AFARAK GROUP SE

(previously Afarak Group plc)

The Board of Directors Report 2022 and the Annual Financial Statements 1 January-31 December 2022

Domicile: Helsinki
Company number: 0618181-8

Contents

THE BOARD OF DIRECTORS REPORT

Dear Shareholders,

AFARAK has enjoyed a record profit in 2022, although the business conditions remained challenging. The unlawful and ruthless Russian attack on Ukraine and all its economic consequences on the Western world have created a new layer of complexity to all businesses shortly after the pandemic crisis. This is particularly true for the commodities used in steel making which has a strong dependence on Russian products.

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

After initial spikes, the market prices for regular grades saw downwards corrections after the summer holiday, and we had to face increasing energy and raw material cost. Afarak adapted the output of regular grades, and concentrated more on high quality alloys. We are further developing new efficiencies and working on various solutions to reduce our exposure to fluctuating energy cost.

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

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

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

Guy Konsbruck
CEO

SAFETY, HEALTH AND SUSTAINABLE DEVELOPMENT

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.

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 2022 aiming to achieve “Zero Harm”.

During 2022, the Group’s employees contributed approximately 1,456,505 working hours during which the company suffered 21 (2021: 21) 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.

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

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

Health

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

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 CO2 emissions. Our dependence on electricity is also a source for CO2 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:

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 2023 to further minimise the impact of our operations on nature. Also, community investments will be maintained.

THE FERROCHROME AND CHROME ORE MARKET

Afarak Group operates primarily in the chrome 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.

2022 Market overview

2022 has been a challenging year. After the gradual unwinding of the Covid hurdles, the world economy was hit hard by the consequences of the Russian attack on Ukraine. Both events triggered negative consequences on energy cost and inflation rates and led to high commodities prices and extremely volatile markets. Especially after the summer holidays, the stainless steel output started to decline, and price levels weakened. We expect strong fluctuations for 2023 as well. The Chinese economy was slowed down much longer by the COVID pandemic, and will only start to recover gradually in 2023. This should lead to sustained demand and strong pricing for commodities, though high interest rates and difficult monetary access could present a threat to our business development. Energy availability and cost will remain an issue. Strong pressure on CO2 reductions and creation of sustainable power alternatives will persist and should have a positive effect on our customer base in the energy sector. All these factors might continue to sustain a sharp price volatility also during 2023.

Market sentiment for 2023

CRU Monitor expects the global demand for Stainless Steel to increase by 3% in 2023, which is an improvement compared to 2022, even though the purely European demand is set to decline during the same period. The demand for regular grades of low carbon ferro-chrome, after being very sustained during the first 3 quarters of 2022, showed some decline during Q4. As a consequence, prices dropped during Q4, mainly due to the pressure of Chinese imports. A good portion of Afarak's specialty alloys is widely used for more specific applications (aeronautics, medical, energy). Plane makers reported a sharp jump in both new plane deliveries and new orders during 2022. This came during a time where strategic raw material supply chains were stretched and inventories low. This resulted in a rapid recovery in price and demand for raw materials used in aerospace grades of steel. The forecast for new plane builds is positive for the next several years as is demand for other high temp alloys used in the medical and energy sectors. The main global factor will be the speed of recovery of the Chinese economy, as well as the evolution of the Russian war in Ukraine.

GROUP OPERATIONAL REVIEW

Operationally, 2022 presented higher sales and higher production for the Group which was mainly driven by strong market demand and higher prices.

Sales

The Group sales of processed material increased by 8.8% and stood at 26,085 (2021: 23,974) tonnes due to higher demand.

Group mining

Group mining activity increased by 28.5% to 132,362 (2021: 102,970) tonnes, when compared to a year earlier, due to the increased mining activity in South Africa which was partly offset by the lower mining activity in the Turkish mines.

Annual mining levels in the Speciality Alloys segment decreased by 20.2% to 61,092 (2021: 76,591) tonnes. Production within the FerroAlloys segment increased significantly as the output increased in South African mines on account of the favourable market conditions to 71,271 (2021: 26,379) tonnes.

Group processing

Group processing for 2022 increased by 14.6% to 26,642 (2021: 23,252) tonnes on account of higher demand.

Human resources

At the end of the year 2022, Afarak had 600 (503) employees. The average number of employees during the year 2022 was 545 (567).

