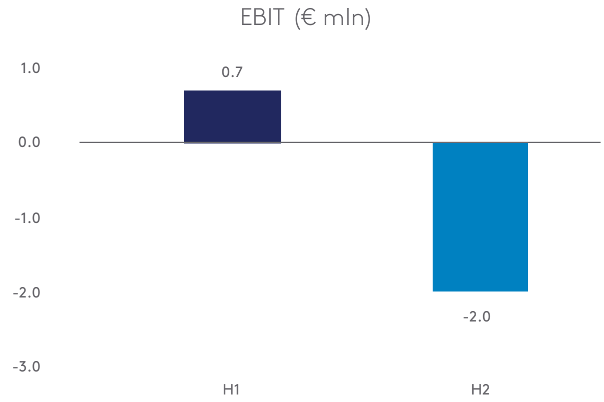












LOOKING AHEAD

Positive news on the vaccines, should trigger a recovery in the demand of Stainless Steel and hence of Chrome, with China as the main contributor.

The expectation is based on the tangible signals of recovery from the automotive market.

The bottoming of the aerospace industry in 2020, can only lead to a better 2021 in terms of aircrafts orderbooks and number of flights sold.

Last but not least, the household and housing market will also play an important role in demand growth.

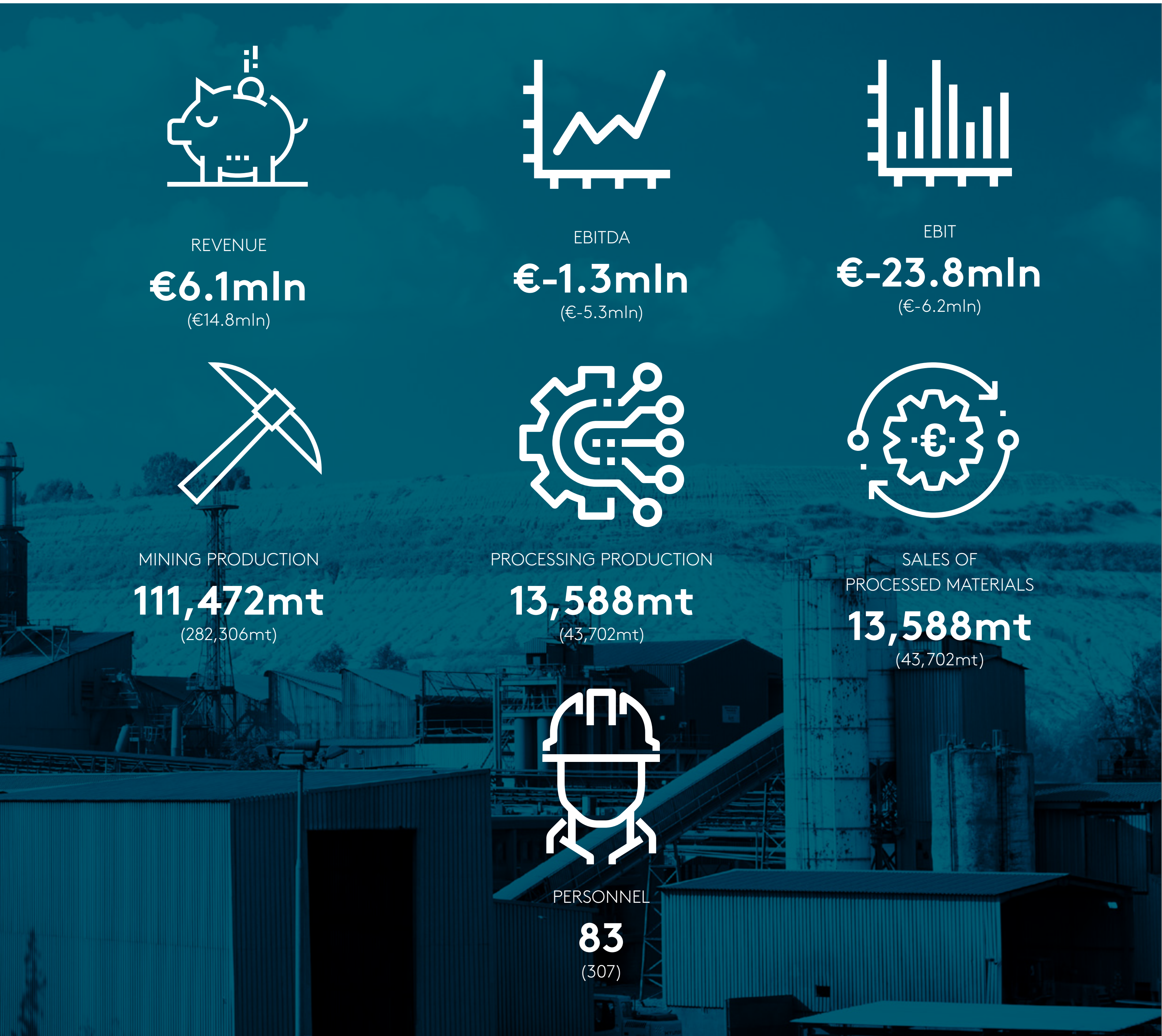
The expectation to the trend has been given by the rise of the European ferro-chrome benchmark to $1.175/lb for Q1 2021 with an increase of 3.1% from the fourth quarter of 2020. The first 2 months of 2021 show improved demand and prices for LC Ferro-Chrome already.

FERROALLOYS
2020 in Review

The lower ferrochrome benchmark prices and a contraction in sales volumes led to a weakened financial performance of the segment compared to a year earlier.

The inability of Afarak to export, and the lack of sales price recovery despite increase in benchmark, created additional challenges during the first half of the year that led to Afarak Mogale being put in business rescue.

Afarak Group has restated its figures for 2019 due to the loss of control and the end of the consolidation of Afarak Mogale (Pty) Ltd. Afarak Group reclassified Afarak Mogale (Pty) Ltd's previously reported income statement figures as discontinued operations. There is no change to the previously reported balance sheet figures.



REVENUE
€6.1mln
(€14.8mln)

EBITDA
€-1.3mln
(€-5.3mln)

EBIT
€-23.8mln
(€-6.2mln)

MINING PRODUCTION
111,472mt
(282,306mt)

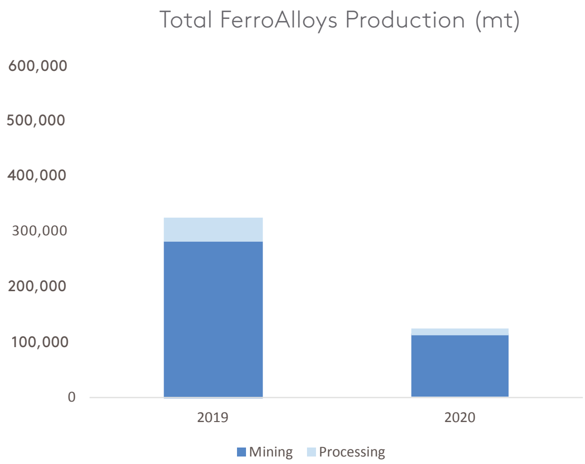
PROCESSING PRODUCTION
13,588mt
(43,702mt)

SALES OF PROCESSED MATERIALS
13,588mt
(43,702mt)

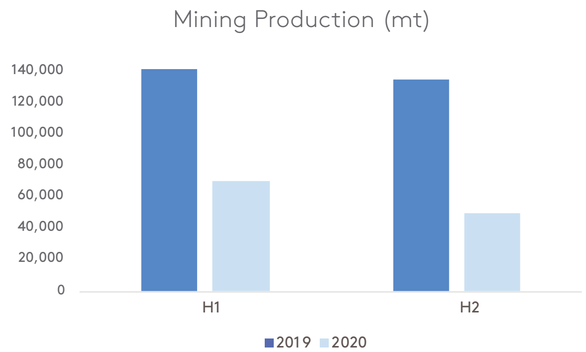
PERSONNEL
83
(307)

PRODUCTION

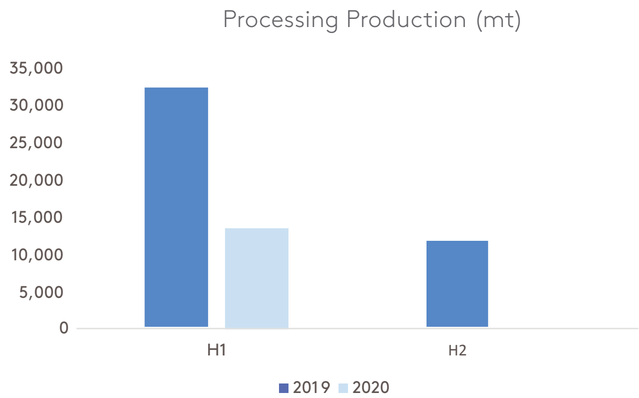
Operationally, the segment registered a decrease in total production by 61.6% to 125,060 (326,008) tonnes.



Production within the FerroAlloys segment decreased significantly due to minimal mining activity at the South African mines.

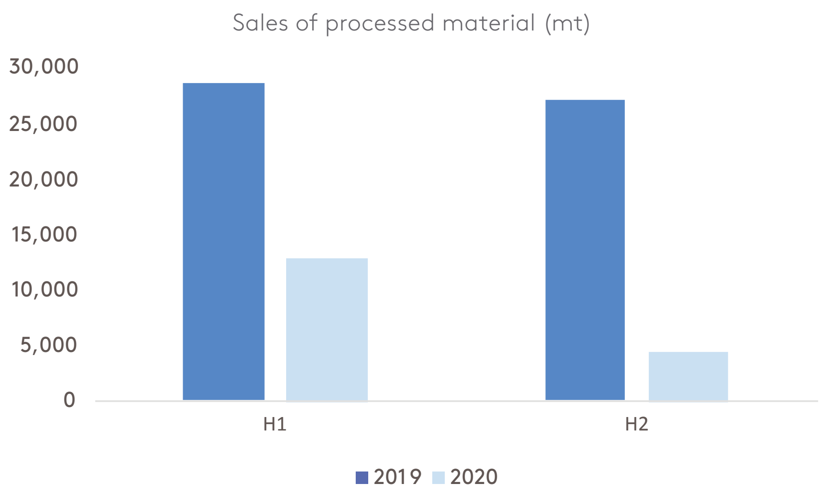


Production of processed material in the first half of 2020 was significantly lower when compared to same period last year and during the second half of 2020 Mogale business was demerged from Afarak Group.



SALES

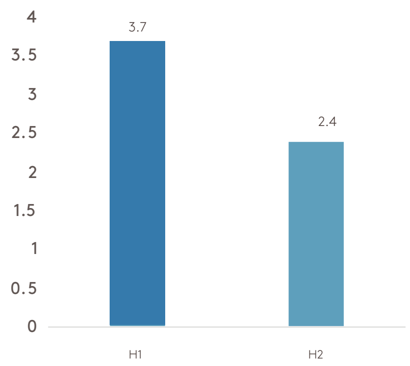
The sales of processed material from the FerroAlloys segment declined by 37,936 tonnes throughout the year with a significant contraction as from the second quarter of 2020. Sales volume of processed material in the second half of 2020 are only accounted up to the demerge of Mogale business from Afarak Group.



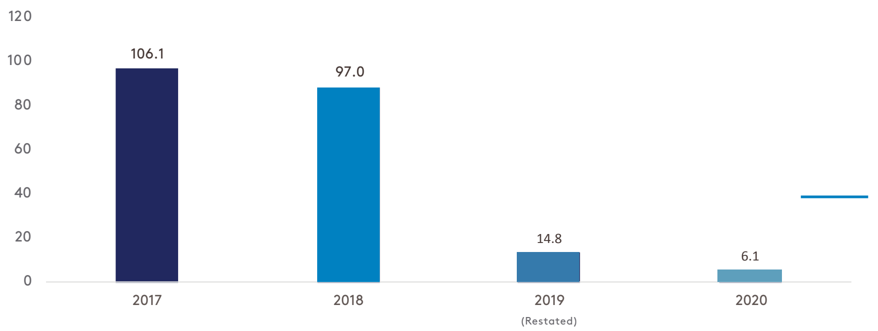
FINANCIAL PERFORMANCE

EUR MILLION	H1/20 Restated	H2/20	FY20	FY19 Restated
Revenue	3.7	2.4	6.1	14.8
EBITDA	-0.5	-0.8	-1.3	-5.3
EBITDA margin	-13.5%	-31.2%	-20.5%	-35.6%
EBIT	-0.9	-22.9	-23.8	-6.2
EBIT margin	-24.3%	-954.2%	-388.1%	-42.2%

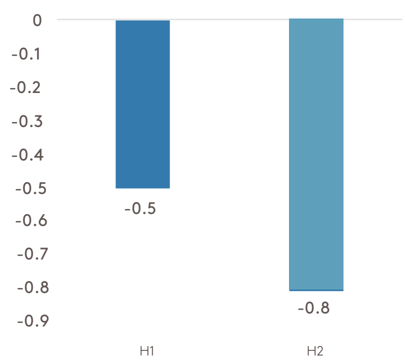
Revenue (€ mln)



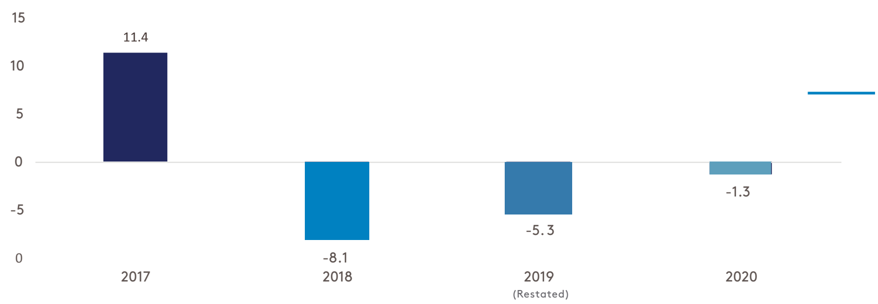
Revenue (€ mln)

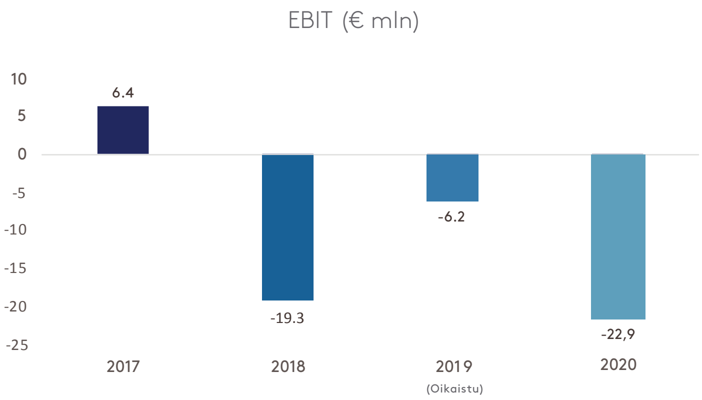


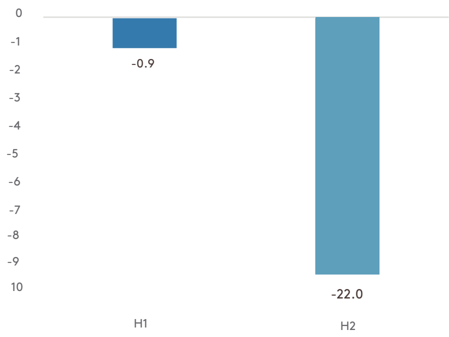
EBITDA (€ mln)



EBITDA (€ mln)







The South African mines were disrupted due to COVID regulations but were allowed to restart with reduced complements and the implementation of infection mitigation controls.

Revenue decreased significantly in 2020 when compared to prior year, mainly due to lower availability of saleable material, lower sales prices, as well as the impact of COVID-19 which restricted the Group to move material out of South Africa during the second quarter.

Despite profitability being negatively affected by lower revenue and higher unabsorbed cost due to lower production, EBITDA margins improved when compared to previous year as a result of the cost cutting initiative that have been implemented. Results were also negatively impacted by an impairment write-down on long term assets in Stellite mine amounting to EUR 21.5 million less deferred tax of EUR 6.0 million.

LOOKING AHEAD

The Group is responding to these challenging circumstances and is prepared for a longer period of subdued markets. We have cut maximum cost in the loss-making assets in South African mines.

EVENTS AFTER THE REPORTING PERIOD

On 07 January 2021, the Company published the financial calendar for 2021.

On 26 January 2021, the company announced that Helsinki Administrative Court did not amend the FIN-FSA decision to impose a penalty payment on the company.

On 25 February 2021, the Company published that it has filed the application for a permission to appeal and an appeal to the Supreme Administrative Court on the decision of the Helsinki Administrative Court.

On 12 March 2021, the Company published that it has resolved on a directed share issue without consideration that will result in additional ownership of mining assets in South Africa.

On 23 March 2021, the company announced changes regarding Afarak Group Plc's treasury shares, where a total of 7,088,608 treasury shares has been transferred to subscribers. Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. This was executed after year end on 23 March 2021.

FLAGGING NOTIFICATION AFTER THE REPORTING PERIOD

On 24 March 2021, 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.

According to the notification, Afarak holds 6,073,991 treasury shares in Afarak, which corresponds to approximately 2.41 % of the total shares in Afarak as a result of the transaction that was executed on 23 March 2021 whereby Afarak transferred its treasury shares.

Risk Management

Afarak's prudent approach to risk management is a crucial component of our continued success and is present in managing all aspects of our performance.

By understanding and managing risk, we provide greater certainty and confidence for our shareholders, employees, customers, suppliers and host communities. In fact, we believe that successful risk management can be a source of competitive advantage.

Our risks are viewed and managed on a Group-wide basis. As a truly global operation, managing diversity in our operations, portfolio of products, geographies, economies and currencies is a key characteristic of our risk management approach.

Risk management is one of the key responsibilities of the Board and its Audit and Health & Safety Committees.

2020 DEVELOPMENTS

2020 was a tough year for Afarak. The Audit and Risk Management Committee played a key role in monitoring the risk management function of the Group.

The Audit Committee, together with management, continued improving internal processes and procedures to mitigate critical risks. Certain production decisions were also taken in view of the lower prices and demand.

The Group is looking into restructuring a short-term commercial debt into a longer-term arrangement and is also actively pursuing new funding opportunities via some divesting. In case of failure to achieve these goals cast significant risk on the company's ability to continue as a going concern.

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.

In case the availability and effectiveness of the vaccines will not keep under control the outbreak of COVID-19 pandemic, significant disruptions in production and lower demand will continue to negatively affect the business as a whole. In this respect Afarak is continuously evaluating the situation in order to mitigate its current exposures.

Management continued to work closely with the Units to provide continuous monitoring and oversight in accordance with the Group's risk management policy. Health & safety and the stated aim of 'Zero-Harm' will continue to be a central pillar of the Company's risk management strategy.

PRINCIPAL RISKS

While a number of different risks may have an effect on the results and operations to various degrees, the following describes the key types of risks faced by Afarak in the normal course of business.

EXTERNAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Foreign exchange exposure	**• Direct risk – commercial cash flows and currency positions** **• Indirect risk – loss of competitiveness within the industry**	The Group constantly evaluates the need to enter into forward contract arrangements
Interest rate risks	**Changes in interest rates can** **• Influence the repayment of loans** **• Impact the profitability of investments** **• Alter the fair value of the Group's assets**	The Group constantly evaluates the need to enter into forward contract arrangements

Volatility of energy costs	**May negatively impact Afarak's current operations, particularly its processing plants, which could have a consequent effect on the Group's operating and financial results. It may also impact the plans to expand its operations and implement its growth strategy**	The Group constantly evaluates the need to enter into financial arrangements to mitigate such risk
Political and social risks	**• Changes in the mining, employment and fiscal regulatory environment may materially adversely affect the business and its financial results • Operations may be affected to varying degrees by government regulations**	Afarak seeks to maintain good relationships with stakeholders
Pandemic risk	**• Pandemic can cause significant disruption and may adversely affect demand and the business as a whole • Operations will also be affected if lockdown imposed**	Afarak will enforce necessary clothing protection and sanitation on site for the well-being of our employees, and will abide with local enforcements as they develop
Price risks	**The Group's processing operations are exposed to the availability, quality and price fluctuations in raw materials**	• The price risks on input materials and commodities are managed by pricing contracts so that, where possible, any changes in input materials and commodities may be absorbed in the sales prices • The Group's business units seek long-term contract agreements with known counterparties where possible
Price and demand volatility in the commodities markets	**The global market for Group's products may not progress or develop at the levels forecast and a drop in demand for the Group's products could have an adverse effect on the Group's revenues and profits**	• Using its strong customer interface and market intelligence to adjust its production volumes to match demand • Adapting its diverse product mix to meet customer requirements

FINANCIAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Liquidity risk - whether Afarak has sufficient liquidity to service and finance its operations and pay back loans	**Materialised liquidity risks may cause • Overdue interest expenses • Negative impact to the Group's relationship with its goods and service suppliers • Affect the pricing and other terms for input goods and services**	• The Group continuously assesses its working capital to ensure that it has sufficient funds to meet its liabilities • Prepares and assess forecast reports
Credit risks	**• Afarak's key customers are typically long business relationships including major international steel and stainless steel companies and some specialty agents selling to the steel sector. • Major changes in that industry's future outlook or profitability could increase the Group's credit risk**	• Afarak assesses the likelihood that a borrower will default on the debt obligations • Analyse credit limit

Acquisition and organic growth strategy risk	• **There is a risk that the investment will not perform as expected and the group will not achieve the desired future operating cash flows and profitable results from the investment** • **There is a risk that the Group might not be able to find the appropriate site or to obtain the necessary licences to develop and operate or to secure the required financing**	The Group's policy is to carry out extensive R&D Analysis to mitigate the risk that such investment will not be successful

OPERATIONAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Loss of key suppliers	**Adverse effect on operations, which could impact the Group's operating and financial results**	• Afarak carries out continuous financial health checks of key suppliers • Evaluations of key supplier controls in order to minimise the impact associate with disruption • Assess safety and security stock levels • Understand alternate supply options and how long it will take to employ alternatives
Competition & Rivalry	**May negatively impact Afarak's current operations which could have a consequent effect on the Group's operating and financial results. It may also impact the plans to expand its operations and implement its growth strategy**	Afarak continuously monitors industry trends and adjusts its growth strategy accordingly. Afarak builds its resilience through the development of niche growth areas.
Distribution network risk	**This may have adverse effect on operations which could impact the Group's operating and financial results**	To mitigate this risk Afarak has standard operating procedures in place for most foreseeable circumstances
Technology risk	**There may be advances in technology which the company is not aware off or has not kept abreast with which may eventually hinder the operating activity of the company and affect the financial results**	Afarak regularly assesses the latest technological equipment and software available on the market
Loss of key personnel or the engagement of inappropriate personnel	**Adverse effect on operations, particularly its processing plants, which could impact the Group's operating and financial results**	• Regularly re-assesses its remuneration policies and packages to attract and retain suitably skilled and qualified personnel • The remuneration commitee is focused on attracting and retaining such talent

COMPLIANCE RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Legal risks	**Legal disputes may relate to contractual or other liabilities or environmental or other regulatory matters**	The Group has legal teams wherever it operates and constantly reviews its contracts to ensure that it is duly safeguarded.
Employment legislation	**If not observed, may negatively impact Afarak's financial results**	Afarak regularly re-assesses its policies in terms of employment legislations
Tax risks	**Changes in tax laws and regulation, or a change in interpretation of the tax authorities in the different jurisdiction we operate in could have an adverse impact on Afarak's financial results**	Afarak keeps abreast with changes in tax regulation and external experts are appointed to assist in identifying potential tax liabilities and ensuring compliance with the tax legislation
Data protection risk	**If data protection legislation is not observed, the business may be adversely affected and have an impact on the financial results**	Data protection law is closely and regularly assessed in terms of the Group operations

SUSTAINABILITY RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Risk of mining and smelting accidents (fire, flooding, rock bursts, weather conditions, seismic events and other natural phenomena)	**This could affect both employees and operations, resulting in suspension of operations**	• "Zero Harm" policy • Health and safety guidelines, policies and procedures • Continuous employee training
Social risk	**Industry or social unrest and labour actions may materially adversely affect the business and its financial results by temporarily closing down operations**	Afarak seeks to resolve the matters with all stakeholders to reduce the impact on its operation
Environmental risks	**• Direct potential harm to the environment** **• Potential post-production rehabilitation or landscaping obligations**	• Environmental risks are managed closely and regularly assessed • Regular assessment of environmental liabilities • External experts are appointed to assist in identifying potential liabilities and ensuring compliance with environmental legislation

SUSTAINABILITY

Afarak understands that sustainability is critical to any business and industry. We want to proceed in the right way at all levels of our business. Our sustainability initiatives are built around four main pillars that are integrated in our decision-making.

Our employee's safety is our top priority. It comes before anything else and we do not make any shortcuts. In this regard, we are constantly focusing on improving the health and well-being of our co-workers and care for the communities around our operation facilities. As a primary sector company, we feel committed to gradually minimising our ecological footprint.

The communities that host our operations are important stakeholders and we are proud of the reputation that we have built in the years of our co-operation.

During 2020, the world has encountered very difficult times due to the spread of COVID-19 pandemic. Consequently Afarak has implemented measures to have the main part of the office based employees working from home. Thanks to all the precautions implemented in all Afarak Group units very limited amount of cases has been reported which did not materially impact the production.

OUR COMMITMENT

Afarak vows to deliver its contribution to environmental and social sustainability through its production processes. We believe that our efforts will support several United Nations' resolutions on sustainability, such as decreasing poverty and hunger, but also increasing gender equality, education and access to clean water.

Our most significant impact on local host communities lies in providing direct and indirect employment. We support local communities in their needs related to education and infrastructure whilst supporting social causes.

SAFETY

Afarak strives to achieve what we call "Zero Harm Policy" at all levels of our operations and provides its employees and contractors a safe and healthy work environment.

Afarak holds regular Board committees dedicated to health and safety with the aim of integrating the Group operations to address the social, environmental, health and safety position of all stakeholders. The programme focusing on pro-active safety and environmental measurements continued in 2020 aiming to achieve "Zero Harm".

During 2020, the Group's employees contributed approximately 1,598,153 working hours during which the company suffered 30 (44) accidents that caused loss of time. Lost Time Injury (LTI) is defined as any work-related injury or illness which prevents a person from doing any work the day after the accident.

We are proud that no fatalities happened on our sites.

Fatal Injury

0

(0)

Lost Time Injury

30

(44)

Frequency Rate

18.8

(18.9)

Incidence Rate

51.1

(52.6)

Going forward, management remains focused on further improving the safety performance at Afarak through various initiatives and investments.

HEALTH

In 2020, Afarak has taken several safety measures to mitigate the spread of the COVID-19 pandemic in order to protect people and minimise the effect on operations, while always keeping as top priority a safe and healthy working environment.

Thanks to these decisive and well-timed actions, very limited amount of cases has been reported which did not materially impact the production.

In our factories we continuously assess, monitor and control the risks of our workers.

To help achieve this goal, we conduct routine health checks on all sites. These checks include drug and alcohol testing. We are also reviewing the role of organising shifts in the mines to minimise any fatigue-related injuries.

Afarak is and will remain committed to investing in the health of its workforce and local community.

ENVIRONMENT

We aim to demonstrate our environmental responsibility by minimising our environmental impact. Our environmental intervention rests on four main pillars.

WATER MANAGEMENT

Water is a shared and limited resource. We aim to preserve water sources, manage and recycle our use of water whilst providing access to clean water.

WASTE MANAGEMENT

We intend to minimise the waste our activity produces. Most of the waste our activity generates is tailings from mining. Tailings are usually a big concern for mining companies. However, through our beneficiation stages, Afarak is able to recycle and yield more chrome content from mined goods, thus reducing the amount of tailings too. The culture to minimize and recycle tailings is a constant focus in our Group.

LAND REHABILITATION

We aim to manage our land responsibly throughout the lifecycle of our assets.

To this end, we are working on projects to rehabilitate mines we currently work in. We recognise that our activities impact the grounds on which we work. By reestablishing land, managing its biodiversity and considering the needs of locals, we can reduce the level of our environmental impact.

AIR EMISSIONS

Our activity carries an influence on air quality and CO_2 emissions. Our dependence on electricity is also a source for CO_2 emissions, which we would like to decrease by shifting toward alternative sources of energy.