GROUP FINANCIAL PERFORMANCE

2022 performance

The observed top-line growth is attributable to general increase in selling prices and higher trading volumes following the improved market demand. The Group revenue increased by 148.5% to EUR 198.7 (2021: 80.3) million.

In the Speciality Alloys segment, the stronger market conditions supported revenue growth which increased by 146.4%, to EUR 191.7 (2021: 77.8) million. In the FerroAlloys segment, revenue increased in 2021 to EUR 5.3 (2021: 1.8) million, when compared to prior year.

Operationally, production levels of Speciality Alloys material increased to keep up with the demand and due to the increased mining activity in South Africa on account of the favourable market conditions when compared to prior year.

Profitability also increased at a fast rate despite higher cost of production due to significant cost inflation mainly in electricity and raw material prices. As a result, EBITDA during the reporting period increased to EUR 53.7 (2021: 5.9) million and EBIT stood at EUR 52.3 (2021: 6.8) million. Financial income and expenditure during the year were EUR -3.1 (2021: -3.9) million.

EUR million	H1 2022	H2 2022	FY 2022	FY 2021
Revenue	92.1	106.6	198.7	80.3
EBITDA	24.5	29.2	53.7	5.9
EBIT	24.0	28.2	52.3	6.8
Profit from continuing operations	21.2	23.5	44.7	0.6
Profit from discontinued operations	2.9	0.0	2.9	8.4
Profit for the period	24.1	23.5	47.6	9.0
EBITDA margin	26.7 %	27.4 %	27.1 %	7.4%
EBIT margin	26.1 %	26.5 %	26.3 %	8.5%

Balance Sheet, Cash Flow and Financing

The Group's total assets on 31 December 2022 stood at EUR 159.8 (2021: 146.3) million and net assets totalled EUR 104.8 (2021: 43.4) million. The translation differences on conversion of foreign denominated subsidiaries were adjusted by EUR 2.1 million. The Group's cash and cash equivalents, as at 31 December 2022, totalled EUR 12.4 (2021: 6.3) million. Operating cash flow in the second half was positive, standing at EUR 31.2 (2021: 13.1) million.

The equity ratio stood at 65.6% (2021: 29.7%). Afarak's gearing at the end of the year decreased to -9.8% (2021: 74.2%), due to significantly lower interest-bearing debt of EUR 2.2 (2021: 38.5) million.

Investments, Acquisitions and Divestments

Capital expenditure for the full year of 2022 totalled EUR 2.1 (0.9) million. Capital Expenditure was mainly incurred to sustain Group operations.

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

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

SEGMENTS REVIEW

SPECIALITY ALLOYS SEGMENT

2022 in Review

The Speciality Alloys Segment registered a very strong performance in 2022, primarily reflecting to strong market conditions. The increase in Low Carbon ferrochrome prices and sales volumes resulted in higher revenue and higher Ferrochrome production to address higher demand.

Revenue €191.7mln (2021: €77.8mln)	EBITDA €56.2mln (2021: €9.2mln)	EBIT €55.4mln (2021: €7.8mln)
Mining production 61,092mt (2021: 76,592mt)	Processing production 26,642mt (2021: 23,252mt)	Sales of processed material 26,085mt (2021: 23,443mt)
Personnel 488 (2021: 471)		

Production

Total production levels during 2022 decreased by 12.1% to 87,734 (2021: 99,844) tonnes.

Processing levels increased by 14.6% compared to previous year to keep up with the increase in demand for Low Carbon Ferrochrome. This increase in processing levels was outweighed by a contraction of 20.2% in mining tonnages due to planned maintenance at the Turkish mines.

Sales

Sales volumes during 2022 were 11.3% higher than prior year. This was driven by the improved market conditions.

Financial performance

The Speciality Alloys segment registered a very strong performance during the year. Revenue for the full year increased by 146.4% to EUR 191.7 (2021: 77.8) million. The increase in revenue was due to higher sales prices and trading volumes of speciality material when compared to prior year. Profit margins continued to improve despite higher cost of production with higher energy and raw material prices. The improved market conditions enabled EBITDA for the year to increase to EUR 56.2 (2021: 9.2) million, resulting in EBIT of EUR 55.4 (2021: 7.8) million.

EUR million	**H1 2022**	**H2 2022**	**FY 2022**	**FY 2021**
Revenue	91.1	100.6	191.7	77.8
EBITDA	25.6	30.6	56.2	9.2
EBIT	25.2	30.2	55.4	7.8
EBITDA margin	28.1%	30.4%	29.3%	11.8%
EBIT margin	27.7%	30.0%	28.9%	10.1%

Looking ahead

In 2022, after a sharp price rise in most commodities, the markets have gradually cooled off. China took longer to end the COVID-19 restrictions and is recovering only now, albeit in a slow manner. We expect a more stable year when it comes to prices, but the demand seems sustained.

Our production costs have also been stabilising, but energy availability and cost continue to be a potential source of concern. Afarak has implemented a series of measures during the difficult years, that enable us to react swiftly and efficiently to market changes.

The commodities market will nevertheless continue to be subject to unstable variables.

FERROALLOYS SEGMENT

2022 in Review

Revenue increased in 2022 when compared to prior year to EUR 5.3 (1.8) million.

Revenue €5.3mln (2021: €1.8mln)	EBITDA €0.5mln (2021: €-0.9mln)	EBIT €0.2mln (2021: €1.6mln)
Mining production 71,271mt (2021: 26,379mt)	Processing production 0mt (2021: 0mt)	Sales of processed material 0mt (2021: 531mt)
Personnel 94 (2021: 14)		

Production

Operationally, the segment registered an increase in total production by 170.2% to 71,271 (2021: 26,379) tonnes.

Production within the FerroAlloys segment increased significantly as the output increased in South African mines on account of the favourable market conditions.

Sales

The sales of mining material from the FerroAlloys segment increased to during the year when compared to prior year.

Financial performance

EUR million	H1/22	H2/22	FY22	FY21
Revenue	0.4	4.9	5.3	1.8
EBITDA	0.1	0.4	0.5	-0.9
EBIT	0.0	0.2	0.2	1.6
EBITDA margin	20.9%	8.4%	9.3%	-53.4%
EBIT margin	0.1%	4.7%	4.4%	88.2%

Revenue increased in 2022 when compared to prior year to EUR 5.3 (2021: 1.8) million.; Production within the FerroAlloys segment increased significantly as the output increased in South African mines on account of the favourable market conditions. The above factors, resulted in a positive EBITDA was EUR 0.5 (2021: -0.9) million during the reporting period. The positive trend is also attributable to the resumed opencast mining at the Mecklenburg mine.

Looking ahead

Afarak has resumed activity in mining in South Africa and plans to increase its output during 2023.

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.

2022 Developments

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.

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.

SHARE INFORMATION

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

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

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

At the beginning of the period under review as at December 2021, the Company's share price was EUR 0.14 on NASDAQ Helsinki and GBP 0.20 on the London Stock Exchange. At the end of the review period as at December 2022, the share price was EUR 0.35 and GBP 0.20 respectively. During the second half of 2022, the Company's share price on NASDAQ Helsinki ranged from EUR 0.29 to 0.53 per share and the market capitalisation, as at 31 December 2022, was EUR 94.27 (1 January 2022: 34.28) million. For the same period on the London Stock Exchange, the share remained at GBP 0.20 per share and the market capitalisation was GBP 53.41 (1 January 2021: 50.41) million, as at 31 December 2022.

On 10 February 2022, the company announced changes regarding Afarak Group SE's treasury shares, where a total of 500,000 shares were transferred to the CEO Guy Konsbruck, which form part of the remuneration package under the CEO agreement. On 6 July 2022, the company announced that a total of 15,000,000 new shares were issued on the basis of the directed share issuance without payment to the Company itself. On 29 August 2022, the company announced changes regarding Afarak Group SE's treasury shares, where a total of 13,132,477 treasury shares were transferred to subscribers.

Flagging notifications

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

On 29 August 2022, Afarak Group SE 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.

Trading information

Afarak Group SE'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 2022, the price of Afarak Group's share in London Stock Exchange was GBP 0.20 (2021: ranged from 0.05 to 0.25) and in NASDAQ Helsinki between EUR 0.12 (2021: 0.13) and EUR 0.98 (2021: 0.32). Afarak's share closed in London at the end of the financial year at GBP 0.20 (2021: 0.20) and Helsinki at EUR 0.35 (2021: 0.14). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 267,041,814 (2021: 252,041,814) shares of GBP 53.41 (2021: 50.41) million and EUR 94.27 (2021: 34.28) million.

A total of 6,141,707 (2021: 2,198,719) Afarak shares were traded in London and 149,199,266 (2021: 34,249,103) shares in Helsinki during the financial year, representing 2.3% (2021: 0.9%) of stock in London and 55.9% (2021: 13.6%) in Helsinki.