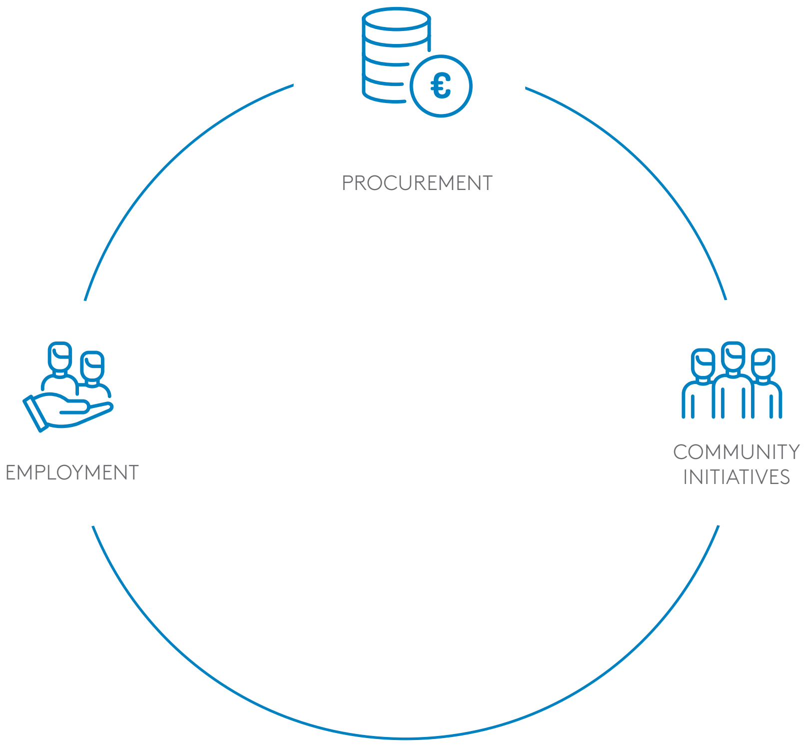
COMMUNITIES & HUMAN RIGHTS

We bring economic benefits to the countries we work in by employing people, buying goods and services, paying taxes and royalties, and investing in infrastructure and healthcare. We are firm believers that through our operations we deliver socio-economic benefits to our host communities.

We are committed to building and maintaining constructive, long-lasting relationships with our stakeholders, including our host communities. Speaking openly and transparently with all our stakeholders is vital for our future and maintaining good relationships with the host community.

We uphold values of mutual respect, social cohesion and human rights within our staff, communities and contractors.

Finally, we take pride in creating social value through three main pillars:



EMPLOYMENT

By providing direct and indirect employment, we believe that we are making a tangible contribution to our host communities.

COMMUNITY INITIATIVES

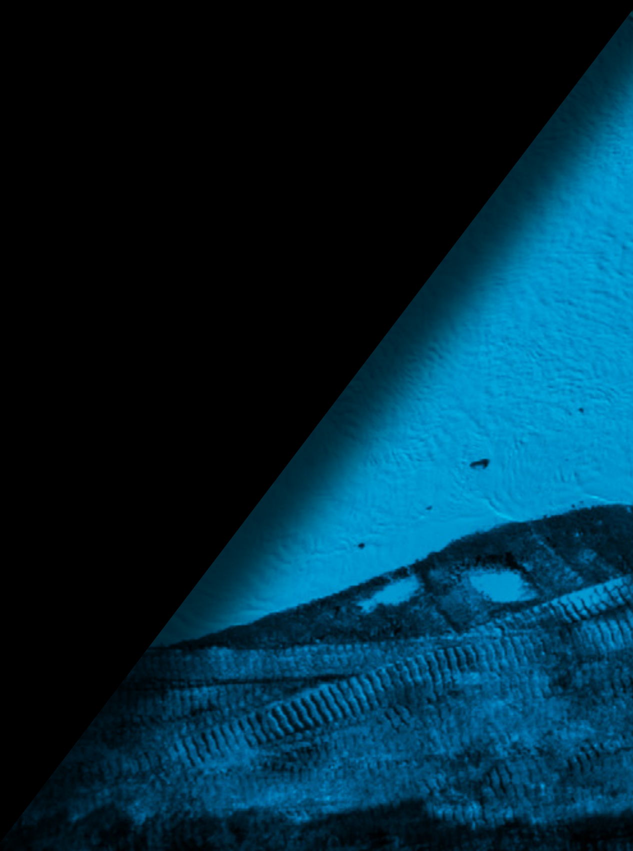
We continue to support local communities with various assistance programs that are of a social and educational nature.

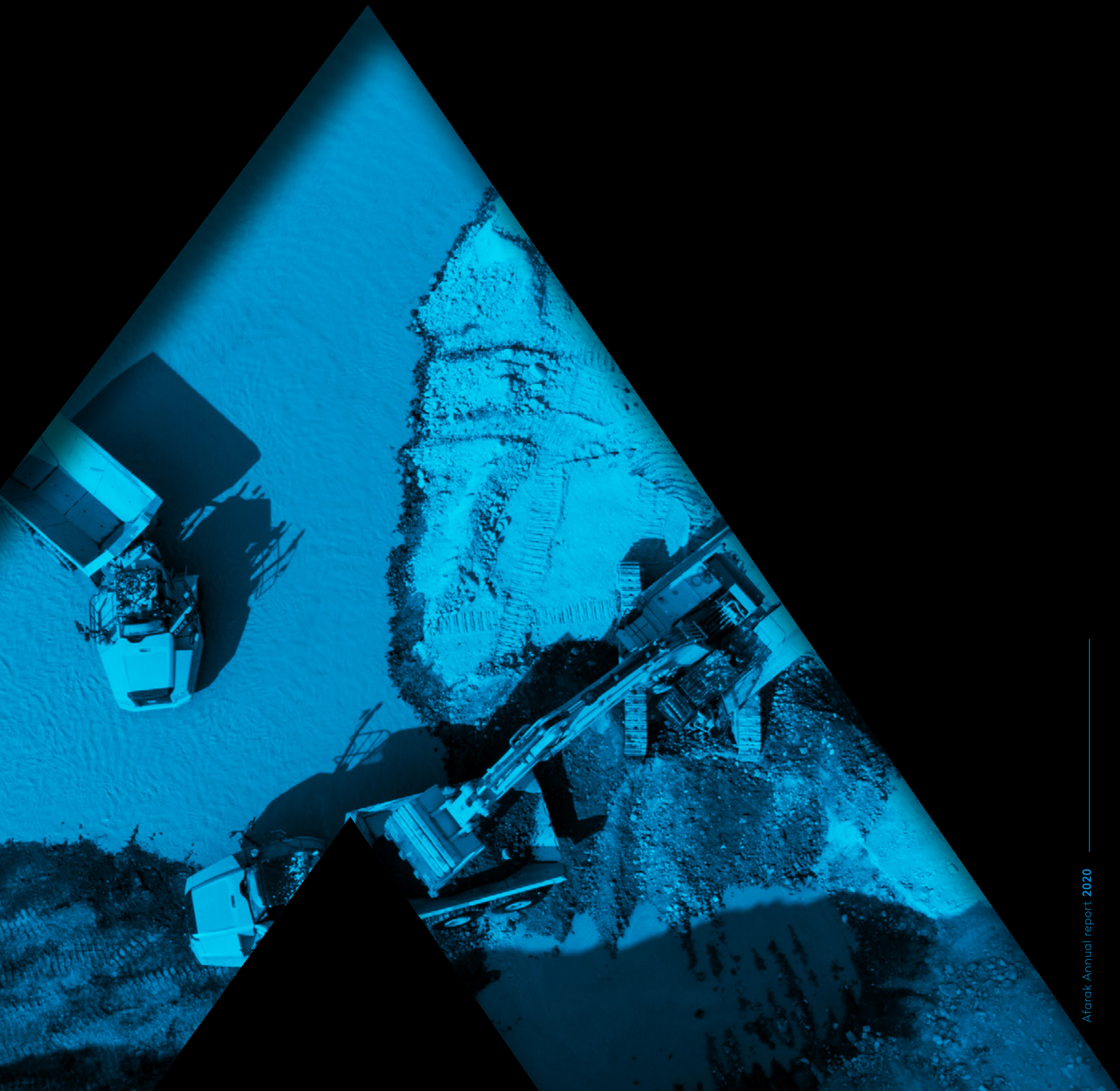
PROCUREMENT

In our procurement, we work closely with local enterprises to support the local economy.

LOOKING AHEAD

Afarak will remain committed to upholding and raising the value of sustainability in its operations. Health and safety remain a key priority for the Board and a review of safety policies & procedures is a constant focus. With the goal of improving safety at all plants. Environmental investments are important to Afarak and initiatives will continue throughout 2021 to further minimise the impact of our operations on nature. Also, community investments will be maintained.





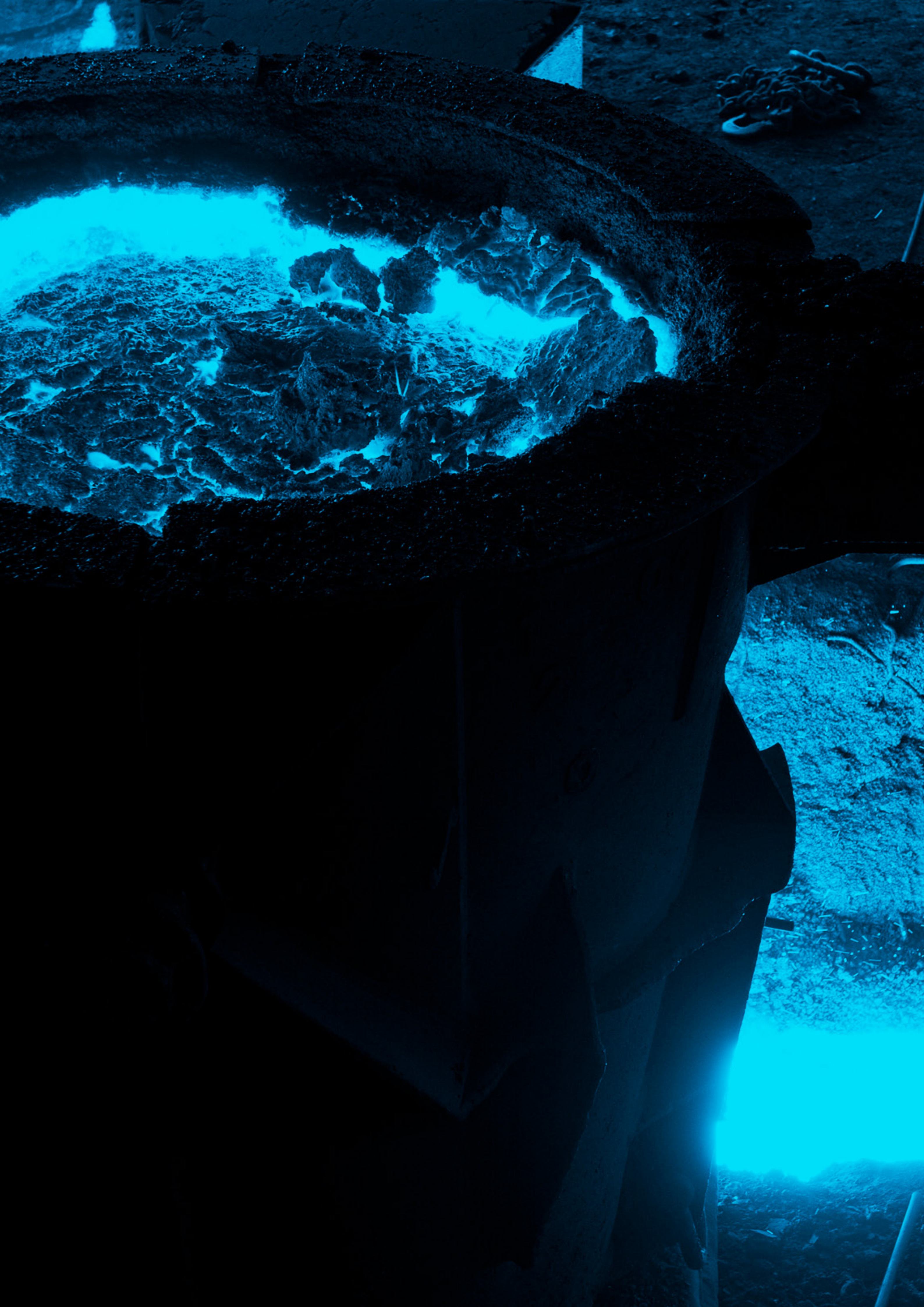
Resource Statement

STELLITE MINE

Chromitite Mineral Resource for Stellite Mine

Mineral Reserves' (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Stellite: Tailings				**Stellite: Tailings**			
LG6-MG4	225	24.1	1.14	LG6-MG4	540	24.1	1.14
Stellite: Open Pit				**Stellite: Open Pit**			
MG4	1,111	30.39	1.2	MG4	1,306	31.86	1.22
MG3	604	30.64	1.18	MG3	627	31.68	1.19
MG2	346	35.98	1.32	MG2	405	37.20	1.32
MG1	598	37.72	1.4	MG1	700	39.00	1.4
LG6+6A	103	33.68	1.37	LG6+6A	120	38.11	1.46
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	1,211	33.59	1.24
LG6 + 6A	2,702	34.98	1.36	LG6 + 6A	4,222	37.7	1.41
Total Proved Reserves	**5,689**	**33.52**	**1.30**	**Total Measured Resources**	**9,131**	**35.18**	**1.33**
PROBABLE:				**INDICATED:**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4	3,015	30.75	1.2	MG4	3,526	32.25	1.23
MG3	1,276	30.82	1.16	MG3	1,492	31.68	1.19
MG2	948	36.08	1.28	MG2	1,109	37.30	1.31
MG1	1,914	37.53	1.38	MG1	2,239	38.80	1.41
LG6+6A	239	33.88	1.43	LG6+6A	280	38.54	1.46
Stellite: Underground				**Stellite: Underground**			
MG4	262	32.69	1.22	MG4	306	33.8	1.25
LG6 + 6A	3,628	34.26	1.38	LG6 + 6A	4,243	37.5	1.41
Total Proved Reserves	**11,282**	**33.60**	**1.30**	**Total Indicated Resources**	**13,195**	**35.58**	**1.33**
Total Proved & Probable Reserves	**16,971**	**33.57**	**1.30**	**Total Measured & Indicted Resources**	**22,326**	**35.42**	**1.33**
				INFERRED			
				Stellite: Open Pit			
				MG4	1,440	33.18	1.24
				MG3	2,110	32.64	1.26
				MG2	1,920	37.10	1.32
				MG1	1,070	38.90	1.41
				LG6+6A	40	37.82	1.44
				Total Inferred Resources	**6,580**	**35.11**	**1.30**
				Total Resources	**28,906**	**35.35**	**1.32**

Table 1.a: Shows the Chromitite Mineral Reserves and Resources for Stellite Mine as at 31 December 2020.



PGM MINERAL RESOURCE

for Stellite Mine

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	2E + Au	Ozs		Tonnage (kt)	2E+Au	Ozs
PROVED:				**MEASURED:**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4				MG4	-	-	-
MG3				MG3	-	-	-
MG2				MG2	-	-	-
MG1				MG1	-	-	-
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	-	-	-
MG4				MG3	-	-	-
MG4				MG2	-	-	-
MG4				MG1	-	-	-
Total Proved				**Total Measured Resources**	-	-	-
PROBABLE:				**INDICATED:**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4				MG4	952	1.40	42,855
MG3				MG3	440	1.78	25,183
MG2				MG2	698	1.73	38,828
MG1				MG1	722	0.84	19,501
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	-	-	-
MG4				MG3	-	-	-
MG4				MG2	-	-	-
MG4				MG1	-	-	-
Total Probable				**Total Indicated Resources**	**2,812**	**1.40**	**126,367**
Total Proved & Probable Reserves				**Total Measured & Indicted Resources**	**2,812**	**1.40**	**126,367**
				INFERRED			
				Stellite: Open Pit			
				MG4	5,710	1.38	253,370
				MG3	3,950	2.13	270,531
				MG2	2,740	2.06	181,492
				MG1	3,430	0.86	94,849
				Total Inferred Resources	**15,830**	**1.57**	**800,241**
				Total Resources	**18,642**	**1.55**	**926,608**

Table 1.b: Shows the PGM Mineral Reserves and Resources for Stellite Mine as at 31 December 2020.

MECKLENBURG MINE

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Mecklenburg: Open Pit				**Mecklenburg: Open Pit**			
LG6+6A	28	40.76	1.58	LG6+6A	51	44.10	1.64
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6+6A	2,682	41.85	1.57	LG6+6A	4,190	43.66	1.59
Total Proved Reserves	**2,710**	**41.84**	**1.57**	**Total Measured Resources**	**4,241**	**43.67**	**1.59**
PROBABLE:				**INDICATED:**			
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6+6A	1,924	41.83	1.57	LG6+6A	3,006	43.37	1.59
Total Proved & Probable Reserves	**4,634**	**41.84**	**1.57**	**Total Measured & Indicted Resources**	**7,247**	**43.54**	**1.59**
				INFERRED			
				Mecklenburg: Underground			
				LG6+6A	1,142	43.41	1.59
				Total Resources	**8,389**	**43.52**	**1.59**

Table 2. Shows the Chromitite Mineral Reserves and Resources for Mecklenburg Mine as at 31 December 2020.

VLAKPOORT MINE

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				MEASURED:			
Vlakpoort: Open Pit				Vlakpoort: Open Pit			
LG1-3	0	37.30	1.74	LG1-3	0	41.57	1.82
LG5	18	39.12	1.52	LG5	42	38.77	1.55
LG6	1	36.72	1.51	LG6	56	36.85	1.53
MG1-4	52	29.72	1.25	MG1-4	131	30.01	1.29
UG1-2	101	22.40	1.14	UG1 -2	164	21.46	1.12
Vlakpoort: Underground				Vlakpoort: Underground			
LG6	0			LG6	398	33.32	1.59
UG2	0			UG2	754	19.65	1.06
Total Proved Reserves	**172**	**32.18***	**1.32****	**Total Measured Resources**	**1,545**	**33.31***	**1.52****
PROBABLE:				INDICATED:			
Vlakpoort: Open Pit				Vlakpoort: Open Pit			
LG1-3	0	37.93	1.78	LG1-3	1	41.57	1.86
LG5	3	35.01	1.45	LG5	10	39.92	1.55
LG6	37	31.25	1.63	LG6	64	33.95	1.58
MG1-4	16	30.52	1.36	MG1-4	75	29.92	1.35
UG1-2	9	27.09	1.22	UG1 -2	24	27.61	1.25
Vlakpoort: Underground				Vlakpoort: Underground			
LG6	0			LG6	793	33.92	1.58
UG2	0			UG2	421	19.83	1.06
Total Probable Reserves	**65**	**31.24***	**1.54****	**Total Indicated Resources**	**1,388**	**33.68***	**1.56****
Total Proved & Probable Reserves	**237**	**31.92**	**1.38**	**Total Measured & Indicted Resources**	**2,933**	**33.54**	**1.54**

INFERRED			
Vlakpoort: Open-Pit			
LG1 -3	27	41.55	1.79
LG5	0		
LG6	1	28.61	1.59
MG1 -4	119	33.67	1.30
UG1 -2	0		
Vlakpoort: Underground			
LG6	1,321	33.67	1.59
UG2	115	20.27	1.08
Total Inferred Resources	**1,583**	**33.88***	**1.57****
Total Resources (Excl Exploration Results)	**4,516**	**33.5977458**	**1.55**
EXPLORATION RESULTS			
Vlakpoort: Open-Pit			
LG1 -3	50	36.86	1.82
LG6	365	33.55	1.60
MG1 & MG3	25	33.60	1.65
MG4 & MG4a	264	29.70	1.23
Vlakpoort; Underground			
LG6	1,243	34.16	1.60
Total exploration Results	**1,947**	**33.50**	**1.56**
Total Resources (Incl Exploration Results)	**6,463**	**33.57***	**1.55****

NOTES:
* Excluding Cr2O3 % of UG1, UG2 and MR
** Excluding Cr:Fe (ratio) of UG1, UG2 and MR

Table 3. Shows the Chromitite Mineral Reserves and Resources for Vlakpoort Mine as at 31 Decembr 2020.

COMBINED CHROMITITE MINERAL

Resource and Reserve Statement

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				MEASURED:			
Stellite Tailings				Stellite Tailings			
LG6 - MG4	225	24.1	1.14	LG6 - MG4	540	24.1	1.14
Stellite: Open Pit				Stellite: Open-Pit			
MG4	1,111	30.39	1.20	MG4	1,306	31.86	1.22
MG3	604	30.64	1.18	MG3	627	31.68	1.19
MG2	346	35.98	1.32	MG2	405	37.20	1.32
MG1	598	37.72	1.40	MG1	700	39.00	1.40
LG6 + 6A	103	33.68	1.37	LG6 + 6A	120	38.11	1.46
Stellite: Underground				Stellite: Underground			
MG4				MG4	1,211	33.59	1.24
LG6 + 6A	2,702	34.98	1.36	LG6 + 6A	4,222	37.7	1.41
Mecklenburg: Open Pit				Mecklenburg:Open-Pit			
LG6 + 6A	28	40.76	1.58	LG6 + 6A	51	44.10	1.64
Mecklenburg: Underground				Mecklenburg: Underground			
LG6 + 6A	2,682	41.85	1.57	LG6 + 6A	4,190	43.66	1.59
Vlakpoort: Open Pit				Vlakpoort: Open-Pit			
LG1 -3	0	37.93	1.78	LG1 -3	0	41.57	1.82
LG5	3	35.01	1.45	LG5	42	38.77	1.55
LG6	37	31.25	1.63	LG6	56	36.85	1.53
MG1 -4	16	30.52	1.36	MG1 -4	131	30.01	1.29
UG1 -2	9	27.09	1.22	UG1 -2	164	21.46	1.12
Vlakpoort: Underground				Vlakpoort: Underground			
LG6	0			LG6	398	33.32	1.59
UG2	0			UG2	754	19.65	1.06
Total Proved Reserves	**8,464**	**36.17***	**1.39****	**Total Measured Resources**	**14,917**	**37.67***	**1.41****
PROBABLE:				INDICATED			
Stellite: Open Pit				Stellite: Open-Pit			
MG4	3,015	30.75	1.20	MG4	3,526	32.25	1.23
MG3	1,276	30.82	1.16	MG3	1,492	31.68	1.19
MG2	948	36.08	1.28	MG2	1,109	37.30	1.31
MG1	1,914	37.53	1.38	MG1	2,239	38.80	1.41
LG6 + 6A	239	33.88	1.43	LG6 + 6A	280	38.54	1.46
Stellite: Underground				Stellite: Underground			
MG4	262	32.69	1.22	MG4	306	33.8	1.25
LG6 + 6A	3,628	34.26	1.38	LG6 + 6A	4,243	37.5	1.41
Mecklenburg: Underground				Mecklenburg: Underground			
LG6 + 6A	1,924	41.83	1.57	LG6 + 6A	3,006	43.37	1.59

Vlakpoort: Open Pit			
LG1 -3	0	37.93	1.78
LG5	3	35.01	1.45
LG6	37	31.25	1.63
MG1 -4	16	30.52	1.36
UG1 -2	9	27.09	1.22
Vlakpoort: Underground			
LG6	0		
UG2	0		
Total Probable Reserves	**13,271**	**34.78***	**1.34****
Total Proved & Probable Reserves	**21,735**	**35.32**	**1.36**

Vlakpoort: Open-Pit			
LG1 -3	1	41.57	1.86
LG5	10	39.92	1.55
LG6	64	33.95	1.58
MG1 -4	75	29.92	1.35
UG1 -2	24	27.61	1.25
Vlakpoort: Underground			
LG6	793	33.92	1.58
UG2	421	19.83	1.06
Total Indicated Resources	**17,589**	**36.84***	**1.39****
Total Measured & Indicated Resources	**32,507**	**37.22**	**1.39**
INFERRED			
Stellite: Open-Pit			
MG4	1,440	33.18	1.24
MG3	2,110	32.64	1.26
MG2	1,920	37.10	1.32
MG1	1,070	38.90	1.41
LG6 + 6A	40	37.82	1.44
Mecklenburg: Underground			
LG6 + 6A	1,142	43.41	1.59
Vlakpoort: Open-Pit			
LG1 -3	27	41.55	1.79
LG5			
LG6	1	28.61	1.59
MG1 -4	119	33.67	1.30
UG1 -2	0		
Vlakpoort: Underground			
LG6	1,321	33.67	1.59
UG2	115	20.27	1.08
Total Inferred Resources	**9,305**	**35.93***	**1.38****
Total Resources (Excl Exploration Results²)	**41,811**	**36.94**	**1.39**
EXPLORATION RESULTS			
Vlakpoort: Open-Pit			
LG1 -3	50	36.86	1.82
LG6	365	33.55	1.60
MG1 & MG3	25	33.60	1.65
MG4 & MG4a	264	29.70	1.23
Vlakpoort: Underground			
LG6	1,243	34.16	1.60
Total Exploration Results	**1,947**	**33.50**	**1.56**
Total Resources (Incl Exploration Results²)	**43,758**	**36.78***	**1.40****

NOTES:
* Excluding Cr_2O_3 % of UG1, UG2 and MR
** Excluding Cr:Fe (ratio) of UG1, UG2 and MR"

Table 4. Shows the Combined Chromitite Mineral Reserves and Resources for Stellite, Mecklenburg and Vlakpoort as at 31 December 2020.

COMBINED PGM MINERAL

Resource and Reserve Statement

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Vlakpoort: Open Pit				**Vlakpoort: Open-Pit**			
LG1 -3	-	-	-	LG1 -3	0	0.18	0
LG5	-	-	-	LG5	42	0.74	999
LG6	-	-	-	LG6	56	0.46	828
MG1 -4	-	-	-	MG1 -4	131	1.13	4,760
UG1 -MR	159	1.4	7,158	UG1 -MR	205	1.77	11,667
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6	-	-	-	LG6	398	0.43	5,503
UG2	-	-	-	UG2	754	4.04	97,947
MR	-	-	-	MR	618	2.15	42,723
Total Proved Reserves	**159**	**1.40**	**7,158**	**Total Measured Resources**	**2,204**	**2.32**	**164,428**
PROBABLE:				**INDICATED**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4				MG4	952	1.40	42,855
MG3				MG3	440	1.78	25,183
MG2				MG2	698	1.73	38,828
MG1				MG1	722	0.84	19,501
Vlakpoort: Open Pit				**Vlakpoort: Open-Pit**			
LG1 -3	-	-	-	LG1 -3	1	0.22	8
LG5	-	-	-	LG5	10	0.66	212
LG6	-	-	-	LG6	64	0.40	823
MG1 -4	-	-	-	MG1 -4	75	0.85	2,050
UG1 -MR	9	0.19	55	UG1 -MR	24	0.31	239
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6	-	-	-	LG6	793	0.43	10,964
UG2	-	-	-	UG2	421	4.45	60,240
MR	-	-	-	MR	208	2.96	19,797
Total Probable Reserves	**9**	**0.19**	**55**	**Total Indicated Resources**	**4,408**	**1.56**	**220,700**
Total Proved & Probable Reserves	**168**	**1.34**	**7,213**	**Total Measured & Indicated Resources**	**6,612**	**1.81**	**385,128**
				INFERRED			
				Stellite: Open-Pit			
				MG4	5,710	1.38	253,370
				MG3	3,950	2.13	270,531
				MG2	2,740	2.06	181,492
				MG1	3,430	0.86	94,849

Vlakpoort: Open-Pit			
LG1 -3	27	0.23	198
LG5	0	-	-
LG6	1	0.42	14
MG1-4	119	1.00	3,826
UG1 -MR	0	-	-
Vlakpoort: Underground			
LG6	1,321	0.42	17,840
UG2	115	4.78	17,675
MR	-	-	-
Total Inferred Resources	**17,413**	**1.50**	**839,794**
Total Resources (Excl Exploration Results²)	**24,045**	**1.59**	**1,224,923**
EXPLORATION RESULTS			
Vlakpoort: Open-Pit			
LG1	10	0.30	96
LG2	7	0.17	38
LG3	33	0.27	286
LG6	365	0.42	4,929
MG1	20	0.85	547
MG3	5	1.67	268
MG4 + 4a	264	0.87	7,385
Vlakpoort: Underground			
LG6	1,243	0.41	16,387
Total exploration Results	**1,947**	**0.48**	**29,938**
Total Resources (Incl Exploration Results)	**25,972**	**1.50**	**1,254,860**

Table 5. Shows the Combined PGM Mineral Reserves and Resources for Stellite, Mecklenburg and Vlakpoort as at 31 December 2020.

KAVAK MINE AND TAVAS MINE

Eskisehir - Kavak Area Reserves: (as of 31 Dec. 2020)

ORE ZONE/ BODY		Cr2O3 %	Proven Reserve (T)	Probable (T)	Possible (T)	Total Reserve (T)	Hypothetical Resources (T)
KAVAK CONCESSIONS							
Kismet+Dereici		16-41			2,000	2,000	
Bogurtlen+Erenler 2		20-22	10,500			10,500	
Camasirlik 2		16-18	29,275		30,000	59,275	
Erenler 4-18		16-35	11,000			11,000	
Erenler 1+ Yeni paralel			186,000		280,000	466,000	1,500,000
Erenler 18 alt yeni adhesi1/ Güney			7,250		20,000	27,250	
İncir 70-91 yeni adhesi 2					51,000	51,000	
İncir +batı yeni adesi 3 /Kuzey		15-40	100,000		50,000	150.000	
Kuzey doğu		25-40	116,250		88,000	204,250	
690 bantli		15-41	50,000		20,000	70,000	
TOTAL		**7-41**	**510,275**	**0**	**541,000**	**1,051,275**	**1,500,000**
EAGLE CONCESSION							
East new	201200522	16-44	4.000		1,000	5,000	100,000
East new2	201200522	15-40	5.000		5,000		
West	201200522	30-48	60.000		10.000	70,000	
TOTAL	**36-44**	**75,000**	**69.000**	**0**	**16,000**	**75,000**	**100,000**
KAVAK TAILINGS DAM							
Tailings Dam 1		7-13	916.484			916.484	
Tailings Dam 2		7-13	1,136,966			1.136.966	
Tailings Dam 3		4-6	1,517,310			1,517,310	
TOTAL		**4-13**	**3,570,760**	**0**	**0**	**3,570,760**	**0**

Denizli Tavas – Fethiye Area Reserves: (as of 31 Dec. 2020)

ORE ZONE/ BODY		Cr2O3 %	Proven Reserve (T)	Probable (T)	Possible (T)	Total Reserve (T)	Hypothetical Resources (T)
BEYAGAC CONCESSIONS							
Sarp-Gogebakan Oc.	39-344	30-40	11,350			11,350	
Cigerderesi Ocak	20064310	20-35	100		2,900	3,000	17,000
Dere Ocak	1397-693	21-30	740		500	1,240	10,000
Catak	201400355	18-20	2,500		2,500	5,000	23,000
Cinar Ocak	1012-320	28-34	6,050			6,050	
Sehremen-Keller Oc.	1411-1773	14-26	15,000		5,000	20,000	
Degirmendere	201400323		1,000		4,000	5,000	5,000
TOTAL		**14-34**	**36,740**	**0**	**14,900**	**51,640**	**55,000**

FETHIYE & KOYCEGIZ CONCESSIONS

Cubuk -Umut	7732-1902	8-20	94,097		230,000	324,097	165,000
Asarcik-Karacam	85948	22-26	550		1,350	1,900	10,000
Mesebuku	601-1644	24-28	1,400		3,500	4,900	55,000
Kizil Akdag	20051322	16-20	400		1,300	1,700	28,000
TOTAL		**8-28**	**96,447**	**0**	**236,150**	**332,597**	**258,000**

TAVAS TAILINGS DAM

Tailings Dam 1		9-11	218.744			218.744	
Tailings Dam 2		3-6	466.130			466.130	
TOTAL		**9-11**	**684,874**	**0**	**0**	**684,874**	**0**

ADANA CONCESSIONS

Yetimli -Sogukoluk	68669	6-12	12,000		30,000	42,000	80,000
Egni	68662	8-14	9,644		10,000	19,644	10,000
TOTAL		**6-14**	**21,644**	**0**	**40,000**	**61,644**	**90,000**

Governance Review

CHAIRMAN'S INTRODUCTION

In 2020 Afarak Group continued to operate in an incredibly challenging business environment with a world-wide pandemic that resulted in low volumes and collapsing ferro-chrome prices.

Our operations in South Africa suffered in addition high energy prices and had to reduce operations to a minimum and even put Mogale Alloys into Business Rescue.

Our Speciality business underperformed due to reduced market prices and demand. The financial performance of South African operations continued to be disappointing despite the actions from the Management to keep our mining operations going whilst cutting costs and staff.

We, as a board, continued to support management to enable them to implement initiatives to take care of the operations as far as possible whilst having our long-term strategy in mind.

Afarak's position as a vertically integrated producer of speciality alloys; acting as a miner, producer and marketer of its products enabling our group to adapt better to changing market circumstances and to extract value at every stage of this process. Our ability to be specialist producers as well as miners, will further support our resilience and adaptability.

As a company we are committed to safety and sustainability. Our focus remains on ensuring a "Zero Harm" policy and we are proud and thankful that no fatalities happened in 2020. Throughout the year, we have continued our work to ensure that safety of our employees is prioritised across all production units including health education and health promotion.

In our business we face many challenging situations, as we work to extract resources safely, profitably and responsibly, to mitigate our environmental impact and support our host communities. We recognize the value of multi-stakeholder engagement and we continue to tackle these challenges with Management, our employees, unions and our host communities.

Every year we participate in a number of initiatives across many areas including our host communities in South Africa and Turkey. Our support has extended beyond charitable donations towards assisting NGOs and educational services.

Afarak's determination to return to growth can be attained if it has strong corporate governance in place. Our aim has been to achieve good governance commit to fulfil our obligations of a publicly listed company.

The Board continued to be substantially smaller than a couple of years ago as we endure a very week market during the pandemic. The Board still has diversity of skills and expertise as is required to be more active and involved to maintain oversight of the business, support management and maintain a stable environment for strategic thinking and development. I thank all the board members for their continuing commitment and contribution during 2020, as they have had multiple duties and responsibilities and jointly participated in many tasks usually carried by Board committees.

As always, we remain mindful of the trust shareholders place in us as elected Directors and of our responsibilities towards them. We seek to apply rigorous governance standards in our work that is described in the Governance Review.

I am confident that we have a leadership team with the resolve and commitment to ensure that Afarak returns to growth. Coming through the Covid-19 Pandemic and finally seeing increasing chrome-ore and ferro-chrome market prices, already full production at our German works, I still share the enthusiasm for the future prospects of Afarak as an innovator of value-added ferrochrome and chrome-ore products and its ability to deliver value for customers and shareholders.

In my communications with our employees around the world, I am reminded every time that our achievements are only made possible by our skilled, hard-working and very talented team. I am grateful for all their efforts and impressive commitment over the past troublesome year and look forward to working with them towards delivering volume growth and a return to positive cash flow and profitability.

THORSTEIN ABRAHAMSEN
Chairman

INFORMATION PRESENTED BY REFERENCE

The Group's key financial figures, related party disclosures, information on share capital and option rights are presented in the notes to the consolidated financial statements. The share ownership of the parent company's Board members and Chief Executive Officer is presented in the notes to the parent company's financial statements.

The Corporate Governance Statement and the Remuneration Report are presented as separate reports in this Annual Report.

For the purposes of United Kingdom Listing Authority listing rules ("LR") 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

SECTOR	TOPIC	LOCATION
1	Interest capitalised	1.8. Notes to the statement of financial position, 9. Property, plant and equipment.
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	1.8. Notes to the statement of financial position, 18. Share-based payments
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	1.8. Notes to the statement of financial position, 1.9.2 Related party transactions
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this Board of Directors report.

OUR PEOPLE
The Board of Directors

CHAIRMAN

Thorstein Abrahamsen

Chairman and Independent Non-Executive Director
M.Sc. (Electrochemical Engineering)
Born 1948

Thorstein Abrahamsen is an internationally respected stainless steel and ferro-alloy industry professional. He has served as Chief Executive Officer of various manufacturing companies within stainless steel, ferro-alloy, construction equipment and mining industries. He also served as Vice- President Sales & Distribution of a global stainless steel production company. Throughout his career he has served on over 30 boards including chairmanships of ferro- alloy and steel trading & marketing companies around the world. He is currently chairman of a construction industry company, a board member and partner of a management consultancy company and two investment companies. Mr Abrahamsen was appointed to the Board of Afarak on 23 May 2017 and appointed Chairman on 11 November 2019.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr Jelena Manojlovic

Independent Non-Executive Director
Ph.D. (Medicine), Clin. D. (Psychology), MA (Psychotherapy)
Born 1950

Jelena Manojlovic has been a member of the Board since July 11, 2008. She has acted as Chairman of the Board during 2009 and 2015 and again during 2017 and 2019 She is an established university lecturer and organizational consultant and has 35 years' experience in the human resources field and 20 years' in management positions in a diverse range of organisations, including the UK's National Health Service, universities and other companies.

EXECUTIVE DIRECTOR

Guy Konsbruck

CEO and Executive Director
BA (Hons); MBA (SHU Fairfield)
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on 15 January 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys. Mr Konsbruck was appointed to the Board during the Extraordinary General Meeting held on 5th February 2018.

The Executive Management Team

The Group's Executive Management Team ("EMT") assists the Group CEO in effectively accomplishing his duties. The EMT is an advisory body which was set up by the Board of Directors in November 2009. It has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the EMT are taken by the CEO, the EMT member responsible for the matter in question or the Group's Board of Directors, as appropriate.

Guy Konsbruck

CEO
BA (Hons); MBA (SHU Fairfield)
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on 15 January 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys.

Melvin Grima

CFO
ACCA, MIA, CPA
Born 1982

Melvin Grima joined Afarak in 2013 as Group Finance Manager. He was responsible of the relocation of the Group's corporate finance function to Malta and its setup. He was promoted to Finance Director in 2015 and was appointed Chief Financial Officer in January 2019. Prior to joining Afarak, he held a number of management positions including Group Accountant of a hotel Group and Finance Manager of a Group trading in the petroleum industry. Melvin resigned in November 2020 and left the company on 31 December 2020.

Dr Danko Koncar

COO
Diploma (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)
Born 1942

Dr Danko Koncar was appointed as Chief Operating Officer on December 9, 2016. He has extensive experience in minerals processing and trading, more than 20 years in ferrochrome industry with six years of experience in application of direct current technology to ferrochrome processing. Before joining Afarak, he served in different management positions in chrome industry and was the Chairman of Samancor Chrome from 2005 - 2009.

The Corporate Management Team

The Company's Corporate Management includes, in addition to the Executive Management Team, the following personnel responsible for corporate functions:

Seyda Caglayan

Managing Director, Afarak TMS
MSc Mining Engineering
Born 1958

Seyda Caglayan joined Afarak TMS in December 2007. Prior to joining Afarak, she held a number of senior management and directorate positions in the mining and chrome industry including the Istanbul Mineral Exporters' Association and the International Chromium Development Association (ICDA). Seyda currently serves as Member of the Board of Turkish Miners Association, Member of Chrome Committee of ICDA and Member of the Board of Trustees of the Turkish Mining Development Foundation.

Christoph Schneider

Managing Director, Afarak EWW
MA Economics
Born 1964

Christoph Schneider is currently the Managing Director of Afarak EWW. He joined EWW in 1992 as Sales Manager. Over the years, Christoph rose the ranks of EWW and was appointed as Managing Director in December 2003.

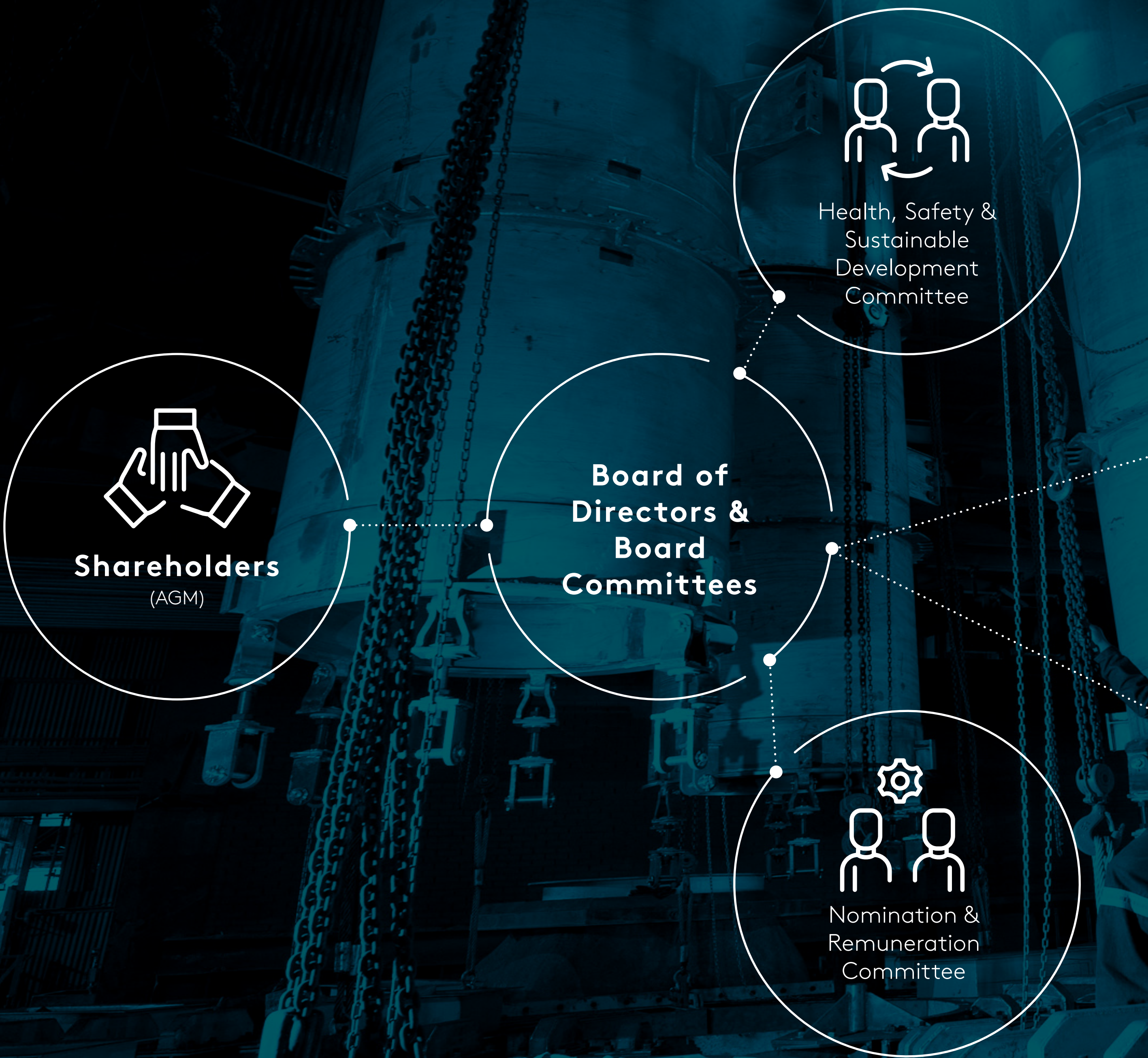
Dr Kurt Maske

Managing Director, Afarak SA Mining
PhD (Minerals Engineering)
Born 1955

Kurt Maske is the acting General Manager for the SA Mining Operations and manages the South African marketing and logistics processes. Prior to joining Afarak in 2011, Kurt was with BHP Billiton for nearly 25 years where he started his career as a Process Engineer responsible for developing the DC arc furnace technology for FeCr production at what is now Mogale Alloys. After serving as Works Manager he was transferred to Samancor's marketing team to globally manage the sale of the group's low and medium carbon ferrochrome products.

GOVERNANCE STRUCTURE

The management and control of Afarak Group Plc and its subsidiaries ("Group") is divided between the shareholders, the Board of Directors ("Board"), supported by the Board's audit and risk management committee, nomination and remuneration committee and the Chief Executive Officer.




Executive Management Team
Audit & Risk Management Committee
Corporate Management Team
Chief Executive Officer
(CEO)

GENERAL MEETING

Afarak's ultimate decision-making body is the shareholders' General Meeting which convenes once a year and is held within six months of the end of the financial year. Pursuant to the Company's Articles of Association, the convening notice for a General Meeting will be published on the Group's website and in a stock exchange release no earlier than two months, and no later than 21 days, prior to the General Meeting or nine days prior to the record date of the General Meeting.

The notice of a General Meeting, the proposals for resolutions, and the documents to be submitted to the General Meeting, such as the financial statements, the annual report and the auditor's report, will be available on the Group's website and at the Group's office in Helsinki at least three weeks before the meeting. The resolutions passed by the General Meeting will be published as a stock exchange release without undue delay and will be available on the Group's website, along with the minutes of the General Meeting, no later than two weeks after the meeting.

Shareholders have the right to add items falling within the scope of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in advance so that the item can be included to the notice. Afarak publishes the details of how and when to submit the requests to the Board on its website.

The Company uses the Annual General Meeting to develop an understanding of the views of its shareholders about the Company.

An Extraordinary General Meeting can be convened if the Board of Directors deems it necessary or if the auditor of the Company or the shareholders owning at least 10 percent of the shares demand one in writing in order to deal with a specific matter, or if it is required by law or other regulations.

The most significant items on the Annual General Meeting's agenda include:

- Approving the year's financial statements;
- Confirming the financial year's profit or loss, the dividend distribution or other distribution, such as capital redemption;
- Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
- Electing the auditor or auditors and approving their fees.

In addition, certain significant matters (such as amending the Articles of Association or deciding on a capital increase) require a resolution by the shareholders in a General Meeting.

General Meetings are organised in a manner that permits shareholders to exercise their ownership rights effectively. A shareholder wishing to exercise his or her ownership rights shall register for a General Meeting in the manner stated in the notice of meeting. All the shareholders who have been registered in the Company's shareholder register, maintained by Euroclear Finland Ltd, on the record date of the meeting have the right to attend a General Meeting, provided they have delivered a proper notice to attend the meeting. Holders of nominee registered shares may be registered temporarily on the shareholder register, and they are advised to request further instructions from their custodian bank regarding the temporary registration and issuing of a proxy document.

Resolutions by a General Meeting usually require a simple majority. Certain resolutions, however, such as amending the Articles of Association and directed share issues require a qualified majority represented by shares, and the votes conferred by the shares, at the General Meeting.

The majority of the Board members, if not all, attend General Meetings together with the CEO and the auditor. In addition, if a person is proposed for election as a director for the first time, he or she will also attend the General Meeting.

GENERAL MEETINGS IN 2020

The Annual General Meeting was held at the Company's headquarter in Helsinki on June 22, 2020 under special arrangements due to the COVID-19 pandemic.

All the resolutions of the above-mentioned General Meeting can be found at:
http://www.afarak.com/en/investors/shareholder-meetings/2020/

THE BOARD OF DIRECTORS

TASKS AND RESPONSIBILITIES

The Board of Directors is composed of between three and nine members who are elected by the General Meeting of shareholders, which also approves their remuneration. The tenure of each Board member is for one year and expires at the end of the next Annual General Meeting immediately following their election. The Board elects a chairman from among its members. None of the non-executive directors has a service contract with the Company and none of the directors has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking.

The duties of a Board member are specified in the Finnish Companies Act. The Afarak Board also has a written charter governing its functions.

The Board of Directors oversees the administration of the Group and is responsible for the internal control of its assets, finances and accounts on behalf of shareholders. Its specific responsibilities include:

- Formulating the Group's business strategy and overseeing its implementation;
- Deciding on the Group's capital structure;
- Making decisions on significant investments, divestments, credits and collaterals, guarantees and other commitments;
- Approving the quarterly interim reports, the Board of Directors Report, the annual financial results and future forecasts and/or outlook;
- Deciding on the Group's organisational structure;
- Appointing the CEO and approving his or her service agreement and remuneration; and
- Convening and submitting proposals to the shareholders' General Meeting.

Key elements of the Board's charter and operations are:

- It convenes on prearranged dates, with a view to meeting approximately once a month, or more often if necessary. Meetings can be arranged as conference calls;
- Matters to be dealt with by the Board are presented by the Chairman, the CEO or another person who has participated directly in assessing and preparing the issue for consideration;
- It aims to make unanimous decisions;
- It prepares an annual plan for its operation; and
- It acts at all times in the interest of the Group and all of its shareholders.

The Board oversees all communications and other requirements stipulated by the rules of the relevant stock exchanges and financial supervision authorities and conducts regular self-assessments to ensure these requirements continue to be fulfilled. The Group has established specific targets for the development of its administrative functions and processes, and continues to implement these.

The Board also evaluates and decides on acquisitions and disposals of subsidiaries and associated companies. To ensure the efficiency of board and committee work, the Board regularly evaluates the operations and working methods of each committee and the Board. The evaluation is conducted as internal self-evaluation. The Board is also regularly in contact with the major shareholders of the Company to ensure that the Board is aware of their views.

The 2020 Annual General Meeting elected three members to the Board. Dr Jelena Manojlovic, Mr Thorstein Abrahamsen and Mr Guy Konsbruck were re-elected.

DIVERSITY OF THE BOARD OF DIRECTORS - SKILLS, EXPERIENCE AND ATTRIBUTES

The Board considers that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is required to effectively govern the business.
The Board and its Nomination and Remuneration Committee work to ensure that the Board continues to have the right balance of skills, experience, independence and Group knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

To govern the Group effectively, Non-Executive Directors must have a clear understanding of the Group's overall strategy, together with knowledge about the Group and the industries in which it operates. Non-Executive Directors must be sufficiently familiar with the Group's core business to be effective contributors to the development of strategy and to monitor performance.

The Board requires that Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and are free to question or challenge the opinions of others. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of the Company.

CURRENT BOARD PROFILE

The Board considers that each of the Non-Executive Directors has the following attributes:

- time to undertake the responsibilities of the role;
- unquestioned honesty and integrity;
- a willingness to understand and commit to the highest standards of governance;
- knowledge of commodity markets and mining
- an ability to think strategically
- a preparedness to question, challenge and critique
- experience of managing in the context of uncertainty, and an
- understanding of the risk environment of the Group, including the potential for risk to impact our health and safety, environment, community, reputation, regulatory, market and financial performance;
- knowledge of world capital markets.

SENIOR INDEPENDENT DIRECTOR

During the year under review, Thorstein Abrahamsen held the role of Senior Independent Director of Afarak Group in accordance with the UK Corporate Governance Code. He acted independently in the best interests of the Group. His expertise and broad international experience materially enhanced the skills and experience profile of the Board. He is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO. As Senior Independent Director, he also provides a sounding board for the Chairman and serves as an intermediary for other Directors if necessary.

BOARD INDEPENDENCE

The Finnish Corporate Governance Code requires that the majority of the directors are independent of the Company. In addition, at least two of the directors representing this majority must be independent of the significant shareholders of the Company. The Company believes that Mr Thorstein Abrahamsen and Dr Jelena Manojlovic are independent of the Company and significant shareholders.

The company believes that Mr. Guy Konsbruck is dependent of the company since Mr. Konsbruck has had a non-temporary employment relationship with the Company during past four years.

	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination & Remuneration Committee	Health, Safety & Sustainable Development Committee
Jelena Manojlovic	NED	11 July 2008	Independent	Member	Member	Member
Thorstein Abrahamsen	Chariman	11 May 2017	Independent	Member	Member	Member
Guy Konsbruck	ED	5 February 2018	Dependent			Member

THE BOARD IN 2020

The Board of Directors made it a priority to review various elements relating to the operation and corporate governance of Afarak. Highlights of the main discussions and decisions are presented below. A strategic workshop was held by the Board soon after election and various elements relating to Afarak's core business were reviewed.

COMPANY PERFORMANCE

Throughout the year, the Board supported company's various initiatives to mitigate the impact of Covid-19 on our employees, operations and business.

RISK MANAGEMENT

The Board continued enhancing the Group's risk management function across the Group. Key factors were identified and various mitigating measures, including reducing the exposure to currency fluctuations and more controls in our South African operations to reduce staff. In addition, the Board has overseen measures to improve liquidity and in particular to manage its working capital effectively.

SUSTAINABILITY

The Board highlighted health & safety as a key priority. The Board is working closely with the respective units to strengthen the health & safety culture within the Company. The Board remains committed to continue investing in training, equipment and reporting to ensure that its policy of 'Zero Harm' is practiced throughout the Company. From the environmental perspective, investments were made in the plants in Turkey in terms of water conservation and management.The Board continued the Company's support towards host communities in South Africa.

A total of 12 meetings of the Board were held during the reporting period and the attendance of the directors is tabled below.

Meetings attended	
Thorstein Abrahamsen	12/12
Jelena Manojlovic	12/12
Guy Konsbruck	12/12

A total of 12 meetings were held during the reporting period. The differences in the meetings attended, related to the changes in Board composition.

REMUNERATION

The AGM resolved that the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 per month and all Non-Executive Board Members are paid EUR 3,500 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.

Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership.

During the financial year 2020, the Board members received a total of EUR 144,000 and Committee membership fees.

BOARD COMMITTEES

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is currently composed of the two Board members: Thorstein Abrahamsen and Jelena Manojlovic. The Committee convened three times.

The Board has defined the Committee's duties in accordance with the recommendations of the Finnish and the UK Corporate Governance Codes. The Audit and Risk Management Committee reviews the auditors' work and monitors the Group's financial position and the appropriateness of its financial reporting. The Committee oversees risk management procedures and internal controls, maintaining contact with auditors and evaluating their reports. The Committee reports regularly to the Board.

In 2020, the Committee continued to oversee the Group's financial performance and reporting. The Committee also worked with management to continuously improve the reporting function of the Group, both internally and externally. Regular scrutiny of the Group's compliance with laws, regulations and best practice continued being an area of focus during the year.

The Committee assessed various growth options, strategies and investments. The Committee also assessed various external financing facilities. Throughout the year, the Committee worked on improving the internal budgeting and forecasting models and processes.

The Committee also reviewed each quarterly report before release and recommended changes where necessary, before recommending the reports to the Board.

NOMINATION AND REMUNERATION COMMITTEE

The combined Nomination and Remuneration Committee of the Company is currently composed of the two Board members: Thorstein Abrahamsen and Jelena Manojlovic. The Committee convened three times.

The Committee leads the process for making appointments to the Board and the executive management and submits recommendations to the Board in this regard. The Committee also leads the process relating to the remuneration of the executive management and the Board and makes recommendations to the Board and to the General Meeting in relation to the Board's remuneration.

THE COMMITTEE FOR HEALTH, SAFETY AND SUSTAINABLE DEVELOPMENT

The combined Health, Safety and Sustainable Development Committee of the Company is currently composed of three Board members: Thorstein Abrahamsen, Jelena Manojlovic and Guy Konsbruck. The Committee convened 1 time.

The Committee's stated mission is to ensure that Afarak conducts its business in a responsible and ethical manner for the benefit of all its stakeholders. Throughout 2020, the Committee continued to monitor safety improvement progress and initiatives across various Units of the Company

Afarak is continuously investing in environmental initiatives and projects. It supported investments that will allow the Group to rehabilitate its mines and to invest in alternative energy sources. It continued supporting the business units in their efforts to improve water management and dust reduction. The Committee also continued to monitor Afarak's work and social investment programmes with local communities, particularly in South Africa.

CORPORATE GOVERNANCE STATEMENT

Afarak Group Plc ("Afarak", the "Company" or the "Group") is a Finnish public limited company listed on the Nasdaq Helsinki Stock Exchange (AFAGR) and the Main Market of the London Stock Exchange (AFRK).

Afarak's corporate governance is based on, and complies with, the laws of Finland, the Articles of Association of the Company, the Finnish Corporate Governance Code and the regulations of the Finnish Financial Supervisory Authority, the UK Listing, Disclosure and Transparency Rules, the Nasdaq Helsinki Stock Exchange and the London Stock Exchange. As Afarak primarily follows the Finnish Corporate Governance Code, certain sections of the UK Corporate Governance Code issued in September 2012 ("UK CG") are not strictly complied with. However, in the areas that the Company diverges from the UK CG the Company believes that its policies are acceptable for the reasons which are set out below.

UK CG Section	Description	The Reason for Non-Compliance
C.3.8	A separate section of the annual report should describe the work of the Audit committee in discharging its responsibilities.	While this report includes a description of the work of the audit and risk management committee, the contents requirements of this section under the UK GC are not the same as those under the Finnish CG and, therefore some information required under the UK GC is not included.
E.2.1	For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation. The Company does not provide proxy voting forms.
E.2.2	Miscellaneous general meeting procedures.	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation.

Afarak's foreign subsidiaries operate under the local laws and regulations of the countries in which they are located, including but not limited to local accounting and tax legislation as well as exchange controls. This Corporate Governance Statement for the financial period 1 January to 31 December 2020 is issued as a separate report to the Board of Directors' Report and is available on the Group's website at www.afarak.com. It has been prepared pursuant to the Finnish Corporate Governance Code 2020 which entered into force on 1.1.2020. The statement also includes a Remuneration Report for Governing Bodies for the accounting period 2020 following the instructions of the Finnish Corporate Governance Code 2020. Afarak complies with the Finnish Corporate Governance Code 2020 which can be found on the Securities Market Association's website at www.cgfinland.fi. Afarak has made no exceptions in its Finnish Corporate Governance Code compliance.

INTERNAL CONTROL

The principles of internal control are confirmed by the Board. The Group's EMT members are in charge of the day-to-day business management and administrative control in their respective responsibility areas.

MAIN PRINCIPLES OF RISK MANAGEMENT AND INTERNAL CONTROL

The purpose of risk management is to identify, evaluate and mitigate the potential risks that could impact the Group's business and the implementation of its strategy, and to ensure that risks are proportional to the Group's risk-bearing capacity.

The Group's risk management policy is approved by the Board of Directors and defines the objectives, approaches and areas of responsibility of risk management activities. The Group's key risks are reviewed and assessed by the Board on a regular basis. The Group's business segments, and the business units within those segments, are primarily responsible for managing their risks, their financial performance and their compliance with the Group's risk management policies and internal control procedures.

The Board of Directors is responsible for organising and maintaining adequate and effective internal control performed by the senior and executive management as well as other Afarak personnel and assisted by third-party experts when appropriate.

The Board of Directors decides on the Group's management system and the corporate and organisational structure required by each business unit with a view to providing solid foundations for effective internal control. Internal control and risk management related to financial reporting at the Group level are performed in a coordinated way by a function independent of the business areas. Each subsidiary's executive management is responsible for the implementation of internal control and risk management to the agreed Group principles and guidelines.

The system of internal control provides reasonable rather than absolute assurance that Afarak's business objectives will be achieved within the risk tolerance levels defined by the Board.

Internal control refers to elements of financial and operational management which are designed to ensure:

- Achievement of defined performance targets;
- Efficient use of resources and protection of assets;
- Effective management of risks;
- Accurate, timely and continuous delivery of financial and operational information;
- Full compliance with laws and regulations as well as internal policies; and
- Business continuity through secure systems and stable operating procedures.

THE STRUCTURE OF INTERNAL CONTROL SYSTEMS

The main structural elements of the Group's internal control system are:

- The risk management and internal control policies and principles defined by the Board;
- Implementation of the policies and principles under the supervision of Group management;
- Supervision of the efficiency and functionality of the business operations by Group management;
- Supervision of the quality and compliance of the financial reporting by the Group finance department;
- An effective control environment within all organisational levels and business units, including tailored controls for each business process; and
- Internal audits conducted as and when needed.

THE INTERNAL CONTROL OF THE FINANCIAL REPORTING PROCESS

The Group's financial organisation is structured so that each business unit has its own finance function, but overall financial management including accounting, taxation and financing is centralised within the Group's parent company.

The Group finance department is responsible for ensuring the compliance, quality and timeliness of the Group's external and internal financial reporting. The internal control mechanisms are based on the policies, procedures and authorisations established and approved by the Board. In addition to control mechanisms, training and sharing of knowledge are also significant tools of internal control.

Each business unit has its own finance function which reports to the Group Finance. The business unit's finance function is responsible for the unit's accounting and daily financial operations and internal reporting. The finance function and administration is overseen by the unit's management team and reports to the head of the business unit's segment.

The tasks of the Group Finance consist, among other things, of monthly consolidation of the Group's accounts, preparation of the quarterly interim reports and consolidated financial statements, financing of the Group, and tax planning.

Consolidated financial statements are prepared by using consolidation software. The accounting of the Company's subsidiaries is carried out by accounting systems and the accountants within each subsidiary enter the accounting information directly into the consolidation system, or in some cases send the information in a predefined format to the Group's financial administration to be consolidated.

ROLES AND RESPONSIBILITIES REGARDING RISK MANAGEMENT AND INTERNAL CONTROL

BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for the administration and the proper organisation of the Group's operations and approves all internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk-bearing capacity of the Group and reassess them on a regular basis as part of the Group's strategy and goal-setting process. The Board reports to the shareholders of the Company.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is responsible for the following internal control related activities:

- Monitoring the reporting process of the financial statements;
- Supervising the financial reporting process;
- Monitoring the efficiency of the Group's internal control, internal audit and risk management systems; and
- Monitoring the statutory audit of the financial statements and consolidated financial statements.

GROUP MANAGEMENT

The Group's management is in charge of the day-to-day management of the Group in accordance with the instructions and orders given by the Board. It sets the framework of the internal control environment and is in charge of the Group's risk management process and its continuous development. This includes allocation of resources to the work and continuous review of the risk management policies, as well as defining the principles of operation and overall processes.

EXTERNAL AUDIT

According to the Articles of Association, the Annual General Meeting of shareholders elects the Company's auditor, which must be a firm authorised by the Finnish Central Chamber of Commerce; otherwise the Company will have one main auditor and one deputy auditor. The auditor's term is for one year and finishes at the end of the first General Meeting following election.

During Afarak's General Meeting held in June 2019, Authorised Public Accountant Ernst & Young Oy ("EY") was elected as auditor, with Authorised Public Accountant Erkka Talvinko having the principal responsibility. EY is also the local auditor of all of the Group companies.

In 2020, the Company paid EUR 794,000 for audit fees (794,000) and EUR 67,000 for non-audit services (36,000) to EY.

INSIDER ADMINISTRATION

The Board of Directors of Afarak Group has confirmed the Insider Guidelines for the Company. The Insider Guidelines supplement the applicable regulations in force at any given time on the management and processing of insider information in accordance with the Market Abuse Regulation (EU) No 596/2014 (MAR), Chapter 51 of the Criminal Code, Chapter 15 of the Securities Markets Act, the Finnish Financial Supervisory Authority's regulations and Nasdaq Helsinki Ltd's Insider Guidelines.

All persons who have access to insider information on the company and who work for them on the basis of an employment contract or otherwise perform duties through which they have access to insider information, such as advisers, are included in the company's insiders.

The company maintains a separate list named Permanent Insiders. The supplementary section of Permanent Insiders contains information only on persons who have continuous access to all insider information within the company, such as persons in Company's finance department, legal counsels and auditors.

The Company maintains separate Project-Specific Insider Lists. Each Project-Specific Insider List only contains the details of such persons who have access to specific Inside Information relating to the particular project. Trading is prohibited during the project from the project-specific insiders

The Company has set up a list named PDMR -list (Persons Discharging Managerial Responsibilities) with Notification Obligation (Article 19 MAR) for the company's Board of Directors, Management Team and advisers as well as their closely associated persons.

The company's permanent insiders include the members of the Board of Directors, the Executive management team, members of the senior management, and the principal auditor appointed by the audit firm responsible for auditing the company, legal advisors, and translators. In addition, a non-public, project-specific insider register is kept concerning significant projects referred to in the insider regulations.

The Company trains and informs permanent insiders and project-specific insiders in such a way that they recognize their position and its importance. As concerns persons included in the register of Company's PDMR list with Notification Obligation and in the Permanent Insiders register, the Company's Insider Guidelines set a 30-day closed period prior to the publication of the interim report or the financial statements. During the closed period, trading in the issuer's financial instruments on one's own account or on behalf of a third party, directly or indirectly, is prohibited.

The Chief Executive Officer of the Company is responsible for insider issues.

WHISTLE-BLOWING

The Company maintains an internal system available for all employees for reporting any detected violations of internal or external standards and regulations (so called whistle-blowing). All such notifications will be investigated as a matter of urgency and confidentiality while protecting the identity of the notifier as far as possible.

Shareholdings of the CEO, members of the Board of Directors, Executive Management Team and auditors at 31 December 2020

	Title	Shares	Related Party Shares	Options
Members of the Board				
Thorstein Abrahamsen	Chairman	0		0
Jelena Manojlovic	Non-Executive Director	150,000		
Guy Konsbruck*	Chief Executive Officer, Executive Director	1,400,000		
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar	Executive	0		
Melvin Grima***	Chief financial Officer	0		

** The CEO was due to receive an additional 400,000 shares in 15 January 2021 after completing his fourth year of service. These will be granted after the AGM when a new board is formed. ** Dr Koncar has sold his shareholding in LNS (formerly Kermas Resources Ltd) on January 20,2018. *** Melvin Grima resigned during November and left the companu on 31st December 2020.*

PRINCIPLES CONCERNING RELATED PARTY TRANSACTIONS

The Company complies with the provisions of the Securities Markets Act and Limited Liability Companies Act, the recommendations of the Finnish Corporate Governance Code 2020 and the rules of Nasdaq Helsinki Ltd stock exchange concerning related party transaction. The Board of Directors of the company has adopted the policy on Related Party Transactions ("Policy") to be observed in the business operations of Company. The purpose of the Policy is to set out the processes and procedures that should be followed in relation to inter-company and related party transactions of the Group, mainly to ensure that transactions are carried out on arm's length terms. Related party transactions which do not form part of the Company's regular business activities or which are not conducted on normal market terms will be decided on by the Board of Directors of the Company, observing rules for conflict of interest.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

The Company's Annual General Meeting ("AGM') was held on 22 Jun 2020. 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 2019.

The AGM resolved that no dividend would be paid for 2019.

The AGM resolved that the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 per month and all Non-Executive Board Members are paid EUR 3,500 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 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 authorised public accountant firm Ernst & Young Oy is re-elected as the Auditor of the Company for the year 2020.

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 50,000,000 new shares or shares owned by the Company. This equates to approximately 19.8 % 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.

2020 ANNUAL GENERAL MEETING

Afarak's 2020 Annual General Meeting will be held within the time stipulated in the Finnish Companies Act.

DISTRIBUTION PROPOSAL

The Board of Directors will propose to the Annual General Meeting that no distribution would be paid in 2021.

ADDITIONAL INFORMATION

SHARE INFORMATION

Afarak Group Plc's shares are listed on NASDAQ Helsinki (AFAGR) and on the Main Market of the London Stock Exchange (AFRK).

On 31 December 2020, the registered number of Afarak Group Plc shares was 252,041,814 (252,041,814) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2020, the Company had 13,162,599 (13,677,599) own shares in treasury, which was equivalent to 5.22% (5.43%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2020, was 238,879,215 (238,634,215).

At the beginning of the period under review, the Company's share price was EUR 0.53 on NASDAQ Helsinki and GBP 0.38 on the London Stock Exchange. At the end of the review period as at December 2020, the share price was EUR 0.23 and GBP 0.20 respectively. During 2020, the Company's share price on NASDAQ Helsinki ranged from EUR 0.15 to 0.98 per share and the market capitalisation, as at 31 December 2020, was EUR 56.96 (1 January 2020: 133.83) million. For the same period on the London Stock Exchange, the share ranged from GBP 0.05 to 0.75 per share and the market capitalisation was GBP 50.4 (1 January 2020: 94.52) million, as at 31 December 2020.

On 28 January 2020, the company announced changes regarding Afarak Group Plc's treasury shares, where a total of 115,000 treasury shares has been transferred to subscribers. On 16 December 2020, the company announced changes regarding Afarak Group Plc's treasury shares, where a total of 400,000 shares has been transferred to the CEO Guy Konsbruck, which form part of the remuneration package under the CEO agreement.

FLAGGING NOTIFICATIONS

There were no flagging notifications during the year.

REMUNERATION REPORT

This report sets out the remuneration policy and practices for Afarak's Board and Executive Management Team ("EMT) and provides details of their remuneration and share interests for the year ended 31 December 2020.

REMUNERATION POLICY

Afarak operates in a very competitive sector in terms of human capital with a shortage of highly qualified and experienced executives. The Group's remuneration policy is designed to attract, retain and incentivise high-calibre executives to implement its business strategy and enhance shareholder value.

The policy seeks to align the interests of the business and shareholders by rewarding executives appropriately for achieving individual and group targets and thereby ensuring long-term value creation for the benefit of all shareholders.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee makes recommendations to the Board regarding executive remuneration and submits proposals to the Annual General Meeting of shareholders regarding the Board's remuneration.

The committee is responsible for the overall direction of the remuneration policy, as well as determining, within agreed terms of reference, the specific remuneration packages of the EMT. This includes pension rights, executive incentive schemes and any compensation payments. To ensure that the Group's remuneration packages are both appropriate and competitive, the committee evaluates information on market-based remuneration levels for comparable companies.

The members of the committee in 2020 were Dr Jelena Manojlovic (Chair) and Thorstein Abrahamsen.

CEO SERVICE AGREEMENT

The Board appoints the Chief Executive Officer (CEO) to manage, develop, guide and supervise the Group's activities and leads the EMT. The Board decides upon the CEO's remuneration based on the recommendations made by the Committee.

The CEO has an annual remuneration of EUR 360,000. He shall also receive 500,000 Company shares as an incentive for each completed year of service acting as CEO. Mr Guy Konsbruck received one share transfer in 2018 and one share transfer in 2019. In 2019 it was agreed that his package will reduce by 20% until the market recovers and the results improve.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage and there is no set retirement age.

NON-EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Non-executive directors do not have service contracts with the company.

The remuneration of members of the Board of Directors is agreed at the Company's General Meetings. Directors' remuneration consists of monthly fixed fees. The Annual General Meeting held on June 22, 2020 resolved that the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 per month and all Non-Executive Board Members are paid EUR 3,500 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.

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to executive role have been presented below.

RELATED PARTY TRANSACTIONS WITH PERSONS BELONGING TO THE GROUP'S BOARD AND MANAGEMENT

EUR '000		2020			2019		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Konsbruck Guy	Board member 05.2.2018 onwards, CEO 15.1.2017 onwards		288	60		294	605
BOARD MEMBERS							
Abrahamsen Thorstein	Board member 23.5.2017 onwards, Chairman 11.11.2019 onwards		84			63	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 23.5.2017 – 25.6.2019		60			66	
Rourke Barry	Board member 8.5.2015 – 11.11.2019, Chairman 25.06.2019 – 11.11.2019		0			73	
Bolleurs Yolanda	Board member 25.6.2019 – 11.11.2019		0			25	
Total		**0**	**432**	**60**	**0**	**521**	**605**

OTHER EMT MEMBERS' SERVICE CONTRACTS

As Afarak operates within highly competitive environment, its performance depends on the individual contributions of the executive directors and other senior employees. The remuneration packages are designed to attract, motivate and retain executives to manage the Group's operations effectively and to reward them for enhancing shareholder value.

The EMT remuneration package is a combination of a base salary and long-term based incentives, fringe benefits include liability insurance, traveller's insurance and telephony services.

There are no early retirement options in the EMT's employment contracts and the notice period and/or non-compete period is normally six months, unless otherwise agreed.

The table below includes the EMT but excludes the CEO since the compensation for Board members and CEO has been presented separately.

None of Afarak's executive directors have received any compensation for serving as a NED in other companies.

MANAGEMENT REMUNERATION

EUR '000	2020	2019
Fixed salaries and fees	151	591
Provision for variable performance related compensation	0	0
Total	**151**	**591**

SHARE-BASED COMPENSATION

SHARE OPTIONS

As part of the remuneration packages of its CEOs, Afarak pays a share-based compensation of 500,000 shares for every completed year. Guy Konsbruck, after completing his first year as CEO in 2019 received 500,000 in share-based compensation. He received another 400,000 for third year of service in 2020 and he is due to receive another 400,000 shares for his fourth year of service in 2021. These shares have a lock-up period of two years from subscription date.

DIRECTORS' AND EMT MEMBERS' SHAREHOLDINGS AND OPTIONS AT 31 DECEMBER 2020

	Title	Shares	Related Party Shares	Options
Members of the Board				
Thorstein Abrahamsen	Chairman	0		0
Jelena Manojlovic	Non-Executive Director	150,000		
Guy Konsbruck*	Chief Executive Officer, Executive Director	1,400,000		

** The CEO will receive an additional 400,000 shares in 2021 after completing his fourth year of service.*

Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

Afarak Group has restated its figures for 2019 due to the loss of control and the end of the consolidation of Afarak Mogale (Pty) Ltd. Afarak Group reclassified Afarak Mogale (Pty) Ltd's previously reported income statement figures as discontinued operations. There is no change to the previously reported balance sheet figures.

EUR '000	Note	1.1.-31.12.2020	1.1.-31.12.2019 Restated
Revenue	1	**59,805**	**97,894**
Other operating income	2	1,333	1,216
Materials and supplies		-43,514	-73,282
Employee benefits expense	3	-15,432	-19,474
Depreciation and amortisation	4	-2,626	-3,618
Impairment	4	-21,515	0
Other operating expenses	5	-6,243	-10,917
Share of profit from joint ventures	12	0	-868
Operating (loss) / profit		**-28,192**	**-9,050**
Acquisition of Synergy Africa Ltd		0	7,069
Finance Income	6	8,548	3,437
Finance Expense	6	-12,804	-7,213
(Loss) / profit before taxes		**-32,448**	**-5,756**
Income taxes	7	4,804	-309
(Loss) / profit from continuing operations		**-27,644**	**-6,065**
(Loss) / profit on discontinued operations	8	6,073	-52,812
(Loss) / profit for the year		**-21,571**	**-58,878**
(Loss) / profit attributable to:			
Owners of the parent		-17,672	-57,577
Non-controlling interests		-3,899	-1,301
		-21,571	**-58,878**
Earnings per share (counted from profit / (loss) attributable to owners of the parent):	9		
basic (EUR), Group total		-0.07	-0.23
diluted (EUR), Group total		-0.07	-0.23
basic (EUR), continuing operations		-0.10	-0.02
diluted (EUR), continuing operations		-0.10	-0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.-31.12.2020	1.1.-31.12.2019 Restated
(Loss)/profit for the year from continuing operations		**-27,644**	**-6,065**
Other comprehensive (loss)/income			
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit pension plans		-1,308	-2,740
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations - Group		-8,264	2,166
Other comprehensive (loss), net of tax		**-9,572**	**-574**
Total comprehensive (loss)/income from continuing operations		**-37,216**	**-6,639**
Total comprehensive (loss)/income from continuing operations attributable to:			
Owners of the parent		-32,256	-5,311
Non-controlling interests		-4,960	-1,328
		-37,216	**-6,639**
(Loss)/profit for the year from discontinuing operations		**6,073**	**-52,812**
Items that may be reclassified to profit and loss			
Loss of control of subsidiary (Circulation of translation difference)	8	-13,719	0
Other comprehensive (loss) / income, net of tax		**-13,719**	**0**
Total comprehensive (loss)/income from discontinued operations		**-7,646**	**-52,812**
Total comprehensive (loss)/income from continuing operations attributable to:			
Owners of the parent		-7,646	-52,812
Non-controlling interests		0	0
		-7,646	**-52,812**
Total comprehensive (loss)/income for the year		**-44,863**	**-59,451**
Total comprehensive (loss)/income from continuing operations attributable to:			
Owners of the parent		-39,903	-58,123
Non-controlling interests		-4,960	-1,328
		-44,863	**-59,451**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Property, plant and equipment	10	61,617	110,798
Goodwill	11	42,105	45,414
Other intangible assets	11	6,232	7,010
Other financial assets	14	260	1,048
Deferred tax assets	20	2,916	3,419
		113,130	**167,689**
Current assets			
Inventories	15	13,464	29,964
Trade and other receivables	16	14,901	20,556
Cash and cash equivalents	17	1,098	5,389
		29,463	**55,909**
Total assets		**142,593**	**223,598**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	23,642	23,642
Share premium reserve		25,223	25,223
Legal Reserve		65	89
Paid-up unrestricted equity fund		208,005	207,850
Translation reserve		-40,540	-19,618
Retained earnings		-188,860	-169,880
		27,536	**67,306**
Non-controlling interests		2,269	7,230
Total equity		**29,806**	**74,536**
Non-current liabilities			
Deferred tax liabilities	20	11,437	21,573
Interest-bearing debt	14	34,589	18,290
Pension liabilities	22	23,359	22,475
Other non-current debt	23	33	2,668
Provisions	21	11,390	19,052
		80,808	**84,058**

Current liabilities			
Trade and other payables	23	14,529	19,853
Provisions	21	179	177
Tax liabilities	23	2,545	2,754
Interest-bearing debt	14	14,725	42,220
		31,978	**65,004**
Total liabilities		**112,786**	**149,062**
Total equity and liabilities		**142,593**	**223,598**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Note	1.1.-31.12.2020	1.1.-31.12.2019 Restated
Operating activities			
(Loss) / profit from continuing operation		-27,644	-6,065
Adjustments to net profit:			
Non-cash items			
Depreciation, amortisation and impairment	4	23,773	3,619
Acquisition of Synergy Africa Ltd		0	-7,069
Finance income and cost	6	4,047	3,632
Income from associates	13	0	868
Income taxes	7	-4,803	-2,546
Share-based payments	19	60	605
Proceeds from non-current assets		6,244	-3,325
Working capital changes:			
Change in trade receivables and other receivables		2,134	16,079
Change in inventories		7,191	18,124
Change in trade payables and other debt		1,616	-7,289
Change in provisions		585	9,007
Interest paid		-2,939	-2,492
Interest received		-85	-66
Other financing items		-1,701	-14,354
Income taxes paid		-1,702	-657
Discontinued operations	8	-11,189	-10,386
Net cash from operating activities		**-4,415**	**-21,315**
Investing activities			
Acquisitions of subsidiaries, net of cash acquired		0	684
Capital expenditure on non-current assets, net		-958	-1,684

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT.)

Other investments, net		47	-193
Repayments of loan receivables and loans given, net		48	398
Net cash used in investing activities		**-863**	**-795**
Financing activities			
Acquisition of own shares	18	0	-26,389
Proceeds from borrowings		3,215	33,155
Repayments of borrowings		-3,749	-6,902
Payment of principal portion of lease liabilities		-193	-222
Movement in short term financing activities		2,002	-3,457
Net cash used in financing activities		**1,275**	**-3,815**
Change in cash and cash equivalents		**-4,002**	**-6,926**

EUR '000	Note	1.1.-31.12.2020	1.1.-31.12.2019
Cash at beginning of period		5,389	12,132
Exchange rate differences		-289	182
Cash at end of period		1,098	5,389
Change in the statement of financial position	**17**	**-4,002**	**-6,926**

Discontinued operations' cash flows are described in more detail in the Note 8.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000

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

		ATTRIBUTABLE TO OWNERS OF THE PARENT								
EUR '000		A	B	C	D	E	F	G	H	I
Equity at 31.12.2018	**Note**	**23,642**	**25,223**	**231,292**	**- 21,811**	**-107,968**	**98**	**150,476**	**372**	**150,848**
(Loss) / profit for the period 1-12/2019						-57,576		-57,576	-1,301	-58,877
Other Comprehensive (loss) / income					2,193	-2,740		-547	-27	-574
Total comprehensive (loss) / income					**2,193**	**-60,316**		**-58,123**	**-1,328**	**-59,451**
Share-based payments	19			605				605	-	605
Share issue	18			783				783		783
Acquisition of own shares	18			-26,389				-26,389		-26,389
Acquisition of non-controlling interest	18			1,559		-1,596		-37	8,186	8,149
Other changes in equity							-9	-9		-9
Equity at 31.12.2019		**23,642**	**25,223**	**207,850**	**- 19,618**	**- 169,880**	**89**	**67,306**	**7,230**	**74,536**
(Loss) / profit for the period 1-12/2020						-17,672		-17,672	-3,899	-21,571
Other Comprehensive (loss) / income					-7,203	-1,308		-8,511	-1,061	-9,572
Loss of control of subsidiary (Circulation of translation difference)					-13,719			-13,719		-13,719
Total comprehensive (loss) / income					**-20,922**	**-18,980**		**-39,902**	**-4,961**	**-44,863**
Share-based payments	19			60				60		60
Acquisition of non-controlling interest	18			95				95		95
Other changes in equity							-24	-24		-24
Equity at 31.12.2020		**23,642**	**25,223**	**208,005**	**-40,540**	**-188,860**	**65**	**27,536**	**2,269**	**29,806**

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 COMPANY INFORMATION

Afarak Group is a chrome mining and minerals producer focused on delivering sustainable growth with a speciality alloys business in southern Europe and a ferro alloys business in southern Africa. The Group's parent company is Afarak Group Plc (business ID: 0618181-8). The parent company is domiciled in Helsinki, and its registered address is Kaisaniemenkatu 4, 00100 Helsinki, Finland. Copies of the consolidated financial statements are available at Afarak Group Plc's head office or at the Company's website: www.afarak.com.

Afarak Group Plc is quoted on the NASDAQ Helsinki Oy (trading code: AFAGR) in the industrials group, in the small-cap category, and on the main market of the London Stock Exchange (AFRK).

1.2 ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

These consolidated financial statements of Afarak Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in conformity with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2020. In the Finnish Accounting Act and the regulations issued on the basis thereof, International Financial Reporting Standards refer to the standards and their interpretations that have been approved for application within the EU in accordance with the procedure prescribed in the EU regulation (EC) 1606/2002. Notes to the consolidated financial statements also meet the requirements set forth in the Finnish accounting and company legislation.

The consolidated financial statements have been prepared on the historical cost basis, unless otherwise explicitly stated. All values are rounded to the nearest thousand (€ 000), unless otherwise explicitly stated.

Afarak Group Plc's Board of Directors resolved on 31 March 2021 that these financial statements are to be published. According to the Finnish Companies Act, shareholders shall endorse the financial statements in the Annual General Meeting convening after the financial statements have been published.

PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is: a retrospective application of an accounting policy; a retrospective restatement; or a reclassification of items in financial statements that has a material impact on the Group.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies controlled by the Group. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The existence of potential voting rights has been taken into account in assessing the requirements for control in cases where the instruments entitling their holder to potential voting rights can be exercised at the time of assessment. Control refers to the right to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Acquired subsidiaries are consolidated from the time when the Group gained control, and divested subsidiaries until the time when control ceased. All intra-group transactions, receivables, debts, and unrealised profits, as well as internal distribution of profits, are eliminated when the consolidated financial statements are prepared. The distribution of profits between parent company owners and non-controlling owners is shown in the statement of comprehensive income, and the non-controlling interest of equity is shown as a separate item in the statement of financial position under shareholders' equity.

Joint ventures are entities in which each venturer has an interest and there is a contractual arrangement establishing joint control over the economic activity of the entity.

As at 31 March 2019, the Group held 51% of shares of Synergy Africa Ltd, which the shareholders of Synergy Africa Ltd had entered into a joint venture agreement with joint control over the company. On 1 April 2019, Afarak acquired the 49% balance of Synergy Africa Ltd, and the Joint Venture agreement was terminated. Therefore Afarak now holds 100% of Synergy Africa Ltd. As at 31 March 2019, the company and its subsidiaries were not consolidated into the Group as subsidiaries but as joint ventures. The Group's share of net profit or loss of the Joint venture during the period January to March 2019 is shown on one line in the income statement. As from 1 April 2019, Synergy Africa Ltd and its subsidiaries were consolidated into the Group as subsidiaries.

Associates are companies in which Afarak Group exercises significant influence. The Group exercises significant influence if it holds more than 20% of the target company's voting rights, or if the Group in other ways exercises significant influence but not control. Associates have been consolidated in the Group's financial statements using the equity method. If the Group's share of the associate's losses exceeds the carrying amount of the investment, the investment is recognised at zero value on the statement of financial position, and losses exceeding the carrying amount are not consolidated unless the Group has made a commitment to fulfil the associates' obligations. Investment in an associate includes the goodwill arising from its acquisition.

TRANSLATION OF FOREIGN CURRENCY ITEMS

Amounts indicating the profit or loss and financial position of Group entities are measured in the currency of each entity's main operating environment ('functional currency'). Figures in the consolidated financial statements are presented in euro, the functional and presentation currency of the Group's parent company, Afarak Group Plc.

Transactions in foreign currencies have been recorded at the functional currency using the exchange rate on the date of the transaction or mid reference rates of central banks. Monetary items denominated in foreign currencies have been translated into the functional currency using the exchange rates at the end of each reporting period. Exchange rate gains and losses are included in the revenue, operational costs or financial items, corresponding to their respective origin. Hedge accounting has not been applied.

In the Group accounts, foreign subsidiaries' income statements and statements of cash flows are converted into euro by using average exchange rates for the period, and the statement of financial position is converted by using the period-end exchange rate. The translation differences arising from this are recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost and post-acquisition equity changes are also recognised in other comprehensive income. If and when the foreign subsidiary is partially or fully divested, these accrued translation differences will be taken into account in adjusting the sales gain or sales loss.

Goodwill, other assets and liabilities arising from acquisitions of subsidiaries are recognised in the Group accounts using the functional currency of each acquired subsidiary. The balances in that functional currency have then been translated into euro using the exchange rates prevailing at the end of the reporting period.

In accordance with IAS 21, any foreign exchange difference arising from Intra-group loans for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. This is recognised in the group's other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

OPERATING PROFIT

IAS 1 *Presentation of financial statements* does not define the concept of operating profit. Afarak Group has defined it as follows: Operating profit is the net amount derived by adding to revenue other operating income, less materials and supplies, and expenses from work performed by the enterprise and capitalised, less costs from employee benefits, depreciation and impairment losses, and other expenses. Shares of associated companies'and joint venture companies' profit or loss are included in the operating profit to the extent to which they relate to the Group's core businesses. Exchange differences arising from operational transactions with third parties are included in operating profit; otherwise they are recorded under financial items.

All other items of the income statement are excluded from operating profit.

IAS 1 amendment introduced the requirement for grouping of items presented in Other Comprehensive Income. Items that are reclassified (or `recycled`) to profit or loss at a future point in time will be presented separately from items which will never be reclassified. The amendment affected the presentation of Other Comprehensive Income.

REVENUE RECOGNITION

The Group applies IFRS 15 Revenue from Contracts with customers standard. Income from the sale of goods is recognised once the control of goods have been transferred to the buyer. Control is transferred either over time or at a point in time. The transfer of control depends on, terms of delivery (Incoterms) and some of which have transfer of risk to the customer before material is delivered to the final customer. The freight in conjunction with these delivery terms may be regarded as a separate performance obligation, however as they are limited in number, the Group does not consider the freight as being separate from the sale.

The most often used terms are FCA, CIF or FOB, under which the revenue is recognised when the goods are assigned to the buyer's carrier or loaded on board the vessel nominated by the buyer.

Generally, the Group receives short-term advances or cash against documents (CAD) from its customers. The payment terms are usually up to 60 days from end of month or after consignment report for customers with consignment agreement. The transaction price is based on official publications with premiums or discounts, while spot business is done based on negotiations. Performance obligations are satisfied at delivery of the goods and revenue is recognised based on the incoterms transfer of risk.

As typical in the business, preliminary invoices are issued for the mineral concentrates at the time of delivery. Final invoices are issued when quantity, mineral content and pricing have been defined for the delivery lot.

Income not generated by the Group's main businesses is accounted for as other operating income. The expenses incurred from disposals of non-current assets or a disposal group of assets are deducted from the gain on disposal.

PENSION LIABILITIES

Pension arrangements in Afarak Group are classified as defined contribution plans or defined benefit plans (Germany and Turkey). Payments for defined contribution plans are recognised as expenses for the relevant period. The present value of obligation for the defined benefit plans has been estimated applying the *Projected Unit Credit Method* and recognised as a non-current liability on the statement of financial position. The actuarial gains and losses are recognised in other comprehensive income when they occur and the net defined benefit liability or asset are presented in full on the statement of financial position.

SHARE-BASED PAYMENTS

Option rights are measured at fair value at the time they were granted and recorded as expenses on a straight-line basis during the vesting period. The expenses at the time the options were granted are determined according to the Group's estimate of the number of options expected to vest at the end of the vesting period. Fair value is determined on the basis of an applicable option pricing model (e.g. Black-Scholes). The effects of non-market-based terms and conditions are not included in the fair value of the option; instead, they are taken into account in the estimated number of options expected to vest at the end of the vesting period. The Group updates the estimated final number of options at the end of each reporting period. Changes in the estimates are recorded in the statement of comprehensive income. When the option rights are exercised, the cash payments received from the subscriptions adjusted with potential transaction costs are recorded under paid-up unrestricted equity reserve.

The Group from time to time directs free issues of shares to the members of the Board of Directors or key executives, as approved by the AGM. The compensation is settled in shares and is accordingly recognised as share-based payment in the Group's financial statements. The fair value of the granted shares is determined based on the market price of the Afarak Group share at the grant date. The total fair value is therefore the amount of granted shares multiplied by the share market price at grant date. The cost is recognised as expense in personnel costs over the vesting periods and credited to equity (retained earnings).

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE) TRANSACTIONS

The purpose of South African Broad Based Black Economic Empowerment (BBBEE) regulation is to enable previously disadvantaged people meaningfully to participate in the South African economy. The Group is committed to making a positive contribution towards the objectives of BBBEE. Where the Group disposes of a portion of a South African based subsidiary or operation to a BBBEE company at a discount to fair value, the transaction is considered to be a share-based payment (in line with the principle contained in South Africa interpretation AC 503 Accounting for Broad Based Black Economic Empowerment (BBBEE) Transactions). The discount provided or value given is calculated in accordance with IFRS 2 and recognised as an expense. Where the BBBEE transaction includes service conditions, the expense is recognised over the vesting period. Otherwise the expense is recognised immediately on the grant date.

LEASE AGREEMENTS (THE GROUP AS THE LESSEE)

Leases of tangible assets where the Group possesses a material portion of the risks and benefits of ownership are classified as financial leases. An asset acquired through a financial lease agreement is recognised at the fair value of the leased object at the beginning of the lease period, or at a lower current value of minimum lease. An asset obtained through a finance lease is depreciated over the useful life of the asset or the lease term, whichever is shorter. The leases payable are divided into financial expenses and loan repayment during the lease term so that the interest rate for the remaining loan is roughly the same each financial year. Leasing obligations are included in interest-bearing liabilities. Lease agreements in which the risks and benefits typical of ownership remain with the lessor are recognised in the statement of financial position as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for the use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the income statement over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

IMPAIRMENT

At the end of each reporting period, the Group makes an assessment of whether there are any indications of asset impairment. If such indications exist, the recoverable amount of the asset is estimated. In addition, goodwill is assessed annually for its recoverable amount regardless of whether there are any signs of impairment. Impairment is examined at the cash-generating unit level; in other words, the lowest level of entity that is primarily independent of other entities and whose cash flows can be separated from other cash flows. Impairment related to associates and other assets are tested on a company/asset basis.

The recoverable amount is the fair value of an asset less divestment costs, or the higher value in use. Value in use means the present value of estimated future cash flows expected to arise from the asset or cash-generating unit. Value in use is forecast on the basis of circumstances and expectations at the time of testing. The discount rate takes into account the time value of money as well as the special risks involved for each asset, different industry-specific capital structures in different lines of business, and the investors' return expectations for similar investments. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. If the impairment loss is allocable to a cash-flow-generating unit, it is allocated first to reduce the goodwill of the unit and subsequently to reduce other assets of the unit. An impairment loss is reversed if a change has occurred in circumstances and the recoverable amount of the asset has changed since the impairment loss was recognised. An impairment loss recognised for goodwill is not reversed in any circumstances.

Goodwill is tested for impairment annually at year end; for the 2020 financial year, testing took place on 30 June 2020 for the Speciality Alloys business and the South African minerals processing business and on 31 December 2020 for all cash generating units. Impairment testing and the methods used are discussed in more detail in section 1.5 in the 'Notes to the consolidated financial statements'.

FINANCIAL INCOME AND EXPENSE

Interest income and expense is recognised using the effective interest method, and dividends are recognised when the right to dividends is established. Unrealised changes in value of items measured at fair value are recognised in the statement of comprehensive income. These items relate to currency forward contracts. Exchange rate gains or losses that arise from intercompany loans that are considered as part of the net investment in the foreign entity are included, net of any deferred tax effects, in the translation reserve within the equity. These exchange differences are recognised in other comprehensive income while accumulated exchange differences are presented in the translation reserves in the equity.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset forming part of the cost of that asset, are capitalised if it is likely that they will provide future economic benefit and can be measured in a reliable manner. Other borrowing costs are recognised as an expense in the period in which they are incurred.

INCOME TAXES

Tax expenses in the statement of comprehensive income consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous years. Maltese companies' income taxes are recognised and paid applying the nominal income tax rate which is 35%. Six sevenths of this tax is refunded when the company pays a dividend. Consequently the effective tax rate is 5%. The tax refund is recognised when the dividend is declared. Taxes arising from items recognised directly in equity are presented as income tax relating to other comprehensive income.

Deferred taxes have been calculated for all temporary differences between the carrying amount and taxable amount. Deferred taxes have been calculated using the tax rates set at the end of the reporting period. Deferred tax assets arising from taxable losses carried forward have been recognised up to the amount for which there is likely to be taxable income in the future, and against which the temporary difference can be used.

TANGIBLE ASSETS

Tangible assets have been measured at historical cost less accumulated depreciation and impairment losses. The initial cost of an asset comprises its purchase price, costs directly attributable to bringing the asset into operation and the initial estimate of the rehabilitation and decommissioning obligation. Heavy production machinery often contains components with different useful lives, and therefore the component approach is applied. Material component replacements and repairs are capitalised. The repair and maintenance of lighter machinery and other intangible items are recognised as an expense when incurred.

Interest expenses are capitalised as part of the tangible asset's value if and when the Group acquires or constructs assets that satisfy the required terms and conditions.

Assets are depreciated over their useful lives using the straight-line method, except for the mineral resources and ore reserves which are depreciated based on estimated or reported consumption. Land areas are not depreciated. The estimated useful lives of assets are as follows:

Buildings	15–50 years
Machinery and equipment	3–15 years
Other tangible assets	5–10 years
Mines and mineral assets	Units-of-production method

The residual value of assets and their useful life are reviewed in connection with each financial statement and, if necessary, they will be adjusted to reflect the changes that have occurred in the expected financial benefit. The sales gains or losses arising from the decommissioning or divestment of tangible assets are included in other operating income or expenses.

MINES AND MINERAL ASSETS

Measurement of mineral resources and ore reserves in business combinations

Mineral resources and ore reserves acquired in business combinations are recognised as separate assets. In the recognition and measurement of mineral resources and ore reserves the Group utilises available third party reports of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also an essential factor. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as 'proven', 'probable', 'inferred' and 'hypothetical'. There are also generally accepted standards for the classification of mineral resources in the business, such as the standards of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ('SAMREC'). The measurement of ore reserves is based on estimated market prices, estimated production costs and quantities. In the Group's statement of financial position, mineral resources and ore reserves are presented as tangible assets. Rehabilitation liabilities related to mines are included in their cost of acquisition, and corresponding provision is recognised on the statement of financial position.

Exploration and evaluation expenses of mineral resources

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources when new potential ore reserves are sought, for example by exploratory drilling. Exploration and evaluation expenditure is carried forward as an asset if the Group expects such costs to be recouped in full through the successful development of the area of interest; or alternatively by its sale; or if exploration and evaluation activities in the area of interest have not yet reached a stage which permits the reasonable assessment of the existence of economically recoverable reserves and active and significant operations in relation to the area are either continuing or planned for the future. Exploration and evaluation expenditure includes material and other direct costs incurred, for instance, by exploratory drilling and surveys. Overheads are included in the exploration and evaluation asset to the degree to which they can be associated with finding and evaluating a specific mineral resource. Exploration and evaluation assets are measured at cost and are transferred to mine development assets when utilisation of the mine begins. The asset is then depreciated using the units-of-production method. Assets are written off when it is determined that the costs will not lead to economic benefits or expensed when incurred if the outcome is uncertain.

Exploration and evaluation assets are assessed for impairment if and when facts and circumstances suggest that the carrying amount exceeds its recoverable amount. In particular, the impairment tests are carried out if the period for which the Group has right to explore the specific area expires or will expire in the near future and future exploration and evaluation activities are not planned for the area.

Exploration and evaluation assets acquired in conjunction with business combinations are accounted for at fair value in accordance with the principles of IFRS 3.

Mine establishment costs

Mine establishment costs are capitalised as part of the mine's acquisition cost and depreciated using the units-of-production method when the production of the mine begins. The costs arising from changes in mining plan after the production has begun are expensed as incurred.

Impairment

The value of mineral resources and ore reserves acquired in business combinations is tested for impairment if there are indications of deterioration in the long-term ability to utilise the asset economically. In the test the cash flows generated by the asset are assessed based on most recent information on the technical and economic utilisation of the asset.

GOODWILL AND INTANGIBLE ASSETS IDENTIFIED AT ACQUISITION

Goodwill represents the portion of acquisition cost that exceeds the Group's share of the fair value at the time of acquisition of the net assets of the acquired company. Instead of regular amortisation, goodwill is tested annually for potential impairment. For this purpose, goodwill has been allocated to cash-generating units or, in the case of an associated company, is included in the acquisition cost of the associate in question. Goodwill is measured at original acquisition cost less impairment losses. Changes in purchase considerations, for example due to earn-out arrangements, relating to acquisitions carried out before 2010 have been recognised against goodwill in accordance with the earlier IFRS 3.

The net assets of an entity acquired in a business combination are measured at fair value at the date of acquisition. In connection with business combinations, the Group also identifies intangible assets that are not necessarily recorded on the statement of financial position of the acquired entity. These assets include, for instance, customer relationships, trademarks and technology. The assets are recognised at fair value and amortised over their useful lives on a straight-line basis. The amortisation periods for these intangible assets are as follows:

Customer relationships:	2-5 years depending on contractual circumstances
Technology:	5-15 years
Trademarks:	1 year

RESEARCH AND DEVELOPMENT COSTS

Research costs are always recognised as expenses. Mine development costs are capitalised as part of mining assets and depreciated on a unit of production basis. The development costs, which primarily relate to the development of existing products, are expensed as incurred.

OTHER INTANGIBLE ASSETS

Other intangible assets are initially recognised on the statement of financial position at cost when the costs can be reliably determined and it is probable that the expected financial benefits of those assets will be reaped by the Group. Other intangible assets mainly relate to IT software utilised in support of the Group's business operations and they are amortised over 3-5 years on a straight-line basis.

INVENTORIES

Inventories are measured at acquisition cost or a lower probable net realisable value. Acquisition costs are determined using the average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour expenses, other direct expenses, and an appropriate share of fixed and variable production overheads based on the normal capacity of the production facilities. In open pit mining operations, the removal costs of overburden and waste material (stripping costs) are included in the cost of inventory. The net realisable value is the estimated selling price that is obtainable, less the estimated costs incurred in completing the product and the selling expenses.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss in accordance with *IFRS 9: Financial Instruments*.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. See note 14, in section 1.8. Notes to the Statement Of Financial Position, for tabular presentation of financial instruments.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under *IFRS 15: Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

There have been no transfers of financial assets between fair value categories during the financial period. Afarak has not changed its recognition or fair valuation methods during the financial period.

1. Financial assets at amortised cost (debt instruments)

This category financial assets are measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group held loans receivable and trade receivables which were classified as being financial assets at amortised cost.

2. Financial assets at fair value through OCI (debt instruments)

This category of debt instruments are measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group did not hold any debt instruments classified as being financial assets at fair value through OCI.

3. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

4. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the nearterm.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group did not hold any debt instruments classified as being financial assets at fair value through profit or loss.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions
- Debt instruments at fair value through OCI
- Trade receivables, including contract assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and should the Group have any contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

When necessary, the Group utilises derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised on the income statement. The Group did not have currency hedged at year end.

TREASURY SHARES

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from the paid-up unrestricted equity reserve. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Group's own equity instruments.

FINANCIAL LIABILITIES

Liabilities are classified as current and non-current, and include both interest-bearing and interest-free liabilities. Interest-bearing liabilities are liabilities that either include a contractual interest component, or are discounted to reflect the fair value of the liability. In the earlier financial years discounted non-current liabilities have included acquisition-related deferred conditional and unconditional liabilities. Certain conditional liabilities have included an earn-out component that needed to be met to make the liability unconditional and fix the amount of the future payment. Acquisition-related conditional purchase considerations that were payable in the Company's shares were presented as interest-free liabilities.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 14, in 1.8 Notes to the Consolidated Statement of Financial Position.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The provision for rehabilitation and decommissioning costs has arisen on operating mines and minerals' processing facilities. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the rehabilitation and decommissioning liability. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs of or in the discount rate applied to the rehabilitation obligation are added or deducted from the profit or loss or, respectively, decommissioning obligation adjusted to the carrying value of the asset dismantled.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The standard IFRS 5 requires that an entity must classify a non-current asset or a disposal group as assets held for sale if the amount equivalent to its carrying amount is accumulated primarily from the sale of the item rather than from its continued use. In this case, the asset or disposal group must be available for immediate sale in its present condition under general and standard terms for the sale of such assets, and the sale must be highly probable.

Discontinued operation is a component of the entity with operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes, from the rest of the entity, that is either held for sale or already disposed of; and

- represents a major line of business or geographical area of operations,
- is part of a single-coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

ACCOUNTING POLICIES REQUIRING MANAGEMENT DISCRETION AND KEY UNCERTAINTY FACTORS FOR ESTIMATES

Preparation of the financial statements requires management to make estimates, assumptions and forecasts regarding the future. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations. In addition, management is required to use its discretion in the application of the financial statements' preparation principles.

The scope of the financial statements

The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies in which the Group has control. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The assessment of whether control is exercised requires management discretion.

As at 31 March 2019, the Group held 51% of shares of Synergy Africa Ltd, which the shareholders of Synergy Africa Ltd had entered into a joint venture agreement with joint control over the company. On 1 April 2019, Afarak acquired the 49% balance of Synergy Africa Ltd, and the Joint Venture agreement was terminated. Therefore Afarak now holds 100% of Synergy Africa Ltd. As at 31 March 2019, the company and its subsidiaries were not consolidated into the Group as subsidiaries but as joint ventures. The Group's share of net profit or loss of the Joint venture during the period January to March 2019 is shown on one line in the income statement. As from 1 April 2019, Synergy Africa Ltd and its subsidiaries were consolidated into the Group as subsidiaries.

Allocation of the cost of a business combination

In accordance with IFRS 3, the acquisition cost of an acquired company is allocated to the assets of the acquired company. The management has to use estimates when determining the fair value of identifiable assets and liabilities. Determining a value for intangible assets, such as trademarks and customer relationships, requires estimation and discretion because in most cases, no market value can be assigned to these assets. Determining fair value for tangible assets requires particular judgment as well, since there are seldom active markets for them where the fair value could be obtained. In these cases, the management has to select an appropriate method for determining the value and must estimate future cash flows.

Impairment testing

Goodwill is tested annually for impairment, and assessments of whether there are indications of any other asset impairment are made at end of reporting period, and more often if needed. The recoverable amounts of cash-generating units have been determined by means of calculations based on value in use. Preparation of these calculations requires the use of estimates to predict future developments.

The forecasts used in the testing are based on the budgets and projections of the operative units, which strive to identify any expansion investments and rearrangements. To prepare the estimates, efforts have been made to collect background information from the operative business area management as well as from different sources describing general market activity. The risk associated with the estimates is taken into account in the discount rate used. The definition of components of discount rates applied in impairment testing requires discretion, such as estimating the asset or business related risk premiums and average capital structure for each business segment.

Tangible and intangible assets

Afarak Group management is required to use its discretion when determining the useful lives of various tangible and intangible assets, which affects the amount of depreciation and thereby the carrying amount of the assets concerned. The capitalising of mine development assets and exploration and evaluation expenditure, in particular, requires the use of discretion. Similarly, management is required to use its discretion in determining the useful lives of intangible assets identified in accordance with IFRS 3, and in determining the amortisation period. This affects the financial result for the period through depreciation and change in deferred taxes.

Measurement of mineral resources and ore reserves

In the Group's mining operations, estimates have to be applied in recognising mineral resources acquired in business combinations as assets. In the recognition and measurement of mineral resources and ore reserves, the Group utilises available third party analyses of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also a key consideration. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as 'proven', 'probable', 'inferred' and 'hypothetical'. The measurement of ore reserves is based on estimated market prices, estimated production costs and on the probability classification of the mineral resource and quantities. Therefore, the Group's management has to use its discretion in applying recognition and measurement principles for mineral resources.

Rehabilitation provisions

The Group assesses the rehabilitation liabilities associated with its mines and production facilities annually. The amount of provision reflects the management's best estimate of the rehabilitation costs. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the area and remove or cover the contaminated soil from the site, the expected timing of those costs, and whether the obligations stem from past activity. These uncertainties may cause the actual costs to differ from the provision which has been made.

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The Group applied, for the first time, certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Several other amendments apply for the first time in 2020. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group and, hence, have not been disclosed.

The nature and the effect of these changes are disclosed below. Although the new standards and amendments applied for the first time in 2020, they did not have a material impact on the annual consolidated financial statements of the Group. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

In 2020, the Group has adopted the following amended standards issued by the IASB.

- Amendments to IFRS 3 Business Combinations – definition of business combination or as an asset acquisition.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates - Definition of 'material'.
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments - IBOR reform
- Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions

The above changes did not have an impact on the 2020 consolidated financial statements and they are not expected to have any impact in the 2021 consolidated financial statements.

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the Group, they have not been listed.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current. The amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use. Under the amendment, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract. Under the amendment, when assessing whether a contract is onerous or loss-making, an entity needs to include both the direct costs as well as incremental costs and an allocation of costs directly related to contract activities.

- Amendments to IFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities The amendment to IFRS 9 clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability to determine whether to derecognise the existing financial liability.
- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendment provides temporary reliefs related to financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).
- Amendments to IFRS 3: Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, to an updated version issued in 2018 without significantly changing its requirements.
- Additionally IFRS 17 Insurance contracts and amendments to IFRS 1 and IAS 41 have been issued but they will not have an impact on Afarak Group financial statements.

The new and amended standards that become effective of 1 January 2021 or later are not expected to have an impact on Afarak Group Oyj consolidated financial statements.

1.3 GOING CONCERN

Price and market recovery seems to be finally happening. As long as no major obstacles arise with a wide spread vaccination of the global population, both stainless steel and special steel producers seem to be filling up their order books LC FeCr prices have increased by 15% already, and Chrome Ore prices by more than 25% since beginning of the year. However, the chrome market had traditionally been highly volatile and there is no certainty that the chrome price level will remain at the same level as in January – March 2021.

The Specialty Alloys segment performance should gain from this improved situation and return to profits. The unprofitable operations in South Africa have been discontinued, and our mining activity is still at a reduced level.

We are in the process of restructuring a short-term commercial debt into a longer-term arrangement. This would provide the Company the funding needed to be able to continue its operations. If management is not successful in restructuring the debt as planned, there may be significant uncertainty concerning the continuity of the Group's operations.

The Company is also actively pursuing new funding via certain asset divestments. The additional funding through asset divestments would provide opportunity to increase working capital. Restructuring of the debt together with funding from asset divestments should lead to balanced cash flows in the foreseeable future.

Whereas the management is positive about successfully executing the debt restructuring and asset divestments, there is no certainty that the Company will be successful in these matters. It must be noted that a failure to achieve one or both of these goals may cast significant doubt on the company's ability to continue as a going concern.

The COVID-19 epidemic could create further damage that cannot be forecasted at this moment. The company is presently doing all efforts to manage the situation.

1.4 BUSINESS COMBINATIONS AND ACQUISTION OF NON-CONTROLLING INTERESTS

1.4.1 FINANCIAL YEAR 2020

Afarak did not carry out any acquisitions during the financial year 2020.

1.4.2 FINANCIAL YEAR 2019

Afarak acquired 49% balance of Synergy Africa Ltd previously a joint venture. Afarak now holds 100% of Synergy Africa Ltd and the Joint Venture agreement was terminated. Afarak acquired full control over its mining assets and is now consolidating Synergy Africa as a subsidiary as from 1st April 2019.

The purchase price allocation of the acquisition is presented below. The figures on the table represent the 100% of the assets and liabilities of Synergy Africa which is consolidated into Afarak Group's financial statements.

EUR MILLION	Book value	Fair Value adjustments	Fair Value / Contribution paid
Non-current assets	7.6	69.7	77.3
Net working capital	-5.5	0.0	-5.5
Deferred tax	0.0	-19.5	-19.5
Provision	-6.8	0.0	-6.8
Loans	-37.2	0.0	-37.2
Non-controlling interest	3.0	-11.4	-8.4
Net Assets	**-38.8**	**38.8**	**0.0**

Cost of acquisition	0.0
Net assets acquired	0.0
Cash flow effect	
Cash consideration paid	0.0
Cash acquired	0.7
Net cash	**0.7**

Intercompany Loans are now eliminated and external loans are now consolidated.

Fair valuation of former Synergy Africa joint venture resulted in a EUR 7.1 million accounting gain.

During the second quarter, Afarak also acquired a further 49% of the shares in Zeerust Chrome Mine, in exchange for total consideration of two million shares in Afarak Group Plc, amounting to Eur 1,654,000. Of which 26% are to be transferred to a prospective BEE partner and therefore Afarak holds and consolidate 74% interest in the company.

Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. This was approved by South Africa Reserve bank and it was executed after year end on 23 March 2021.

1.5 IMPAIRMENT TESTINGS

GENERAL PRINCIPLES OF IMPAIRMENT TESTING

Afarak Group has carried out impairment testing on goodwill and other assets as of 31 December 2020. The following cash generating units were defined for the impairment testing:

- Speciality Alloys business (Türk Maadin Sirketi and Elektrowerk Weisweiler) with a vertically integrated mining-beneficiation-smelting-sales operation in the specialty grade ferrochrome business;
- South African mining business (Mecklenburg, Stellite, Valkpoort and Zeerust);

The Group assesses at the end of each reporting period whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects will be estimated annually, irrespective of whether there is an indication of impairment. The South African mining business did not have any goodwill at the end of the financial year 2020.

During 2020, there were no indication of impairment at the Speciality Alloys business, while an impairment amounting to EUR 21.5 million less deferred tax of EUR 6.0 million was recognised at the Stellite mine on long term assets.

The Vlakpoort mine and Zeerust mine were not tested for impairment as there were no indication of impairment.

CHANGES IN GOODWILL DURING 2020

During the financial year 2020, the total goodwill of the Group decreased by EUR 3.3 million to a total of EUR 42.1 million. The decrease was attributable to an exchange rate movement of EUR 3.3 million related to Goodwill.

In 2014, the synergy goodwill identified in the Mogale acquisition, related to Afarak Trading acting as a global sales entity for the whole Group, was initially allocated to Speciality Alloys segment. Afarak Trading contribution is divided to both segments to reflect the nature of serving the whole Group. It is allocated to both segments based on their relative revenue, reflecting the volume of Afarak Trading related benefits enjoyed by the CGU. The changes are described below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2020	45,414	0.0	45,414
Exchange rate movement	-3,310	0.0	-3,310
Goodwill 31.12.2020	**42,105**	**0.0**	**42,105**

The changes in goodwill during 2019 are presented below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2019	44,001	12,244	56,245
Impairment	0	-12,459	-12,459
Exchange rate movement	1,412	215	1,627
Goodwill 31.12.2019	**45,414**	**0.0**	**45,414**

Goodwill as a ratio of the Group's equity on 31 December 2020 and 31 December 2019 was as follows:

EUR '000	31.12.2020	31.12.2019
Goodwill	42,105	45,414
Equity	29,806	74,536
Goodwill/Equity, %	141.3%	60.9%

IMPAIRMENT ON LONG TERM ASSETS

In 2020, an impairment write down on other long term assets in the South African mining business amounted to EUR 21.5 million less deferred tax of EUR 6.0 million. The impairment of other long term assets is disclosed in note 10 in the notes the Consolidated Statement of Financial Position.

METHODOLOGY APPLIED IN IMPAIRMENT TESTING

For the cash generating units that were tested, the test was carried out by calculating their value in use. Value in use has been calculated by discounting estimated future net cash flows based on the conditions and assumptions prevailing at the time of the testing. Future cash flows for the Speciality Alloys minerals processing have been projected for a five-year period, after which a growth rate equaling projected long-term inflation has been applied (Speciality Alloys: 2%). For the terminal year after the five-year estimation period, the essential assumptions (e.g. revenue, variable costs and fixed costs) have been based at the estimation period's previous year's figures. Future cash flows for the South African mining business have been projected for the life of mine with a 6.5% growth rate equaling projected long-term inflation has been applied.

The weighted average cost of capital (WACC) has been calculated separately for each cash generating unit and assets being tested, taking into account each business's typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as risk-free interest rates and margins for debt financing. The Group has used publicly available information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2020.

The information used in the 31 December 2020 impairment testing is based on business units' management future forecasts, on general third-party industry expert or analyst reports where available, and to the extent possible on the current business and asset base excluding any non-committed expansion plans. Forecasted sales volumes and profitability are based on the management's view on future development while also taking past performance into account. Price forecasts are based on independent market forecasts for all cash generating units, but South African mining business USD-based price forecast was adjusted for assumed Rand devaluation. The management's approach in preparing cash flow forecasts has not changed significantly from the previous impairment testing.

The underground production in the models of the South African mining business does not solely come from reserves, as some come from resources that are not yet converted to reserves. This increases the risk that some of the grades may differ, and tonnes could possibly not be economically extractable. There is also the risk that costs could be different than anticipated even though due care was taken in the cost evaluation.

The recoverable amount of the Stellite mine was values at fair value less costs of disposal.

These pre-tax discount rates applied in 2020 impairment testing were the following:

CASH GENERATING UNIT	PRE-TAX DISCOUNT RATE	
	2020	2019
Speciality Alloys	11.7%	15.2%
South African mines:		
- Stellite mine	-	26.4%
- Mecklenburg mine	33.1%	27.7%

The key reasons for the changes in the discount rates compared to 2019 were the changes in risk-free interest rates in both cash-generating units.

The cash flows in the Stellite mine impairment test review in 2019 included both opencast and recycling of tailing dam by way of using the shaking table technology, while in 2020, Stellite mine was valued at fair value less costs of disposal. The cash flows in the Mecklenburg mine impairment test review includes both opencast and underground operation. The Stellite mine model has a life of mine of 23 years and the Mecklenburg model has a life of mine of 10 years.

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount based on the following judgment rules:

RECOVERABLE AMOUNT DIVIDED BY THE CARRYING AMOUNT:	CONCLUSION:
< 100%	Impairment
101-120%	Slightly above
121-150%	Clearly above
> 150%	Significantly above

TEST RESULTS 31 DECEMBER 2020

The impairment test results were as follows:

CASH GENERATING UNIT	Goodwill (MEUR), pre-testing	Goodwill (MEUR), post-testing	Carrying amount (MEUR), pre-testing	Conclusion
Speciality Alloys	42.1	42.1	48.7	Slightly above
South African mines:				
- Stellite	0.0	0.0	27.8	Impairment
- Mecklenburg	0.0	0.0	16.9	Significantly above

The testable asset base (carrying amount) includes goodwill, intangible and tangible assets and net working capital less provisions and deferred tax liabilities (in relation to purchase price allocation entries).

Key background and assumptions used in the cash flow forecasts of the impairment testing process are summarised in the following table:

CASH GENERATING UNIT	Sales volume	Sales prices	Costs
Speciality Alloys business	FeCr: 23,000 t/a Cr ore: 13,000 t/a	LC/ULC ferrochrome with average Cr content of 70 %, based on external experts (Roskill) price forecasts	Raw material costs generally change in line with sales price; other costs growing at inflation rate
South African mining business: Mecklenburg mine	ROM: Underground mining of 20,000t in 2022; 177,000t om 2023; and is planned to increase to an average of 539,000t/a as from 2024 to 2031	SA Concentrate & SA Lumpy prices are based on external experts (Roskill) price forecasts adjusted for Rand devaluation	The costs for underground are based on past experiences of our mining team in underground operations adjusted for inflation rate. The cost over the life of mine excluding inflation is estimated to be ZAR 678 per saleable ton of chrome.

Moreover, the USD/ZAR foreign exchange rate affects significantly the testing of the South African mining business. The foreign exchange rate used in the test was 16.8 for the year 2020.

SENSITIVITY ANALYSIS OF THE IMPAIRMENT TESTS

The Group has analysed the sensitivity of the impairment test results by estimating how the essential assumptions should change in order for the recoverable amount to be equal to the carrying amount. The results of this sensitivity analysis as of 31 December 2020 are given below:

CASH GENERATING UNIT	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average EBITDA margin
Speciality Alloys	1.5% - points	-14.2%	-1.1% - points
South African mining business:			
- Stellite mine	- % - points	- %	- % - points
- Mecklenburg mine	-21.9% - points	-55.0%	-33.9% - points

1.6 OPERATING SEGMENTS

Afarak Group has two operating segments, FerroAlloys and Speciality Alloys, which are also the reporting segments. The operating segments are organised based on their products and production processes. The current reporting structure was adopted in 2011. The Group's executive management reviews the operating results of the segments for the purpose of making decisions on resource allocation and performance assessment. Segment performance is measured based on revenue as well as earnings before interest, taxes, depreciation and amortisation (EBITDA) as included in the internal management reports and defined consistently with the consolidated EBITDA.

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

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.

The revenue and costs of the Group's sales and marketing arm Afarak Trading Ltd ("ATL") is allocated to the segments in proportion to their sales. Afarak's other operations, including the Group's headquarters and other Group companies that do not have significant operations, are presented as unallocated items.

Intercompany transactions are carried out on an arm's length basis. The transactions between the segments have been limited but the parent company has provided funding and administrative services to the Group's subsidiaries.

The accounting policies applied in the operating segment information are the same as those in the consolidated financial statements.

OPERATING SEGMENT INFORMATION 2020

Year ended 31.12.2020 EUR '000	Speciality Alloys	FerroAlloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	98	98	445	0	543
Sale of goods	53,234	6,028	59,262	0	0	59,262
Total external revenue	53,324	6,126	59,360	445	0	59,805
Inter-segment revenue	0	0	0	1,479	-1,479	0
Total revenue	**53,324**	**6,126**	**59,360**	**1,924**	**-1,479**	**59,805**
Segment EBITDA	**306**	**-1,257**	**-951**	**-3,099**	**0**	**-4,050**
Depreciation and amortisation	-1,641	-1,004	-2,644	-19	0	-2,626
Impairment		-21,515	-21,515	0	0	-21,515
Segment operating profit / (loss)	**-1,335**	**-23,776**	**-25,110**	**-3,080**	**0**	**-28,192**
Finance income						8,548
Finance cost						-12,804
Income taxes						4,804
(Loss)/profit for the period from continuing operations						**-27,644**
(Loss)/profit for the period from discontinued operations						6,073
(Loss)/profit for the period						**-21,571**
Segment's assets [2]	**126,262**	**57,474**	**183,736**	**15,811**	**-56,954**	**142,593**
Segment's liabilities [2]	**78,548**	**53,447**	**131,995**	**38,374**	**-57,583**	**112,786**
Other disclosures						
Capital expenditure [3]	684	472	1,153	1	0	1,155
Provisions [4]	1,413	8,706	10,119	1,450	0	11,569

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Investments consist of increases in tangible and intangible assets whose life is longer than one financial year.
4. Balance sheet values.

Afarak Group has restated Figures in 2019 due to the loss of control and the end of the consolidation of Afarak Mogale (Pty) Ltd. Afarak Group reclassified Afarak Mogale (Pty) Ltd's previously reported income statement figures as discontinued operations. There is no change to the previously reported balance sheet figures.

OPERATING SEGMENT INFORMATION 2019

Year ended 31.12.2019 EUR '000	Speciality Alloys	Ferro Alloys Restated	Segments total Restated	Unallocated items	Eliminations	Consolidated Group Restated
External revenue						
Rendering of services	0	96	96	625	0	21
Sale of goods	82,464	14,689	97,153	20	0	97,173
Total external revenue	82,464	14,785	97,249	645	0	97,894
Inter-segment revenue	0	0	0	1,479	-1,479[1]	0
Total revenue	**82,464**	**14,785**	**97,249**	**2,124**	**-2,259**	**97,894**
Items related to joint ventures (core)	0	-868	-868	0	0	-868
Segment EBITDA	**6,846**	**-5,258**	**1,588**	**-7,020**	**0**	**-5,432**
Depreciation and amortisation	-2,368	-980	-3,348	-270	0	-3,618
Impairment		0	0	0	0	0
Segment operating profit / (loss)	**4,478**	**-6,238**	**-1,760**	**-7,290**	**0**	**-9,050**
Acquisition of Synergy Africa Ltd						7,069
Finance income						3,437
Finance cost						-7,213
Income taxes						-309
(Loss)/profit for the period from continuing operations						**-6,065**
(Loss)/profit for the period from discontinued operations						**-52,812**
(Loss)/profit for the period						**-58,878**
Segment's assets [2]	**166,670**	**115,023**	**281,693**	**17,409**	**-75,504**	**223,597**
Segment's liabilities [2]	**82,786**	**107,856**	**190,642**	**33,403**	**-74,984**	**149,061**
Other disclosures						
Capital expenditure [3]	2,651	1,814	4,465	150	0	**4,615**
Provisions [4]	1,528	16,251	17,778	1,450	0	**19,228**

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Investments consist of increases in tangible and intangible assets whose life is longer than one financial year.
4. Balance sheet values.

GEOGRAPHICAL INFORMATION

Revenues from external customers

EUR '000	2020	2019 Restated
Other EU countries	30,389	45,352
United States	18,341	28,442
China	455	0
Africa	5,671	12,374
Finland	494	1
Other countries	4,455	11,725
Total revenue	**59,805**	**97,894**

Revenue figures are based on the location of the customers.

The largest customer of the Group is in the Speciality Alloys business segment and represents approximately 6.4% (3.6%) of the Group's revenue in 2020.

Non-current assets

EUR '000	2020	2019
Africa	54,703	101,889
Other EU countries	7,975	8,548
Other countries	5,171	7,370
Total	**67,849**	**117,808**

In presenting geographical information, assets are based on the location of the assets. Non-current assets consist of property, plant and equipment, intangible assets and exclude Goodwill.

1.7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. REVENUE

EUR '000	2020	2019 Restated
Sale of goods	59,262	97,193
Rendering of services	543	721
Total	**59,805**	**97,894**

2. OTHER OPERATING INCOME

EUR '000	2020	2019 Restated
Gain on disposal of tangible and intangible assets	206	26
Rental income	203	240
Other	924	950
Total	**1,333**	**1,216**

3. EMPLOYEE BENEFITS

EUR '000	2020	2019 Restated
Salaries and wages	-13,710	-16,731
Share-based payments	-60	-605
Pensions costs	-99	-11
Other employee related costs	-1,563	-2,127
Total	**-15,432**	**-19,474**

AVERAGE PERSONNEL DURING THE ACCOUNTING PERIOD

	2020	2019 Restated
Speciality Alloys business	529	528
FerroAlloys business	179	406
Group Management	4	7
Other operations*	45	81
Total	**747**	**1,022**

PERSONNEL AT THE END OF THE ACCOUNTING PERIOD

	2020	2019 Restated
Speciality Alloys business	516	534
FerroAlloys business	83	307
Group Management	5	5
Other operations*	17	59
Total	**621**	**905**

* Other operations mainly relate to Magnohrom in Serbia

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR '000	2020	2019 Restated
Depreciation / amortisation by asset category		
Intangible assets		
Other intangible assets	-100	-171
Total	**-100**	**-171**
Property, plant and equipment		
Buildings and constructions	-30	-243
Machinery and equipment	-1,389	-1,648
Other tangible assets	-1,000	-1,454
Right-of-use assets	-107	-102
Total	**-2,526**	**-3,447**
Impairment by asset category		
Impairment write-down on long term assets	-21,515	0
Total	**-21,515**	**0**

5. OTHER OPERATING EXPENSES

EUR '000	2020	2019 Restated
Rental costs	-173	-325
External services1	-2,574	-3,799
Travel expenses	-159	-505
Other operating expenses[2]	-3,337	-6,287
Total	**-6,243**	**-10,917**

1. Audit fees paid to EY totalled EUR 878 (2019: 794) thousand in the financial year. The fees for non-audit services totalled EUR 67 (2019: 36) thousand.

2. Other operating expenses in the prior year 2019 include a provision of EUR 1,450 thousand for a penalty payment imposed by FIN-FSA relating to a delay in opening an insider register.

6. FINANCIAL INCOME AND EXPENSE

EUR '000	2020	2019 Restated
Finance income		
Interest income on loans and trade receivables	73	244
Foreign exchange gains	8,466	3,172
Other finance income	9	21
Total	**8,548**	**3,437**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-1,624	-1,178
Foreign exchange losses	-9,238	-4,186
Unwinding of discount, provisions	-1,315	-1,322
Other finance expenses	-626	-527
Total	**-12,804**	**-7,213**
Net finance expense	**-4,256**	**-3,776**

The interest expense on financial liabilities measured at amortised cost in both 2020 and 2019, include an accrual for interest on prepayment received in relation to the off-take agreement.

7. INCOME TAXES

EUR '000	2020	2019 Restated
Income tax for the period	-1,826	-705
Deferred taxes	6,630	394
Total	**4,804**	**-309**

EUR '000	2020	2019 Restated
Profit / (loss) before taxes	**-32,448**	**-5,756**
Income tax calculated at parent company income tax rate	**6,490**	**1,151**
Difference between domestic and foreign tax rates	6,781	-599
Tax credit	0	48
Items recognised only for taxation purposes	1,153	1,014
Income tax for previous years	-1,281	-215
Income from JV and associates	0	1,240
Impairment losses	-4,303	0
Deferred tax asset write-offs	-740	0
Tax losses not recognised as deferred tax assets	-5,540	-5,891
Non-tax deductible expenses	-839	-818
Previously unrecognised tax losses now recognised	3,083	3,760
Total adjustments	**-1,686**	**-1,460**
Income tax recognised	**4,804**	**-309**

On 31 December 2020 the Group companies had unused tax losses totalling EUR 47.6 (2019: 76.8) million for which the Group has not recognised deferred tax assets. A tax audit at TMS covering years 2013-2015 resulted in a tax increase of Eur 903 thousand. The company has appealed the decision.

8. DISCONTINUING 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. 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 2020, amounted to EUR 6.1 (-52.8) million arising from the transaction.

Financial information related to the result of the discontinued operation until Afarak's loss of control of Mogale is presented below.

EUR '000	1.1.-31.12.2020	1.1.-31.12.2019
Revenue	**16,628**	**51,768**
Other operating income	228	1,225
Operating expenses	-17,810	-71,316
Depreciation and amortisation	-975	-3,831
Impairment	-4,537	-31,951
Operating loss	**-6,466**	**-54,104**
Financial income and expense	-5,625	-722

Loss before tax	**-12,091**	**-54,827**
Income tax	145	2,014
Loss on discontinued operations, restated	**-11,946**	**-52,812**
Net balance sheet impact of discontinued operation	6,385	0
Impact of internal items	-2,086	0
Circulation of translation difference	13,719	0
Results of the discontinued operation	**6,073**	**-52,812**
Earnings per share calculated from the review period profit for owners of the Company		
Basic earnings per share (EUR)	0.03	-0.21
Diluted earnings per share (EUR)	0.03	-0.21
Net assets of discontinued operation		
ASSETS	**EUR '000**	
Non-current assets		
Property, plant and equipment		
Other intangible assets	5,118	
Receivables	286	
Deferred tax assets	536	
Circulation of translation difference	13	
	5,953	
Current assets		
Inventories	4,839	
Trade and other receivables	2,404	
Cash and cash equivalents	1,201	
	8,444	
Total assets	**14,397**	
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	13	
Interest-bearing debt (non-current)	3,793	
	3,806	
Current liabilities		
Trade and other payables	8,923	
Provisions	6,469	
Interest-bearing debt	1,584	
	16,976	
Total liabilities	**20,782**	
Net assets and liabilities	**-6,385**	

Cash flows from discontinued operations	1.1.-31.12.2020	1.1.-31.12.2019
EUR '000		
Net cash flow from operating activities	-10,904	-10,180
Net cash flow from investing activities	-7	-782
Net cash flow from financing activities	-278	575
Net cash flow for the period	**-11,189**	**-10,386**

9. EARNINGS PER SHARE

	2020			2019		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to owners of the parent company (EUR '000)	-23,745	6,073	-17,672	-4,764	-52,812	-57,577
Weighted average number of shares, basic (1 000)	238,488	238,488	238,488	251,785	251,785	251,785
Basic earnings per share (EUR) total	**-0.10**	**0.03**	**-0.07**	**-0.02**	**-0.21**	**-0.23**

	2020			2019		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to owners of the parent company (EUR '000)	-23,744	6,073	-17,671	-4,781	-52,796	-57,577
Weighted average number of shares, basic (1 000)	238,488	238,488	238,488	251,785	251,785	251,785
Effect of share options on issue (1 000)	2,915	2,915	2,915	2,589	2,589	2,589
Weighted average number of shares, diluted (1 000)	241,403	241,403	241,403	254,374	254,374	254,374
Diluted earnings per share (EUR) total	**-0.10**	**0.03**	**-0.07**	**-0.02**	**-0.21**	**-0.23**

Basic earnings per share is calculated by dividing profit attributable to the owners of the parent company by weighted average number of shares during the financial year.

When calculating the diluted earnings per share, all convertible securities with a potential dilutive effect are assumed to be converted into shares. Share options have a dilutive effect if the exercise price is lower than the share price. The diluted number of shares is the number of shares that will be issued free of charge when share options are exercised since with the funds received from exercising options, the Company is not able to issue the same number of shares at fair value. The fair value of shares is based on average share price of the period.

1.8 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10. PROPERTY, PLANT AND EQUIPMENT

EUR '000	Land and water property	Buildings and constructions	Machinery and equipment	Mines and mineral assets	Other tangible assets	Total
Balance at 1.1.2020	2,303	8,386	73,974	80,959	5,163	170,785
Additions	0	0	746	243	0	989
Discontinued operatrion	-139	-2,572	-24,567	0	-2,141	-29,419
Disposals	-4	-14	-414	0	-6	-438
Reclass between items	0	0	0	0	-237	-237
Effect of movements in exchange rates	-193	-984	-9,094	-11,216	-626	-22,113
Balance at 31.12.2020	**1,967**	**4,816**	**40,645**	**69,986**	**2,153**	**119,567**
Accumulated depreciation and impairment 1.1.2020	0	-4,531	-46,350	-6,453	-2,653	-59,987
Depreciation	0	-170	-2,264	-980	-78	-3,492
Impairment	0	0	0	-21,515	0	-21,515
Discontinued operation	0	1,249	15,926	0	1,961	19,136
Disposals	0	4	317	0	6	327
Effect of movements in exchange rates	0	463	5,653	880	585	7,581
Accumulated depreciation and impairment at 31.12.2020	**0**	**-2,985**	**-26,718**	**-28,068**	**-179**	**-57,950**
Carrying amount at 1.1.2020	**2,303**	**3,855**	**27,624**	**74,506**	**2,510**	**110,798**
Carrying amount at 31.12.2020	**1,967**	**1,831**	**13,927**	**41,918**	**1,974**	**61,617**
Balance at 1.1.2019	2,219	7,669	60,006	8,013	4,649	82,556
Additions	20	86	3,277	1,070	57	4,510
Business combinationss	0	527	9,400	72,575	96	82,598
Right-of-use assets (IFRS 16)	0	272	227	0	0	499
Disposals	0	-83	-389	0	-18	-490
Reclass between items	0	0	0	0	262	262
Effect of movements in exchange rates	64	-85	1,453	-699	117	849
Balance at 31.12.2019	**2,303**	**8,386**	**73,974**	**80,959**	**5,163**	**170,785**
Accumulated depreciation and impairment 1.1.2019	0	-3,941	-25,771	-5,624	-2,237	37,573
Depreciation	0	-510	-4,239	-1,416	-200	-6,365
Impairment	0	0	-10,793	0	-82	-10,875
Business combinations	0	-135	-4,497	0	-46	-4,678
Disposals	0	0	33	0	18	51
Effect of movements in exchange rates	0	55	-1,083	587	-106	-547
Accumulated depreciation and impairment at 31.12.2019	**0**	**-4,531**	**-46,350**	**-6,453**	**-2,653**	**-59,987**
Carrying amount at 1.1.2020	**2,219**	**3,728**	**34,236**	**2,388**	**2,412**	**44,984**
Carrying amount at 31.12.2020	**2,303**	**3,855**	**27,624**	**74,506**	**2,510**	**110,798**

Machinery and equipment include the prepayments made for them.

Property, plant and equipment include right of use asset EUR 0.4 (2019: 0.5) and a depreciation of EUR 0.1 (2019: 0.1) million.

11. INTANGIBLE ASSETS

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2020	100,918	106,224	8,644	1,770	217,556
Additions	0	0	118	48	166
Disposals	0	0	-2	0	-2
Effect of movements in exchange rates	-7,588	-9,818	-1,128	-245	-18,779
Balance at 31.12.2020	**93,330**	**96,406**	**7,632**	**1,573**	**198,941**
Accumulated amortisation and impairment at 1.1.2020	-55,504	-106,224	-3,220	-185	-165,133
Amortisation	0	0	-82	-25	-107
Disposals	0	0	1	0	1
Effect of movements in exchange rates	4,279	9,818	512	26	14,635
Accumulated amortisation and impairment at 31.12.2020	**-51,225**	**-96,406**	**-2,789**	**-184**	**-150,604**
Carrying amount at 1.1.2020	**45,414**	**0**	**5,424**	**1,585**	**52,423**
Carrying amount at 31.12.2020	**42,105**	**0**	**4,843**	**1,389**	**48,337**
Balance at 1.1.2019	103,616	103,585	4,408	1,560	213,169
Additions	0	0	327	140	467
Disposals	0	0	-27	0	-27
Business combinatios	0	0	3,958	0	3,958
Effect of movements in exchange rates	-2,698	2,639	-22	70	-11
Balance at 31.12.2019	**100,918**	**106,224**	**8,644**	**1,770**	**217,556**
Accumulated amortisation and impairment at 1.1.2019	-47,371	-94,226	-1,765	-87	-143,449
Amortisation	0	-906	-84	-94	-1,084
Impairment	-12,459	-8,617	0	0	-21,076
Reclass between items	0	0	-1,486	0	-1,486
Effect of movements in exchange rates	4,326	-2,475	115	-4	1,962
Accumulated amortisation and impairment at 31.12.2019	**-55,504**	**-106,224**	**-3,220**	**-185**	**-165,133**
Carrying amount at 1.1.2019	**56,245**	**9,359**	**2,643**	**1,473**	**69,720**
Carrying amount at 31.12.2019	**45,414**	**0**	**5,424**	**1,585**	**52,423**

Other intangible assets include the prepayments made for them. Exploration and evaluation assets consist of mine projects in various mining projects in Turkey and South Africa.

12. INVESTMENTS IN ASSOCIATES

Afarak has an investment of 8.99% (2019: 8.99%) in Valtimo Components Oyj.

During the financial year 2020 and 2019, Afarak did not acquire or dispose holdings in associates.

13. INVESTMENTS IN JOINT VENTURES

As at 31 March 2019, before the acquisition of 49% balance of Synergy Africa Ltd, the Group had joint control over one jointly controlled entity, Synergy Africa Ltd, in which the Group has a 51% interest. The acquisition of Chromex Mining Ltd, a UK company with mining operations and prospecting rights in southern Africa, was carried out by this joint venture company. Synergy Africa Group has been consolidated as a joint venture company in the financial reporting of the Group starting at 31 December 2010. Following the 2012 changes in the accounting standards the company changed the accounting method from proportionate consolidation method to equity method.

In 2019, Afarak acquired 49% balance of Synergy Africa Ltd. Afarak now holds 100% of Synergy Africa Ltd and the Joint Venture agreement was terminated. Afarak acquired full control over its mining assets and is now consolidating Synergy Africa as a subsidiary as from 1 April 2019.

Summarised financial statement information (100% share) of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the Group's consolidated financial statements for the period January to March 2019 are set out below:

EUR '000	2020	1.1-31.3.2019
Revenue	**0**	**4,677**
Other operating income	0	35
Materials and supplies	0	-3,068
Employee benefits expense	0	-617
Depreciation and amortisation	0	-311
Other operating expenses	0	-1,442
Operating profit	**0**	**-726**
Finance income	0	25
Finance expense	0	-524
Profit before taxes	**0**	**-1,225**
Income taxes	0	-477
Profit for the year	**0**	**-1,702**
Group's share of (loss)/profit for the year	**0**	**-868**
Profit attributable to:		
Joint venture owners	0	-727
Non-controlling interests	0	-141
	0	**-868**

14. FINANCIAL ASSETS AND LIABILITIES

31.12.2020, EUR '000	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Carrying value	Fair value
Non-current financial assets					
Non-current interest-bearing receivables			232	232	232
Trade and other receivables *			29	29	29
Current financial assets					
Trade and other receivables *			9,758	9,758	9,758
Other Financial Assets			412	412	412
Cash and cash equivalents			1,098	1,098	1,098
Total financial assets			**11,528**	**11,528**	**11,528**
Non-current financial liabilities					
Non-current interest-bearing liabilities			34,589	34,589	34,589
Other non-current liabilities			33	33	33
Current financial liabilities					
Current interest-bearing liabilities			14,725	14,725	14,725
Trade and other payables *			9,814	9,814	9,814
Total financial liabilities			**59,161**	**59,161**	**59,161**

* Non-financial assets and liabilities are not included in the figures.

31.12.2019, EUR '000	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Carrying value	Fair value
Non-current financial assets					
Non-current interest-bearing receivables			372	372	372
Trade and other receivables *			676	676	676
Current financial assets					
Trade and other receivables *			14,168	14,168	14,168
Other Financial Assets			528	528	528
Cash and cash equivalents			5,389	5,389	5,389
Total financial assets			**21,133**	**21,133**	**21,133**
Non-current financial liabilities					
Non-current interest-bearing liabilities			18,290	18,290	18,290
Other non-current liabilities			2,667	2,667	2,667
Current financial liabilities					
Current interest-bearing liabilities			42,176	42,176	42,176
Trade and other receivables *			13,041	13,041	13,041
Total financial liabilities			**76,175**	**76,175**	**76,175**

* Non-financial assets and liabilities are not included in the figures.

FAIR VALUE HIERARCHY

31.12.2020, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives			
Total			

31.12.2019, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives			
Total			

31.12.2020, EUR '000
Level 3 reconciliation
Acquisition cost at 1.1.2020
Acquisition cost at 31.12.2020
Accumulated impairment losses at 1.1.2020
Accumulated impairment losses at 31.12.2020
Carrying amount at 31.12.2020

31.12.2019, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2019	**40**
Acquisition cost at 31.12.2019	**40**
Accumulated impairment losses at 1.1.2019	-40
Accumulated impairment losses at 31.12.2019	-40
Carrying amount at 31.12.2019	**0**

Interest-bearing debt

EUR '000	2020	2019
Non-current		
Acquisition of NCI liability	0	1,847
Finance lease liabilities	319	488
Other interest-bearing liabilities	34,270	15,956
Total	**34,589**	**18,290**

Current		
Bank loans	2,928	6,021
Finance lease liabilities	50	196
Cheque account with overdraft facility	4,162	8,961
Other interest-bearing liabilities	7,586	27,041
Total	**14,725**	**42,220**

EUR '000	2020	2019
Finance lease liabilities, minimum lease payments		
No later than 1 year	50	196
Later than 1 year and not later than 5 years	319	488
	369	**684**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	50	196
Later than 1 year and not later than 5 years	319	488
	369	**684**

Changes in liabilities arising from financing activities

EUR '000	1 January 2020	Cash flows	Acquisition	Foreign exchange movement	Reclassification	Discontinued operation	Other	31 December 2020
Non-current borrowings	17,803			-1,086	17,454		100	34,270
Current borrowings	41,980	-440		-4,476	-17,454	-4,061	-874	14,675
Lease liabilities	684	-193	93	-71			-145	369
Total liabilities from financing activities	**60,466**	**-632**	**93**	**-5,633**	**0**	**-4,061**	**-919**	**49,314**

EUR '000	1 January 2019	Cash flows	Acquisition	Foreign exchange movement	Other	31 December 2019
Non-current borrowings	2,027	-408	15,956	88	140	17,803
Current borrowings	22,135	-2,610	-	-4,210	26,705	41,980
Lease liabilities	271	-222	653	-18	-	684
Total liabilities from financing activities	**24,433**	**-3,240**	**16,608**	**-4,181**	**26,845**	**60,466**

The 'Other' column includes the effect on unwinding interest on the acquisition of non-controlling interest in non-current borrowings.

FINANCIAL RISKS AND RISK MANAGEMENT

The Board of Directors of Afarak Group Plc has outlined the key risks of the Group in the Board of Directors' Report. In the following section, the financial and commodity risks are presented in more detail with the related sensitivity analyses.

SUMMARY OF FINANCIAL ASSETS AND LOAN ARRANGEMENTS

Financial assets 31 December 2020

In addition to the operating result and the cash flow generated from it, the factors described below have most significantly affected the year-on-year change in the Group's financial assets at the 2020 closing date:

On 31 December 2020, the cash and cash equivalents were invested mainly in interest-bearing EUR, ZAR and USD denominated bank accounts. Other financial assets comprise interest-bearing loans and other receivables.

In 2017, the Group has given a corporate guarantee amounting to ZAR 75.0 (2019: 75.0) million as collateral for a lending facility of South African Subsidiary which has now been discontinued.

One of the Group's Turkish subsidiaries has been granted various short term loans in 2020. The loans amount as at end of 2020 was of EUR 2.2 (2019: 3.6) million.

Interest-bearing debt 31 December 2020

- Floating rate loans from financial institutions total EUR 2.2 (2019: 14.2) million. Fixed rate loans total EUR 0.7 (2019: 0.8) million.
- The interest rate of the Turkish bank loan facility is tied to the market rate of EURIBOR. The interest rate on 31 December 2020, based on market interest rates at that date, was 1.20% (2019: 1.50%). The interest rate margin for the fixed rate notes was 0.50% (2019: 0.65%) p.a.

Capital Management

The Group's capital management objective is to maintain the ability to continue as a going concern and to optimise the cost of capital in order to enhance value to shareholders. As part of this objective, the Group seeks to maintain access to loan and capital markets at all times. The Board of Directors reviews the capital structure of the Group on a regular basis.

Capital structure and debt capacity are taken into account when deciding on new investments. Practical tools to manage capital include the application of dividend policy, capital redemption, share buybacks and share issues. Debt capital is managed considering the requirement to secure liquidity. The Group's internal capital structure is reviewed on a regular basis with the aim of optimising the structure by applying measures such as internal dividends and equity adjustments.

The Group's long term target for capital structure is to keep the equity ratio above 50%. At the end of the reporting period, the Group's equity ratio stood at 25.3% (2019: 33.3%).

Financial Risk Management

In its normal operations, the Group is exposed to various financial risks. The main financial risks are liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and commodity price risk. The objective of the Group's risk management is to identify and, to as far as reasonably possible, mitigate the adverse effects of changes in the financial markets on the Group's results. The general risk management principles are accepted by Afarak Group Plc's Board of Directors and monitored by its Audit and Risk Management Committee. The managements of the Group and its subsidiaries' are responsible for the implementation of risk management policies and procedures. Group management monitors risk positions and risk management procedures on a regular basis, and supervises that the Group's policies and risk management principles are followed in all day-to-day operations. Risks and risk management are regularly reported to the Audit and Risk Management Committee.

The Group's significant financial instruments comprise bank loans and overdrafts, off-take agreement, finance leases, other long-term liabilities, cash and short-term deposits and money market investments. The main purpose of these financial instruments is to finance the Group's acquisitions and ongoing operations. The Group also has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

(i) Liquidity risk

The Group regularly assesses and monitors its investment and working capital needs and financing, so that it has enough liquidity to serve and finance its operations and pay back loans. The availability and flexibility of financing are targeted to be guaranteed by using multiple financial institutions in the financing and financial instruments, and to agree on financial limit arrangements.

If the liquidity risks were to be realised, it would probably result in overdue interest expenses and damage the relations with suppliers. Consequently, the pricing and other terms for input goods and services and for financing could be affected.

The maturity distribution of the Group debt at the end of the financial year was as follows:

31.12.2020, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	2,928	-2,972	-2,972	0	0	0	0
Finance lease liabilities	369	-369	-25	-25	-319	0	0
Trade and other payables	50,010	-50,651	-12,478	-3,615	-25,201	0	-9,538
Bank overdraft	4,162	-4,162	-4,162	0	0	0	0
Acquisition of NCI liability	1,717	-1,717	-143	-143	-286	-858	-286
Total	**59,186**	**-59,870**	**-19,779**	**-3,783**	**-25,626**	**-858**	**-9,824**

31.12.2019, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	6,314	-6,411	-6,370	-40	-2	0	0
Finance lease liabilities	684	-684	-98	-98	-488	0	0
Trade and other payables	61,084	-62,472	-31,566	-14,047	-6,781	0	-10,079
Bank overdraft	8,961	-8,961	-8,961	0	0	0	0
Acquisition of NCI liability	1,847	-1,847	-154	-154	-308	-924	-308
Total	**78,890**	**-80,376**	**-47,149**	**-14,339**	**-7,579**	**-924**	**-10,387**

(ii) Foreign exchange rate risk

The Group operates internationally, including in Turkey, Malta and South Africa, and is therefore exposed to foreign exchange rate risks. The risks arise both directly from the outstanding commercial cash flows and currency positions, and indirectly from changes in competitiveness between various competitors. The foreign exchange differences arising from inter-company loans designated as net investments in foreign subsidiaries have been recognised in the translation reserve in the equity.

The Group is exposed to currency-derived risks that affect its financial results, financial position and cash flows. In particular the exchange rates of US Dollar and South African Rand against the Euro have a significant impact on the Euro-denominated profitability of the Group. The cash inflows of the business are denominated in US Dollars, whereas a significant portion of the costs are denominated in the South African Rand. The fluctuation of the South African Rand has a significant impact on the Group's profit and loss as well as on the Group's assets and liabilities. In its risk management, the Group aims to match its cash inflows and outflows as well as receivables and liabilities in terms of the currency in which these items are denominated.

The following tables present the currency composition of receivables and debt, and changes thereby relative to the previous year-end.

31.12.2020, EUR '000	EUR exchange rate	1	1.2271	0.89903	9.1131	18.0219	117.131
		EUR	USD	GBP	TRY	ZAR	RSD
Cash and cash equivalents (EUR)		342	172	24	250	255	54
Trade and other receivables (EUR)		447	7,101	0	745	1,871	5
Loans and other financial assets (EUR)		-8	0	0	261	7	0
Trade and other current payables (EUR)		3,957	-1,895	0	-621	-3,339	-1
Loans and other liabilities (EUR)		-4,464	-25,040	-15,100	-2,290	-1,751	-703
Currency exposure, net (EUR)		-7,639	-19,663	-15,076	-1,655	-2,957	-644
Currency exposure, net in currency ('000)		**-7,639**	**-24,129**	**-13,553**	**-15,080**	**-53,288**	**-75,442**

31.12.2019, EUR '000	EUR exchange rate	1	1.1234	0.8508	6.6843	15.7773	117.1156
		EUR	USD	GBP	TRY	ZAR	RSD
Cash and cash equivalents (EUR)		509	3,699	18	198	900	65
Trade and other receivables (EUR)		626	13,047	0	590	430	4
Loans and other financial assets (EUR)		0	0	0	411	637	0
Trade and other current payables (EUR)		-1,924	-610	0	-651	-9,840	-17
Loans and other liabilities (EUR)		-406	-28,350	-15,956	-3,826	-13,872	-768
Currency exposure, net (EUR)		-1,195	-12,215	-15,938	-3,278	-21,745	-716
Currency exposure, net in currency ('000)		**-1,195**	**-13,722**	**-13,560**	**-21,909**	**-343,070**	**-83,867**

The effect on the 31 December 2020 currency denominated net assets which would be caused by changes in foreign exchange rates compared with the rates used in the Group consolidation is presented below. Due to the high market volatility of the exchange rates, the range of change was kept at +/- 20%.

31 December 2020

	USD	GBP	TRY	ZAR	RSD
20% strengthening	-4,916	-3,769	-414	-739	-161
15% strengthening	-3,470	-2,660	-292	-522	-114
10% strengthening	-2,185	-1,675	-184	-329	-72
5 % strengthening	-1,035	-793	-87	-156	-34
0% no change	0	0	0	0	0
-5% weakening	936	718	79	141	31
-10% weakening	1,788	1,371	150	269	59
-15% weakening	2,565	1,966	216	386	84
-20% weakening	3,277	2,513	276	493	107

31 December 2019

	USD	GBP	TRY	ZAR	RSD
20% strengthening	-3,054	-3,984	-819	-5,436	-179
15% strengthening	-2,156	-2,813	-578	-3,837	-126
10% strengthening	-1,357	-1,771	-364	-2,416	-80
5 % strengthening	-643	-839	-173	-1,144	-38
0% no change	0	0	0	0	0
-5% weakening	582	759	156	1,035	34
-10% weakening	1,110	1,449	298	1,977	65
-15% weakening	1,593	2,079	428	2,836	93
-20% weakening	2,036	2,656	546	3,624	119

Derivatives

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Operative foreign currency derivatives that are valued at fair value on the reporting date cause timing differences between the changes in the derivative's fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting impact the Group's operating profit for the financial year. The underlying foreign currency transactions will realise in future periods.

(iii) Interest rate risk

The Group is exposed to interest rate risk when Group companies take loans, or make other financing agreements or deposits and investments related to liquidity management. In addition, changes in interest rates can alter the fair values of the Group's assets. The Group's revenue and operative cash flows are mainly independent of the changes in market interest rates.

To manage interest rate risks, the Group has used both fixed and floating rate debt instruments and derivative instruments, such as interest rate swaps, when needed. At the end of 2020, the Group's interest-bearing debt was mainly based on floating interest rates; and there were no interest rate swaps in place. The Group aims to match the loan maturities with the businesses' needs and to have the maturities spread over various periods so that the Group's interest rate risks are somewhat diversified. Floating rate financing is mainly tied to the market rates of different countries (United Kingdom, South Africa), changes to which will then influence the Group's total financing cost and cash flows.

The short-term interest-bearing receivables of the Group are mainly loan receivables and receivables on past asset disposals. The Group's interest-bearing liabilities have been discussed above. The effects of credit risks for loan receivables are explained in more detail in section 1.8. (iv) credit risk.

The split of interest-bearing debt and receivables, also classified into fixed rate and floating rate instruments on 31 December 2020 and 31 December 2019 was as follows:

Interest rate profile of interest-bearing financial instruments (EUR '000)

Fixed rate instruments	**31.12.2020**	**31.12.2019**
Financial assets	0	0
Financial liabilities	0	0
Fixed rate instruments, net	**0**	**0**
Variable rate instruments		
Financial assets	232	372
Financial liabilities	-32,179	-42,176
Variable rate instruments, net	**-31,947**	**-41,804**
Interest-bearing net debt	**-31,947**	**-41,804**

The following table presents the approximate effect of changes in market interest rates on the Group's income statement should the deposits' and loans' interest rates change. The analysis includes floating rate financial assets and liabilities. The sensitivity analysis is illustrative in nature and applicable for the forthcoming 12 month period if the period's asset and liability structure were to be equal to that of 31 December 2020, and if there were no changes in exchange rates.

31 December 2020

Interest rate change	**Change in interest income**	**Change in interest expense**	**Net effect**
-2.00%	-5	644	639
-1.50%	-3	483	479
-1.00%	-2	322	319
-0.50%	-1	161	160
0.00%	0	0	0
0.50%	1	-161	-160
1.00%	2	-322	-319
1.50%	3	-483	-479
2.00%	5	-644	-639

31 December 2019

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-7	844	836
-1.50%	-6	633	627
-1.00%	-4	422	418
-0.50%	-2	211	209
0.00%	0	0	0
0.50%	2	-211	-209
1.00%	4	-422	-418
1.50%	6	-633	-627
2.00%	7	-844	-836

(iv) Credit risk

Credit risk can be realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and thus cause financial damage to the Group. The Group's operational policies define the creditworthiness requirements for customers and for counterparties in financial and derivative transactions, as well as the principles followed when investing liquidity. In the case of major sales agreements, the counterparty's credit rating is checked.

The Group's key customers are major international stainless steel companies, and a number of specialist agents selling to the steel sector, with typically long and successful business histories. Since the customers represent one sector of industry, major changes in that industry's profitability could increase the credit risk. In order to mitigate credit risk, the Group credit insure its trade receivables.

The trade receivables and loan receivables form a major share of the assets, which are exposed to the credit risk. Afarak did not present the expected credit losses in tabular format due to minimal credit losses in the historical data and including the future credit loss expectations. Additionally, the group collect prepayments from sales from its customers.

As presented in the section 1.8. note 15. The Group's trade receivables total EUR 7.7 million for financial period end 31 December 2020 (2019: 12.3). The Group did not record any loss allowance on trade receivables during 2020 and during 2019. The portion of prepaid revenues or portion under trade financing amounts to EUR 3.3 million on 31.12.2020 (2019: 1.6). The prepaid portion of the trade receivables does not include any potential losses.

The loan receivables amounted to EUR 0.4 million on 31.12.2020 (2019: 0.5). The total potential credit risk for the loan receivables is higher than for the trade receivables as the potential risk of default is more concentrated with only few lenders. The group estimates the potential credit risk in relation to the loan receivables frequently and reports any changes at each reporting period and estimates the possibility for default on a per lender basis.

In 2020 and in 2019, the Group did not recognise a provision on other receivables.

The credit risk assessment and the method of calculation has remained the same between the financial period ending 31.12.2020 and the previous financial period.

The trade receivables do not pose a credit risk due to concentration, as the sales are diversified to several customers.

Further information about the expected credit loss can be found in the basis of preparation in section 1.2 Accounting Principles under "Financial Assets" and "Impairment of financial assets".

Other financial assets in prior year were mainly loans receivable from the joint venture. These loans are now eliminated at Group level as these companies are now subsidiary companies.

The Board of Directors of Afarak Group Plc has determined a cash management policy for the Group's parent company, according to which the excess cash reserves are deposited for a short-term only and with sound financial institutions with which the Group has established business relations. The credit rating of all significant counterparties is analysed from time to time.

The maximum credit risk is equal to the carrying value of the receivables as of 31 December, and is split as follows:

Category	EUR '000 31.12.2020	EUR '000 31.12.2019
Interest-bearing		
Cash and cash equivalents	1,098	5,389
Other interest bearing receivables	232	372
Interest-bearing, total	**1,329**	**5,760**
Interest-free		
Trade receivables	7,656	12,325
Other short-term receivables	2,514	2,372
Long-term receivables	29	676
Interest-free, total	**10,199**	**15,373**
Total	**11,528**	**21,133**

(v) Commodity risks

The Group is exposed to price risks on various output and input products, materials and commodities, energy costs and disruptive availability of electricity. Also, securing the availability of raw materials without any serious disruptions is vital to its businesses.

The price risks on input materials and commodities are managed by pricing policies so that changes in input materials and commodities can be moved into sales prices. This, however, is not always possible or there may be delays as a result of contractual or competitive reasons.

The Group's units that have production operations are exposed to availability, quality and price fluctuations in raw materials and commodities. To diminish these risks, the Group's business units seek to enter into long-term agreements with known counterparties; although this is not always possible due to the tradition and practice of the business. For the most part, because it is not possible or economically feasible to hedge commodity price risks in the Group's business sectors with derivative contracts, the Group did not have any commodity derivative contracts in place as of 31 December 2020.

Sensitivity Analysis - Speciality Alloys business

The effect of changes in the sales price of special grade ferrochrome, produced by the Group's Speciality Alloys business, to the Group's operating profit and equity is illustrated below, assuming that the EUR/USD rate were constant. The analysis is based on December 2020 price level. Since the products are priced in USD, the exchange rate changes could have a major effect on the Group's profitability in EUR. Full capacity is of 36,000 t/a, and for simulation purposes is set at 2020 production of 16,409 t/a. It is also assumed that only one ferrochrome quality is produced. Various raw materials are used in ferrochrome production, including chrome concentrate and ferrosilicochrome. The purchase prices of the main raw materials typically move in the same direction as the sales prices, although the correlation is not perfect and the timing may differ. In practice, therefore the net effect on the Group's profitability most probably would be lower than shown below. Electricity usage is also substantial, and hence changes in electricity prices have a significant effect on profitability; electricity prices do not correlate with changes in commodity prices.

Financial year 2020

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR 000's	EUR 000's
2.36	20%	8,110	7,704
2.26	15%	6,082	5,778
2.16	10%	4,055	3,852
2.06	5%	2,027	1,926
1.97	0%	0	0
1.87	-5%	-2,027	-1,926
1.77	-10%	-4,055	-3,852
1.67	-15%	-6,082	-5,778
1.57	-20%	-8,110	-7,704

Financial year 2019

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR 000's	EUR 000's
2.08	20%	12,162	11,554
2.00	15%	9,122	8,666
1.91	10%	6,081	5,777
1.82	5%	3,041	2,889
1.74	0%	0	0
1.65	-5%	-3,041	-2,889
1.56	-10%	-6,081	-5,777
1.47	-15%	-9,122	-8,666
1.39	-20%	-12,162	-11,554

Sensitivity Analysis – Mining business

As a general rule, the Group sells its concentrate production and chrome ore at market prices and normally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future production. The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mineral products it produces.

Assuming, for simplicity, an average annual mining activity of 324,111t/a, and the average 2020 sales price for Chrome Ore, the following table represents a rough proxy of the sales price sensitivities. It should also be taken into account that the profitability of the mining operations can be substantially impacted by changes in the USD and ZAR exchange rates, electricity prices and availability of electricity, as well as changes in market prices.

In practice, therefore the net effect on the Group's profitability most probably would be lower than shown below. Due to the high market volatility the range of change was kept at +/- 20%.

Financial Year 2020

Change in Sales price (USD/t)		Change in Operating Profit	Change in Group's Equity
201.82	20%	10,902	7,849
193.41	15%	8,176	5,887
185.00	10%	5,451	3,925
176.59	5%	2,725	1,962
168.18	0%	0	0
159.77	-5%	-2,725	-1,962
151.36	-10%	-5,451	-3,925
142.95	-15%	-8,176	-5,887
134.55	-20%	-10,902	-7,849

Financial year 2019

Change in Sales price (USD/t)		Change in Operating Profit	Change in Group's Equity
189.82	20%	15,342	11,046
181.91	15%	11,507	8,285
174.00	10%	7,671	5,523
166.09	5%	3,836	2,762
158.18	0%	0	0
150.27	-5%	-3,836	-2,762
142.36	-10%	-7,671	-5,523
134.45	-15%	-11,507	-8,285
126.55	-20%	-15,342	-11,046

15. INVENTORIES

EUR '000	2020	2019
Goods and supplies	3,063	7,719
Unfinished products	361	347
Finished products	10,040	21,898
Total	**13,464**	**29,964**

16. TRADE AND OTHER CURRENT RECEIVABLES

EUR '000	2020	2019
Trade receivables	7,656	12,325
Loan receivables	412	528
Prepaid expenses and accrued income	2,955	3,929
Income tax receivables	1,776	1,930
Other receivables	2,102	1,844
Total	**14,901**	**20,556**

Prepaid expenses and accruals mainly relate to rental contracts, personnel expenses, VAT receivables and accrued interest for loans. The values of receivables at the end of the reporting period closely correspond to the monetary value of maximum credit risk in the potential case where the counterparties cannot fulfil their commitments.

The ageing of trade receivables at the end of the reporting period

EUR '000	2020	2019
Not past due	1,560	5,753
Past due 0-30 days	2,697	5,674
Past due 31-60 days	568	1,070
Past d ue 61-90 days	1,141	198
Past due more than 90 days	1,690	-370
Total	**7,656**	**12,325**

The expected credit losses have historically been minimal. Thus the expected credit loss is not material and no separate credit loss reserve has been recorded.

17. CASH AND CASH EQUIVALENTS

EUR '000	2020	2019
Cash and bank balances	**888**	**5,004**

Cash and cash equivalents in the consolidated cash flow statement:

EUR '000	2020	2019
Cash and bank balances	888	5,004
Short-term money market investments	210	385
Total	**1,098**	**5,389**

18. NOTES TO EQUITY

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2018	**263,040,695**	**260,653,201**	**23,642**
Subscriptions based on share based payment		500,000	
Acquisition of NCI		3,209,895	
Cancellations of acquired shares	-25,998,881	-25,998,881	
Share issue	15,000,000		
31.12.2019	**252,041,814**	**238,364,215**	**23,642**
Share based on payments		400,000	
Acquisition of NCI		115,000	
31.12.2020	**252,041,814**	**238,879,215**	**23,642**

There is no nominal value for the Company's share.

The equity reserves are described below:

SHARE PREMIUM RESERVE

Related to the old Finnish Companies Act, the Company has a share premium reserve in relation to old share issues, where the premium in excess of the par value of the shares subscribed has been recognised in the share premium reserve.

PAID-UP UNRESTRICTED EQUITY RESERVE

Paid-up unrestricted equity reserve comprises other equity investments and subscription price of shares to the extent that it is not recognised in the share capital based on a specific decision.

TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

TREASURY SHARES

On 31 December 2020, the Company had 13,162,599 (2019: 13,677,599) own shares in treasury, which was equivalent to 5.22% (2019: 5.43%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2020 was 238,879,215 (2019: 238,364,215).

The Company's subsidiaries do not hold any of Afarak Group Plc's shares.

As at 31 December 2020, the Company had 2,123,343 shares pending to be transferred to the subscribers, which related to the acquisition of additional ownership in South African mining assets.

SHARE ISSUE AUTHORISATIONS GIVEN TO THE BOARD OF DIRECTORS

Based on the resolution at the AGM on 22 June 2020, the Board is authorised to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 50,000,000 new shares or shares owned by the Company. This equates to approximately 19.8 % 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.

The board resolved on 29 May 2019, based on authorisation granted by the EGM held on 12 November 2018, that the Company repurchases 26 million of its own shares at a price of EUR 1.015 by means of voluntary public tender offer made to all shareholders. On 31 July 2019, the Company completed the public tender offer of purchasing own shares amounting to 25,998,881 shares. Such shares were then cancelled by Afarak on 8 August 2019. On 26 August 2019, the Company announced an issue of 15,000,000 new shares.

19. SHARE-BASED PAYMENTS

In December 2016 the Group granted the new CEO, Guy Konsbruck 1,000,000 shares in the Company. These have been awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares have effectively been received on 11 May 2018. The second 500,000 Company shares have effectively been received on 12 February 2019. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.81 per share. The expense recognized in the income statement in the comparative period 2019 was EUR 8,321.92.

In the fourth quarter of 2018, the Group extended for another two years the CEO contract and granted another 1,000,000 shares in the Company. These were due to be awarded in two tranches and vested based on completed year of service, and which were self-reduced by 20% to two tranches of 400,000 Company shares for each year of service in 2020. The first 400,000 Company shares have effectively been received on 16 December 2020. The second 400,000 Company shares were due to be received in January 2021 after completing his fourth year of service. These will be granted after the AGM when a new board is formed. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.83 per share. The expense recognized in the income statement during the year was EUR 60,260.27 (2019: EUR 596,917.81) which included a correction of the self reduced shares expense recognised in 2019.

20. DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred taxes in 2020

EUR '000	31.12.2019	Exchange rate differences	Recognised in income statement	Discontinued operation	31.12.2020
Deferred tax assets:					
Unrealised expenses	2,671	-113	-149	-13	2,396
Pension liabilities	396		-84		313
From translation difference	-69	0	0		-69
Group eliminations	421	-50	-94		277
Total	**3,419**	**-164**	**-326**	**-13**	**2,916**

Deferred tax liabilities:					
Assets at fair value in acquisitions	20,222	-2,811	-6,095	-145	11,171
Translation difference	80				80
Other timing differences	1,272	-212	-861	-13	186
Total	**21,573**	**-3,023**	**-6,956**	**-158**	**11,437**

Movements in deferred taxes in 2019

EUR '000	31.12.2018	Exchange rate differences	Recognised in income statement	Business combinations and divestments	Recognised in equity	31.12.2019
Deferred tax assets:						
Unrealised expenses	3,014	32	-376			2,671
Pension liabilities	459		-62			396
From translation difference	-69					-69
Group eliminations	532	-4	-106			421
Total	**3,935**	**28**	**-544**			**3,419**
Deferred tax liabilities:						
Assets at fair value in acquisitions	3,014	-842	-2,919		20,969	20,222
Translation difference				80		80
Other timing differences	421	886	-36			1,272
Total	**3,435**	**44**	**-2,955**	**80**	**20,969**	**21,573**

21. PROVISIONS

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2020	16,836	2,392	19,229
Additions	458	381	839
Discontinued operations	-6,377	0	-6,377
Releases and reversals	-213	-223	-436
Unwinding of discount	622	0	622
Exchange differences	-2,178	-130	-2,307
Balance at 31.12.2020	**9,148**	**2,421**	**11,569**

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2019	8,097	884	8,981
Additions	1,759	2,044	3,803
Business combinations	6,900	0	6,900
Releases and reversals	0	-492	-492
Unwinding of discount	-182	0	-182
Exchange differences	262	-44	218
Balance at 31.12.2019	**16,836**	**2,392**	**19,229**

EUR '000	2020	2019
Long-term provisions	11,390	19,052
Short-term provisions	179	177
Total	**11,569**	**19,229**

The long-term provisions in the statement of financial position relate to environmental and rehabilitation provisions of the Group's production facilities and mines. The provisions are based on expected liability.

Provisions include a FIN-FSA penalty amounting to Eur 1,450 thousand which was provided for in 2019. On 25th February 2021, Afarak filed an application for a permission to appeal and an appeal to the Supreme Administrative Court on the decision of the Helsinki Administrative Court.

22. PENSION LIABILITIES

DEFINED BENEFIT PENSION PLANS

The majority of the Group's pension plans are defined contribution plans for which a total expense of EUR 0.7 (2019: 0.7) million has been recognised on the 2020 statement of comprehensive income. In addition, the Group's German subsidiary has defined benefit plans. The amount of defined benefit obligations of the plan is based on actuarial calculations made by authorized actuaries. The pension scheme is arranged by recognising a provision on the statement of financial position. The present value of the obligation less fair value of plan assets totalled EUR 23.4 (2019: 22.5) million on 31 December 2020. The Group has considered that the value on 31 December also corresponds with the amount of net obligation at the end of the reporting period. The assets of the pension plans are kept separate from the Group's assets.

RETIREMENT BENEFIT OBLIGATION

EUR '000	2020	2019
Present value of funded obligation	30,584	29,353
Fair value of plan assets	-7,225	-6,878
Net liability	**23,359**	**22,475**

MOVEMENTS IN DEFINED BENEFIT OBLIGATION

EUR '000	2020	2019
Defined benefit obligations at 1.1.	29,353	26,569
Benefits paid	-868	-883
Current service costs	430	373
Interest expense	301	462
Actuarial losses / (gains)	1,369	2,832
Closing balance at 31.12.	**30,584**	**29,353**

MOVEMENTS IN THE FAIR VALUE OF THE PLAN ASSETS

EUR '000	2020	2019
Fair value of the plan assets at 1.1.	6,878	6,164
Expected return on plan assets	73	116
Benefits paid by the plan	-193	-193
Return on plan assets greater/(less) than discount rate	61	91
Contributions paid into the plan	407	400
Closing balance at 31.12.	**7,225**	**6,878**

The benefits of the defined benefit plan are insured with an insurance company. The corresponding assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution in categories is not possible to provide.

EXPENSE RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

EUR '000	2020	2019
Current service cost	-430	-373
Net interest on net defined benefit liability/(asset)	-228	-346
	-658	**-719**

EXPENSE RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

EUR '000

	2020	2019
Actuarial (gains)/losses due to liability experience	-447	-554
Return on plan assets (greater)/less than discount rate	-61	-91
Actuarial (gains)/losses – demographic assumptions	1,816	3,385
Actuarial (gains)/losses – financial assumptions	0	0
	1,308	**2,740**

Actual return on plan assets totalled EUR 0.06 (2019: 0.09) million in 2020.

PRINCIPAL ACTUARIAL ASSUMPTIONS

	2020	2019
Discount rate	0.69%	1.04%
Expected retirement age	65	65
Expected rate of salary increase	3.00%	3.00%
Inflation	2.25%	2.25%

The expected retirement age has been assumed to be in accordance with German legislation (RVAGAnpG 2007). Similarly, the expected pension increases have been assumed to be in line with the German legislation, and mortality expectancy in accordance with the German "Richttafeln 2005 G" has been applied in the valuations.

PROVISION FOR RETIREMENT PAY LIABILITY IN TURKEY

In accordance with existing social legislation in Turkey, the Turkish subsidiary of the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability was based on the retirement pay ceiling announced by the Turkish government. On 31 December 2020, the employee severance indemnity recognised in accordance with IAS 19 totalled EUR 0.5 (2019: 0.5) million.

23. TRADE PAYABLES AND OTHER INTEREST-FREE LIABILITIES

EUR '000	2020	2019
Non-current		
Other liabilities	33	2,668
Total non-current	**33**	**2,668**
Current		
Current liabilities to related parties	5	6
Trade payables	8,705	12,538
Accrued expenses and deferred income	4,715	6,811
Current advances received	1	10
Income tax liability	2,545	2,754
Other liabilities	1,103	488
Total current	**17,075**	**22,607**

At end of 2020, Trade payables included a liability to supplier in relation to financing of material amounting to Eur 1.4 million.

1.9 RELATED PARTY DISCLOSURES

1.9.1 GROUP STRUCTURE ON 31 DECEMBER 2020

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group Plc's direct ownership and share of votes (%)
Afarak doo Belgrade	Serbia	100.00	0.00
Afarak Holdings Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining Investments (Pty) Ltd	South Africa	100.00	0.00
Afarak Mining (Pty) Ltd	South Africa	100.00	0.00
Afarak Services Sagl	Switzerland	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Magnohrom doo Kraljevo	Serbia	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	73.30	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0,00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
Rekylator Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75
ZCM Holdco One (Pty) Ltd	South Africa	74.00	23.00
Zeerust Chrome Mine Ltd	South Africa	74.00	0.00
Synergy Africa Ltd	United Kingdom	100.00	0.00
Chromex Mining Ltd	United Kingdom	100.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	74.00	0.00
Ilitha Mining (Pty) Ltd	South Africa	80.00	0.00
Afarak Processing Technologies (Pty) Ltd	South Africa	100.00	0.00
Afarak Processing Technologies 2 (Pty) Ltd	South Africa	100.00	0.00
Afarak Platinum (Pty) Ltd	South Africa	100.00	0.00

As at 31 March 2019, the Group held 51% of shares of Synergy Africa Ltd, which the shareholders of Synergy Africa Ltd had entered into a joint venture agreement with joint control over the company. On 1 April 2019, Afarak acquired the 49% balance of Synergy Africa Ltd, and the Joint Venture agreement was terminated. Therefore Afarak now holds 100% of Synergy Africa Ltd. As at 31 March 2019, the company and its subsidiaries were not consolidated into the Group as subsidiaries but as joint ventures. The Group's share of net profit or loss of the Joint venture during the period January to March 2019 is shown on one line in the income statement. As from 1 April 2019, Synergy Africa Ltd and its subsidiaries were consolidated into the Group as subsidiaries.

Afarak Mogale (Pty) Ltd entered into an agreement in December 2016, to buy back 100 ordinary shares currently held by the trustees as part of the Mogale Alloys Trust. These shares constitute an effective 10% of the issued share capital of the company and will be bought back in a series of buy backs over a period of 8 years. During the current year Afarak Mogale (Pty) Ltd repurchased 11 (11) ordinary shares held by the Mogale Alloys Trust, hence Afarak Mogale (Pty) Ltd has repurchased 45 ordinary shares in total and 55 ordinary shares still to be repurchased. However, in Afarak Group, 100% of Afarak Mogale (Pty) Ltd is being consolidated.

Rekylator Yhtiöt Oy was merged with Afarak Group Oyj during the year 2019.

During 2019, Afarak also acquired a further 49% of the shares in Zeerust Chrome Mine, in exchange for total consideration of two million shares in Afarak Group Plc, amounting to Eur 1,654,000. Of which 26% are to be transferred to a prospective BEE partner and therefore Afarak holds and consolidate 74% interest in the company.

Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. TThis was approved by South Africa Reserve bank and it was executed after year end on 23 March 2021.

The companies Afarak Commodities Ltd, Afarak Participation Ltd, LP Kunnanharju and Mkhombi Stellite (Pty) Ltd were liquidated during 2020.

On 16th September 2020 Afarak Group lost 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.

For the year ended 31 December 2020 Chromex Mining Limited (registration number 05566992) and Synergy Africa Limited (registration number 07382978) were entitled to an exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

1.9.2 RELATED PARTY TRANSACTIONS

Afarak Group Plc defines the related parties as:
- companies, entities or persons having common control or considerable voting power in Afarak Group
- subsidiaries
- joint ventures
- associates
- Afarak Group Plc's and the above mentioned entities' top management

Related party transactions with persons belonging to the Group's Board and management

Finnish accounting legislation, KPA 2:8 § 4 paragraph disclosure requirement

EUR '000		2020			2019		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Konsbruck Guy	Board member 05.2.2018 onwards, CEO 15.1.2017 onwards		288	60		294	605
Board Members							
Abrahamsen Thorstein	Board member 23.5.2017 onwards, Chairman11.11.2019 onwards		84			63	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 23.5.2017 – 25.6.2019		60			66	
Rourke Barry	Board member 8.5.2015 – 11.11.2019, Chairman 25.06.2019 – 11.11.2019		0			73	
Yolanda Bolleurs	Board member 25.6.2019 – 11.11.2019		0			25	
Total		**0**	**432**	**60**	**0**	**521**	**605**

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to the executive role have been presented above.

The CEO self-reduced his salary by 20% during 2019, and the fees for his service during 2020 were EUR 288,000 (2019: EUR 294,000) for his service. On 11 May 2018 he received 500,000 Company Shares as an incentive for the first year of service acting as the Chief Executive Officer. The second 500,000 Company shares received on 12 February 2019.

In the fourth quarter of 2018, the Group extended for another two years the CEO contract and granted another 1,000,000 shares in the Company. These were self reduced by 20% to 800,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 400,000 Company shares were received on 16 December 2020. The second 400,000 Company shares were due to be received by the employee on 15 January 2021. These will be granted after the AGM when a new board is formed.

Management remuneration

EUR '000	2020	2019
Fixed salaries and fees	338	591
Total	**338**	**591**

The table includes the Executive Management Team remuneration excluding the CEO and including salary of Danko Koncar, COO amounting to Eur 240,000. The CEO and Board members compensation has been presented separately

In addition, the shareholders Aida Djakov (director ATL) and Milan Djakov (sales and marketing manager ATL) and the related party Misha Djakov (technical and commercial advisor Specialty Alloys) received remuneration for their activities for a total amount of Eur 198,000.

FINANCING ARRANGEMENT WITH RELATED PARTIES

The Joint venture became a subsidiary as of 1 April 2019, hence balance was zero as at end of 2019. During the period from January to March 2019, interest income from a joint venture company totalled EUR 0.1 (2018: 1.0) million.

OTHER RELATED PARTY TRANSACTIONS

During the period from January to March 2019, the Group has rendered services to joint ventures for a total value of EUR 0.1 (2018: 1.3) million. The Group has also made raw material purchases from a joint venture amounting to EUR 1.3 million.

Dividends received from associated companies totalled EUR 0.0 (2019: 0.0) million.

During 2019, Afarak acquired the 49% of Synergy Africa Ltd from a related party.

During 2019, Afarak made an addition of an intangible assets from a related party of EUR 0.1 million.

1.10 COMMITMENTS AND CONTINGENT LIABILITIES

1.10.1 MORTGAGES AND GUARANTEES PLEDGED AS SECURITY

On 31 December 2020 the Group had loans from financial institutions totalling EUR 2.9 (2019: 15.0) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 4.5 (2019: 7.0) million. Moreover, the Group companies have given cash deposits totalling EUR 0.9 (2019: 0.9) million as security for their commitments. The value of other collaterals totalled EUR 4.2 (2019: 17.4) million as at 31 December 2020.

1.10.2 COVENANTS INCLUDED IN THE GROUP'S FINANCING AGREEMENTS

During the year 2020 and the prior year, the Group did not have loan facilities subject to financial covenants that if breached might have a negative effect on the financial position of the Group.

1.10.3 RENTAL AGREEMENTS

Liabilities associated with rental and operating lease agreements totalled some EUR 0.2 (2019: 0.3) million for the period. Typically, the rental agreements maturity varies between two to five years, and normally there is a possibility to continue these agreements beyond the original maturity date. For these contacts, their price indexing, renewal and other terms differ contract by contract. As guarantees for these rental agreements, the Group companies have made cash deposits of approximately EUR 0.0 (0.0) million as at 31 December 2020.

1.11 EVENTS AFTER THE REPORTING PERIOD

On 07 January 2021, the Company published the financial calendar for 2021.

On 26 January 2021, the company announced that Helsinki Administrative Court did not amend the FIN-FSA decision to impose a penalty payment on the company.

On 25 February 2021, the Company published that it has filed the application for a permission to appeal and an appeal to the Supreme Administrative Court on the decision of the Helsinki Administrative Court.

On 12 March 2021, the Company published that it has resolved on a directed share issue without consideration that will result in additional ownership of mining assets in South Africa.

On 23 March 2021, the company announced changes regarding Afarak Group Plc's treasury shares, where a total of 7,088,608 treasury shares has been transferred to subscribers. Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. This was executed after year end on 23 March 2021.

FLAGGING NOTIFICATION AFTER THE REPORTING PERIOD

On 24 March 2021, 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.

According to the notification, Afarak holds 6,073,991 treasury shares in Afarak, which corresponds to approximately 2.41 % of the total shares in Afarak as a result of the transaction that was executed on 23 March 2021 whereby Afarak transferred its treasury shares.

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.2020 - 31.12.2020	1.1.2019 - 31.12.2019
Revenue	1	**1,480**	**1,481**
Personnel expenses			
Salaries and wages		-430	-1,021
Pension expenses		2	2
Social security expenses total		**2**	**2**
Personnel expenses total		**-428**	**-1,019**
Depreciation, amortisation and impairment	2		
Impairment of investment in subsidiaries		-48,296	-139,526
Depreciation, amortisation and impairment total		**-48,296**	**-139,526**
Other operating expenses	3	-2,029	-4,867
Operating Profit (Loss)		**-49,273**	**-143,931**
Financial income and expenses:	4		
Impairment of non-current investments		-6,574	0
Other financial income			
From Group companies		30	26
From others		3,841	1,300
Interests and other financial expenses			
To Group companies		-898	-556
To others		-1,605	-993
Impairment of intra-group receivable		-8,356	0
Financial income and expenses total		**-13,562**	**-223**
(LOSS) / PROFIT BEFORE TAXES		**-62,835**	**-144,154**
Income taxes	5		
(LOSS) / PROFIT FOR THE PERIOD		**-62,835**	**-144,154**

STATEMENT OF FINANCIAL POSITION (FAS)

EUR '000	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Investments	6		
Shares in Group companies		64,644	114,959
Total investments		**64,644**	**114,959**
Current assets			
Non-current receivables	7		
Receivables from Group companies		5	5
Total non-current receivables		**5**	**5**
Total non-current assets		**64,649**	**114,964**
Current receivables	7		
Trade receivables		1	1
Receivables from Group companies		4,523	13,993
Other interest-bearing receivables		54	0
Other non interest-bearing receivables		13	69
Prepaid expenses and accrued income		56	41
Total current receivables		**4,646**	**14,104**
Cash and cash equivalents		**54**	**118**
Total current assets		**4,700**	**14,226**
Total assets		**69,349**	**129,185**

STATEMENT OF FINANCIAL POSITION (FAS) (CONT.)

EUR '000	Note	31/12/2020	31/12/2019
EQUITY AND LIABILITIES			
Shareholders' Equity	8		
Share capital		23,642	23,642
Share premium reserve		25,223	25,223
Paid-up unrestricted equity reserve		212,119	212,024
Retained earnings		-164,730	-20,576
(Loss) / profit for the period		-62,835	-144,154
Total shareholders' equity		**33,419**	**96,159**
Liabilities	9		
Non-current liabilities			
Liabilities to Group companies		23,831	28,229
Provisions		1,450	1,450
Total non-current liabilities		**25,281**	**29,679**
Current liabilities			
Liabilities to Group companies		220	462
Liabilities to others		4,161	0
Accounts payable		204	60
Accounts payable to Group companies		5,709	2,531
Other liabilities		17	119
Accrued expenses and deferred income		338	176
Total current liabilities		**10,649**	**3,347**
Total liabilities		**35,930**	**33,026**
Total equity and liabilities		**69,349**	**129,185**

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.-31.12.2020	1.1.-31.12.2019
Operating activities		
(Loss) / profit for the period	-62,835	-144,154
Adjustments for:		
Impairment, net	54,870	139,526
Unrealised foreign exchange gains and losses	-2,235	-306
Financial revenue and expense excluding impairment	3,708	831
Other adjustments	1,914	1,501
Cash flow before working capital changes	-4,578	-2,602
Working capital changes:		
Change in current trade receivables	789	779
Change in current trade payables	286	105
Cash flow before financing items and taxes	-3,503	-1,718
Interests received from Group companies	3,841	1,303
Interests received and other financing items	31	27
Interests paid and other financing items	-1,127	-908
Net cash operating activities	**-758**	**-1,296**
Investing activities		
Proceeds from sale of tangible and intangible assets	0	1
Net cash from investing activities	**0**	**1**
Financing activities		
Acquisition of own shares	0	-26,389
Repayments of current borrowings	0	-44
Non-current loans from Group companies	0	26,031
Repayments of current borrowings	-4	1,623
Non-current loans from Group companies	699	0
Repayments of current loan receivables	0	8
Net cash from financing activities	**695**	**1,229**
Change in cash and cash equivalents	**-64**	**-66**
Cash at beginning of period	118	184
Cash at end of period	54	118
Change in the statement of financial position	**-64**	**-66**

Notes to the Financial Statements of the Parent Company (FAS)

2.1 ACCOUNTING POLICIES

SCOPE OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The parent company has prepared its separate financial statements in accordance with Finnish Accounting Standards. Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Consolidated financial statements are presented separately as a part of these financial statements.

Information on holdings in subsidiaries and associated companies and information on their consolidation is presented in the notes to the financial statements.

All figures are presented in thousand Euros, unless otherwise explicitly stated.

VALUATION PRINCIPLES AND METHODS

Investments in associated companies and debt instruments are valued at acquisition cost, less eventual impairment. Dividends received from Group companies and associates have been recorded as financial income.

The value of property, plant and equipment in the statement of financial position is stated at acquisition cost, less accumulated depreciation. Other assets have been stated in the statement of financial position at the lower of acquisition cost or their likely realisable value. Debt items are valued at acquisition cost. Loan receivables from subsidiaries and Group companies have been valued at acquisition cost.

DEPRECIATION METHODS

Acquisition costs of property, plant and equipment are depreciated over their useful lives according to plan. Depreciation plans have been defined based on practice and experience.

Asset	Depreciation Method & Period
Intangible rights	5 years straight line
IT equipment	2 years straight line
Other machinery and equipment	5 years straight line

TRANSLATIONS OF FOREIGN CURRENCY ITEMS

Items in the statement of financial position denominated in foreign currency are translated into functional currency using the exchange rates as at the end of the reporting year. Income statement items are translated applying the exchange rates prevailing at the date of the transaction.

COMPARABILITY OF THE REPORTED FINANCIAL YEAR AND THE PREVIOUS YEAR

The reported financial year and the previous year were both calendar years and are thus comparable. The Company has been actively restructuring its business, which has required various ownership and financial arrangements. The transactions have had significant non-recurring effects on the Company’s income statement and statement of financial position, which make comparison of financial statements and estimating the future more difficult.

2.2 NOTES TO THE INCOME STATEMENT

1. REVENUE

EUR '000	2020	2019
By business line:		
Services	1,480	1,481
Total	**1,480**	**1,481**
By geography:		
Finland	1	1
EU countries	1312	1,065
Other countries	167	415
Total	**1,480**	**1,481**

2. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR '000	2020	2019
Impairment		
Impairment on investment in subsidiaries	-48,296	-139,526
Total	**-48,296**	**-139,526**

3. OTHER OPERATING EXPENSES

EUR '000	2020	2019
Premise expenses	-14	-16
Machinery and equipment expenses	-19	-19
Travelling expenses	-58	-152
Administration expenses	-1,662	-3,126
Other operating expenses	-276	-1,554
Total	**-2,029**	**-4,867**

4. FINANCIAL INCOME AND EXPENSE

EUR '000	2020	2019
Other financial income		
From Group companies	30	26
From others	3,841	1,300
Other financial expense		
To Group companies	-898	-556
To others	-1,605	-993
Impairment on Intra-group receivables	-8,356	0
Total	**-13,562**	**-223**

5. INCOME TAXES

EUR '000	2020	2019
(Loss) / profit for the period	-55,590	-144,154
Profit before taxes	**-55,590**	**-144,154**

2.3 NOTES TO ASSET

6. INVESTMENTS

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2020	324,533	8,153	17,614	350,300
Disposal of investment	-2,019	0	0	-2,019
Acquisition cost 31.12.2020	322,514	8,153	17,614	348,281
Accumulated depreciation and impairment 1.1.2020	-209,574	-8,153	-17,614	-235,341
Impairment of investment in subsidiaries	-48,296	0	0	-48,296
Accumulated depreciation and impairment 31.12.2020	-257,870	-8,153	-17,614	-283,637
Book value 31.12.2020	**64,644**	**0**	**0**	**64,644**

Holdings in Group and other companies

Name	Country of incorporation	Group's ownership and share of votes (%)	AfarakGroup Plc's direct ownership and share of votes (%)
Afarak doo Belgrade	Serbia	100.00	0.00
Afarak Holdings Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining Investments (Pty) Ltd	South Africa	100.00	0.00
Afarak Mining (Pty) Ltd	South Africa	100.00	0.00
Afarak Services Sagl	Switzerland	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Magnohrom doo Kraljevo	Serbia	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	73.30	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0,00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
Rekylator Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75
ZCM Holdco One (Pty) Ltd	South Africa	74.00	23.00
Zeerust Chrome Mine Ltd	South Africa	74.00	0.00
Synergy Africa Ltd	United Kingdom	100.00	0.00
Chromex Mining Ltd	United Kingdom	100.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	74.00	0.00
Ilitha Mining (Pty) Ltd	South Africa	80.00	0.00
Afarak Processing Technologies (Pty) Ltd	South Africa	100.00	0.00
Afarak Processing Technologies 2 (Pty) Ltd	South Africa	100.00	0.00
Afarak Platinum (Pty) Ltd	South Africa	100.00	0.00

As at 31 March 2019, the Group held 51% of shares of Synergy Africa Ltd, which the shareholders of Synergy Africa Ltd had entered into a joint venture agreement with joint control over the company. On 1 April 2019, Afarak acquired the 49% balance of Synergy Africa Ltd, and the Joint Venture agreement was terminated. Therefore Afarak now holds 100% of Synergy Africa Ltd. As at 31 March 2019, the company and its subsidiaries were not consolidated into the Group as subsidiaries but as joint ventures. The Group's share of net profit or loss of the Joint venture during the period January to March 2019 is shown on one line in the income statement. As from 1 April 2019, Synergy Africa Ltd and its subsidiaries were consolidated into the Group as subsidiaries.

Afarak Mogale (Pty) Ltd entered into an agreement in December 2016, to buy back 100 ordinary shares currently held by the trustees as part of the Mogale Alloys Trust. These shares constitute an effective 10% of the issued share capital of the company and will be bought back in a series of buy backs over a period of 8 years. During the current year Afarak Mogale (Pty) Ltd repurchased 11 (11) ordinary shares held by the Mogale Alloys Trust, hence Afarak Mogale (Pty) Ltd has repurchased 45 ordinary shares in total and 55 ordinary shares still to be repurchased. However, in Afarak Group, 100% of Afarak Mogale (Pty) Ltd is being consolidated.

Rekylator Yhtiöt Oy was merged with Afarak Group Oyj during the year 2019.

During 2019, Afarak also acquired a further 49% of the shares in Zeerust Chrome Mine, in exchange for total consideration of two million shares in Afarak Group Plc, amounting to Eur 1,654,000. Of which 26% are to be transferred to a prospective BEE partner and therefore Afarak holds and consolidate 74% interest in the company.

Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. This was approved by South Africa Reserve bank and it was executed after year end on 23 March 2021.

The companies Afarak Commodities Ltd, Afarak Participation Ltd, LP Kunnanharju and Mkhombi Stellite (Pty) Ltd were liquidated during 2020.

On 16th September 2020 Afarak Group lost 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.

For the year ended 31 December 2020 Chromex Mining Limited (registration number 05566992) and Synergy Africa Limited (registration number 07382978) were entitled to an exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

7. RECEIVABLES

EUR '000	2020	2019
Non-current		
Loan and other receivables	5	5
Total	**5**	**5**
Current		
Loan receivables	719	7,424
Trade receivables	2,938	4,915
Interest receivables	44	822
Prepayments and accrued income	822	832
Total	**4,523**	**13,993**

Other interest-bearing receivables

EUR '000	2020	2019
Current		
VAT receivable	54	3
Total	**54**	**3**

Other interest-free receivables

EUR '000	2020	2019
Current		
Trade receivables	1	1
Other receivables	13	4
Total	**13**	**5**

Prepaid expenses and accrued income

EUR '000	2020	2019
Other prepaid expenses and accrued income	56	103
Total	**56**	**103**

2.4 NOTES TO EQUITY AND LIABILITIES

8. SHAREHOLDERS' EQUITY

EUR '000	2020	2019
Share capital		
Share capital 1.1.	23,642	23,642
Share capital 31.12.	**23,642**	**23,642**
Share premium reserve	**2020**	**2019**
Share premium reserve 1.1.	25,223	25,223
Share premium reserve 31.12.	**25,223**	**25,223**
Paid-up unrestricted equity reserve	**2020**	**2019**
Paid-up unrestricted equity reserve 1.1.	212,024	236,071
Issue of shares	95	2,341
Acquisition of own shares	0	-26,389
Paid-up unrestricted equity reserve 31.12	**212,119**	**212,024**
Retained earnings	**2020**	**2019**
Retained earnings 1.1.	-20,575	-19,206
(Loss)/profit for the previous financial year	-144,154	-1,370
Retained earnings 31.12.	**-164,730**	**-20,576**

(Loss) / profit for the period	**-62,835**	**-144,154**
Total shareholders' equity	**33,419**	**96,159**

Distributable funds	**2020**	**2019**
Retained earnings 1.1.	-164,730	-20,576
(Loss) / profit for the period	-62,835	-144,154
Retained earnings 31.12.	**-227,565**	**-164,730**
Paid-up unrestricted equity reserve	212,119	212,024
Distributable funds 31.12.	**0**	**47,294**

9. LIABILITIES

Non-current liabilities

EUR '000

Non-current interest bearing debt	**2020**	**2019**
Loans from Group companies	23,831	27,279
Total	**23,831**	**27,279**

EUR '000

Non-current interest-free debt	**2020**	**2019**
Capital loans	0	950
Total	**0**	**950**

Current Liabilities

EUR '000

Current interest bearing debt	**2020**	**2019**
Other debt to Group companies	0	50
Total	**0**	**50**

Current interest-free debt	**2020**	**2019**
Accounts payable	204	60
Payables to Group companies	5,709	2,531
Payables to others	4,161	0
Other debt	17	119
Other debt to Group companies	220	412
Accrued expenses and deferred income	338	176
Total	**10,649**	**3,297**

2.5 PLEDGES AND CONTINGENT LIABILITIES

EUR million	31.12.2020	31.12.2019
Commitments on behalf of subsidiaries		
Guarantees	4.2	17.4
Commitments and contingent liabilities total	**4.2**	**17.4**

PENSION LIABILITIES

The Company's pension liabilities are directly in accordance with the statutory TyEL-system.

2.6 OTHER NOTES

RELATED PARTY LOANS

The Company has short-term loan receivables from the members and past members of the Board amounting to EUR 0 (8) thousand.

Information on the personnel

Personnel, annual average (all employees)	2020	2019
Employees	3	3

Management remuneration (EUR '000)	2020	2019
Chief Executive Officer	288	294
Board members	144	227

The CEO fees for his service during 2020 were EUR 288,000.

In December 2016 the Group granted the new CEO, Guy Konsbruck 1,000,000 shares in the Company. These have been awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares have effectively been received on 11 May 2018. The second 500,000 Company shares have effectively been received on 12 February 2019. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.81 per share. The expense recognized in the income statement in the comparative period 2019 was EUR 8,321.92.

In the fourth quarter of 2018, the Group extended for another two years the CEO contract and granted another 1,000,000 shares in the Company. These were due to be awarded in two tranches and vested based on completed year of service, and which were self-reduced by 20% to two tranches of 400,000 Company shares for each year of service in 2020. The first 400,000 Company shares have effectively been received on 16 December 2020. The second 400,000 Company shares were due to be received in January 2021 after completing his fourth year of service. These will be granted after the AGM when a new board is formed. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.83 per share. The expense recognized in the income statement during the year was EUR 60,260.27 (2019: EUR 596,917.81) which included a correction of the self reduced shares expense recognised in 2019.

INFORMATION ON SHARES AND SHAREHOLDERS

Changes in the number of shares and share capital

On 31 December 2020, the registered number of Afarak Group Plc shares was 252,041,814 (2019: 252,041,814) and the share capital was EUR 23,642,049.60 (2019: 23,642,049.60).

On 31 December 2020, the Company had 13,162,599 (2019: 13,677,599) own shares in treasury, which was equivalent to 5.22% (2019: 5.43%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2020, was 238,879,215 (2019: 238,364,215).

On 28 January 2020, Afarak Group Plc has transferred a total of 115,000 Company shares from treasury in relation to additional ownership in certain South African mining assets.

On 16 December 2020, the company transferred 400,000 Company Shares from the treasury to Guy Konsbruck, CEO.

More information on shares, share capital and shareholders has been presented in the notes to the consolidated financial statements.

Information obligated to a Group company

The Company is the Group's parent company.

Afarak Group Plc, domicile Helsinki (address: Kaisaniemenkatu 4, 00100 Helsinki, Finland)

BOARD MEMBERS' AND CHIEF EXECUTIVE OFFICER'S OWNERSHIP

Afarak Group Plc's Board members and Chief Executive Officer owned in total 1,550,000 (2019: 1,150,000) Afarak Group Plc shares on 31 December 2020 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.6% (2019: 0.5%) of all outstanding shares that were registered in the Trade Register on 31 December 2020.

31.12.2020

Board and CEO total:		**Shares**	**Options**
Thorstein Abrahamsen	Chairman & Non-Executive Director	0	0
Jelena Manojlovic	Dependent Non-Executive Director	150,000	0
Guy Konsbruck	Chief Executive Officer & Executive Director	1,400,000	0
Board and CEO total		**1,550,000**	**0**
All shares outstanding		252,041,814	
Proportion of all shares		0.6%	

On 31 December 2020 the total number of registered shares was 252,041,814 and the Board and CEO's ownership corresponded to 0.6% of the total number of registered shares.

Auditor's fees

EUR '000	**2020**	**2019**
Ernst & Young Oy		
Audit	581	320
Other services	67	36
Total	**648**	**356**

BOARD'S DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting that no distribution would be paid in 2021.

Signatures to the Board Financial Statements

HELSINKI 31 MARCH 2021

THORSTEIN ABRAHAMSEN
Chairman

GUY KONSBRUCK
CEO

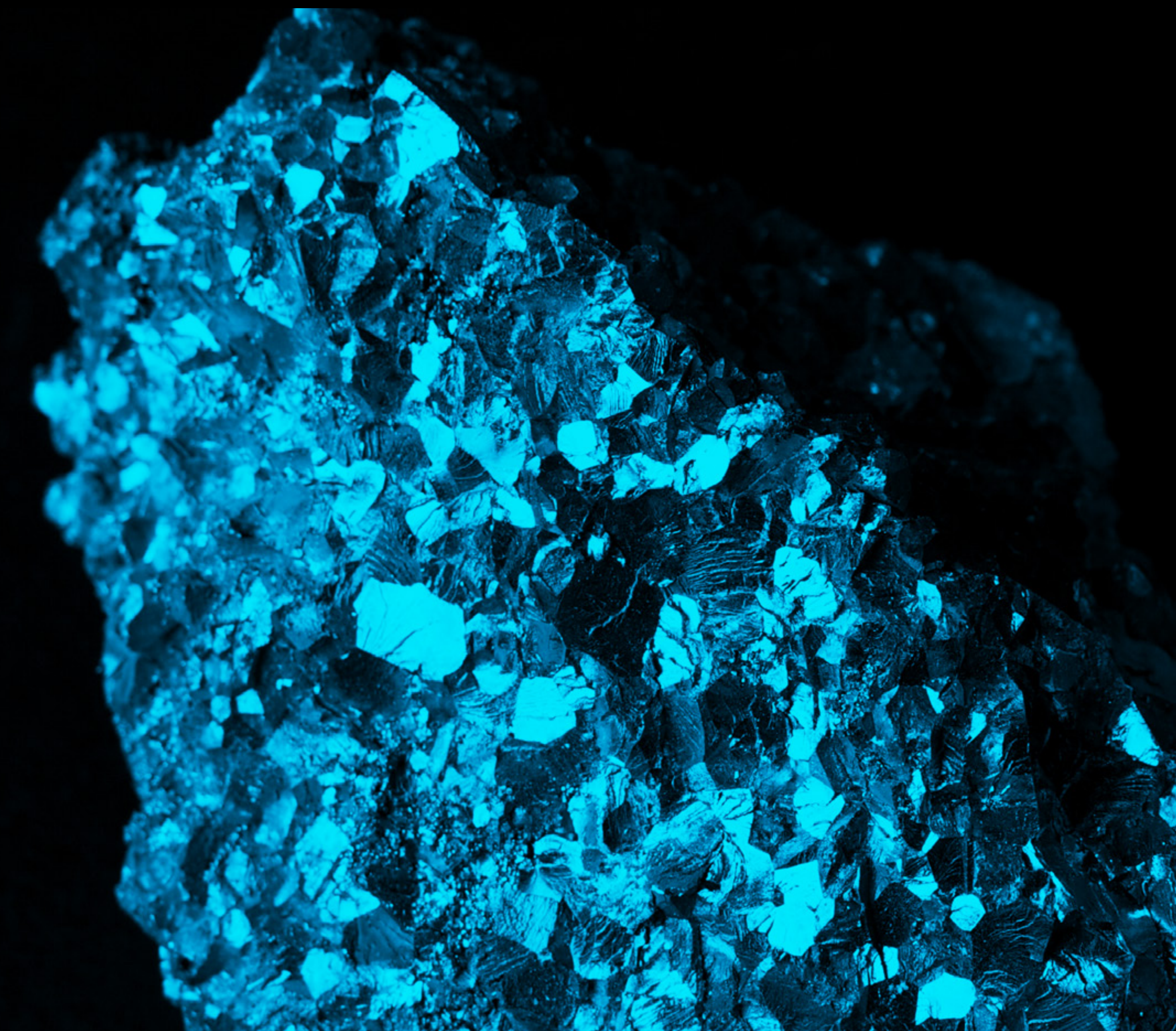
JELENA MANOJLOVIC
Member of the Board

The Auditor's Note

Our auditor's report has been issued today.

HELSINKI 31 MARCH 2021
ERNST & YOUNG OY

ERKKA TALVINKO
Authorised Public Accountant



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domicile Helsinki

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Afarak Group Plc

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Afarak Group Plc (business identity code 0618181-8) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements and in note 2.6 to the financial statements of the parent company.

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

Material Uncertainty Related to Going Concern

We want to draw attention to the note "1.3 Going concern" in the financial statements in which the management describes the uncertainties related to the group's operations and funding facilities. These matters indicate a material uncertainty relating to the company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

In addition to matter described in the section *Material uncertainty related to going concern* we have identified the following matters below as Key Audit Matters to be addressed in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Goodwill *We refer to accounting principles and notes 1.5 and 11.* The value of goodwill at the date of the financial statements amounted to 42,1 million euro representing 29,5 % of total assets and 141,1 % of equity. Valuation of goodwill was a key audit matter because the assessment process is based on numerous judgmental Management estimates and because the amount of goodwill is significant to the financial statements. Valuation of goodwill is based on management's estimate about the value in use calculations of the cash generating units. There are a number of underlying assumptions used to determine the value in use, including used by the Group management in respect of future market growth, discount rates, expected inflation rates, revenue and margin developments. The valuation of goodwill is based on the value-in-use calculations of the cash generating units. Estimated values-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill. Valuation of goodwill was determined to be a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of valuation of goodwill included among others: • We involved valuation specialists to assist us in evaluating and comparing to the relevant peer group the assumptions and methodologies used by the Group, in particular those relating to the weighted average cost of capital. • We compared the market expectations management used to the external market forecast providers to gain an understanding of the assumptions used. • We focused on the sensitivity in the available headroom by Cash Generating Unit and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. • We assessed the Group's disclosures in notes 1.5 in the financial statements about the assumptions to which the outcome of the impairment tests were more sensitive.

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Valuation of intangible and tangible assets *We refer to accounting principles and notes 1.4, 1.5 and 1.7/10, 11.* The value of tangible and intangible assets at the date of the financial statements amounted to 67,8 million euro representing 47,6 % of total assets and 227,6 % of equity. An impairment of 21,5 million euro was recognized in the accounting period. Valuation of tangible and intangible assets was a key audit matter because the assessment process is based on numerous judgmental estimates and because the amount of tangible and intangible assets is significant to the financial statements. The valuation of tangible and intangible assets is based on management's estimate about the value in use calculations of the cash generating units. There are a number of underlying assumptions used to determine the value in use, including used by the Group management in respect of future market growth, discount rates, expected inflation rates, revenue and margin developments. The valuation of tangible and intangible assets is based on the value-in-use calculations of the cash generating units. Estimated values-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of tangible and intangible assets. Valuation of tangible and intangible assets was determined to be a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of valuation of intangible and tangible assets included among others: • We involved valuation specialists to assist us in evaluating and comparing to the relevant peer group the assumptions and methodologies used by the Group, in particular those relating to the weighted average cost of capital. • We compared the market expectations management used to the external market forecast providers to gain an understanding of the assumptions used. • We focused on the sensitivity in the available headroom by Cash Generating Unit and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. • We assessed the Group's disclosures in notes 1.5 financial statements about the assumptions to which the outcome of the impairment tests were more sensitive.
Environmental Obligations *We refer to the accounting principles and the note 21.* The provision for rehabilitation and decommissioning costs relates to mines and processing facilities. At the balance sheet date 31 December 2020, the value of the provision amounted to 9,1 M€. The environmental obligations were a key audit matter because the provisions requires significant management's judgment because of the inherent complexity in estimating future costs. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The provisions are subject to the effects of any changes in local regulations, management's expected approach to decommissioning and	Our audit procedures to address the risk of material misstatement in respect of valuation of environmental obligation included among others: • We assessed the assumptions used by management in their calculations and inspected the calculations. • We also recalculated the provision based on these assumptions used by management for the discount rates, areas to be rehabilitated, the nature of expenses to be incurred (i.e. related to asset or expense). • We assessed the Group's disclosures in the financial statements in respect of environmental and rehabilitation provisions.

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discount rates, along with the effects of changes in exchange rates. Environmental obligation was determined to be a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	
Valuation of Inventory *We refer to accounting principles and note 15.* The total value of inventory as of December 31, 2020 amounted to 13,5 M€ representing 9,5 % of the total assets. Inventories are measured the lower of cost and net realizable value, taking into consideration also the usage based depreciation of the mineral resources originating from the business combination. The inventory is material to our audit because the inventory is exposed to price and exchange rate fluctuation due to which the net realisable value of inventory can fluctuate significantly, increasing the risk of inventory overvaluation. Inventory costing was considered a significant risk also because variable and fixed costs are allocated to inventory. Valuation of inventory was determined to be a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of valuation of valuation of inventory included among others: • We assessed the Group's accounting policies over recognizing inventory in compliance with applicable accounting standards. • We tested the costing of the inventory and performed net realizable value testing to assess whether the cost of the inventory exceeds net realizable value and whether the variable and fixed costs are allocated to the inventory based on normal capacity of the production. • We performed analytic audit procedures on inventory. • We assessed the Group's disclosures in the financial statements in respect of inventory.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 7.5.2009, and our appointment represents a total period of uninterrupted engagement of 12 years.

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Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations. In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, March 31, 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Erkka Talvinko
Authorized Public Accountant

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