Shareholders

On 31 December 2022, the Company had a total of 8,387 shareholders (6,556 shareholders on 31 December

2021), of which nine were nominee-registered. The registered number of shares on 31 December 2021 was 267,041,814 (2021: 252,041,814).

LARGEST SHAREHOLDERS ON 31 DECEMBER 2022

	Shareholder	Shares	%
1	Skandinaviska Enskilda Banken AB	155,344,786	57.17%
2	Hino Resources Co. Ltd	36,991,903	13.85%
3	Hanwa Company Limited	9,000,000	3.37%
4	Afarak Group SE	7,041,514	2.64%
5	Joensuun Kauppa ja Kone Oy	6,130,468	2.30%
6	Kankaala Markku Olavi	2,149,934	0.81%
7	Osuusasunnot Oy	2,700,000	0.75%
8	Taloustieto Incrementum Ky	1,838,000	0.69%
9	Hukkanen Esa Veikko	1,719,381	0.64%
10	Nieminen Jorma Juhani	1,016,433	0.38%
	Total	**223,232,419**	
	Other Shareholders	**43,809,395**	
	Total shares registered	**267,041,814**	**100.00 %**

Afarak Group SE’s Board members and Chief Executive Officer owned in total 2,450,000 (2021: 1,950,000) Afarak Group SE shares on 31 December 2022, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.9% (2021: 0.8%) of the total number of registered shares on 31 December 2022.

SHAREHOLDERS BY CATEGORY 31 DECEMBER 2022

Number of shares	Number of shareholders	% share of shareholder	Number of shares held	% of shares held
1 - 100	1,945	23.16%	87,918	0.03%
101 - 1000	3,309	39.40%	1,560,753	0.58%
1001 - 10000	2,426	28.89%	8,799,394	3.30%
10001 - 100000	636	7.57%	18,487,597	6.92%
100001 - 1000000	63	0.75%	14,873,733	5.57%
1000001 - 1000000	8	0.10%	30,895,730	11.57%
10000001 -	2	0.02%	192,336,689	72.03%
Total	**8,387**	**100%**	**267,041,814**	**100.00%**
of which nominee-registered	9	0.11%	**157,080,339**	**58.82%**
Total outstanding			**260,000,300**	**97.36%**

SHAREHOLDERS BY SHAREHOLDER TYPE ON 31 DECEMBER 2022

	% of share
Finnish shareholders	23.70%
of which:	
Non-financial corporations and housing corporations	5.80%
Financial and insurance corporations	3.03%
Households	14.87%
Non-profit institutions serving households	0.00%
Foreign shareholders	76.30%
Total	100.00%
of which nominee-registered	58.82%

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

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

The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2021. The AGM resolved that no dividend would be paid for 2021. The AGM also adopted the Remuneration Report for the Company’s governing bodies.

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

The AGM resolved that the Non-executive Board Members shall be paid EUR 3,500 per month and the Chairman of the Board shall be paid an additional EUR 1,500 per month. Non-Executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership. Board Members shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work in accordance with the Company's travel rules.

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

The AGM decided according to chapter 9, section 20 of the Companies' Act to direct a share issuance without payment to the company itself. The share issuance consists of 15,000,000 new shares. The shares are of the same share series than the existing shares of the company and they have the same share rights as of their registration than the company´s existing shares. The shares which will be held by the company may be used among other things to raise additional finance and enabling corporate and business acquisitions or other arrangements and investments of business activity or for employee incentive and commitment schemes. The new shares will be registered into the Trade Register without undue delay after which the company will apply for the shares to be publicly traded on Nasdaq Helsinki Oy.

The AGM resolved to authorize the Board of Directors to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 250,000,000 new shares or shares owned by the Company. This equates to approximately 99,19 % of the Company's currently registered shares. The authorization may be used among other things to raise additional finance and enabling corporate and business acquisitions or other arrangements and investments of business activity or for employee incentive and commitment schemes. By virtue of the authorization, the Board of Directors can decide both on share issues against payment and on share issues without payment. The payment of the subscription price can also be made with consideration other than money. The authorization contains the right to decide on derogating from shareholders' pre-emptive right to share subscriptions provided that the conditions set in the Finnish Companies' Act are fulfilled. The authorization replaces all previous authorizations and is valid two (2) years from the decision of the Annual General Meeting.

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, 10. 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.

KEY FIGURES

FINANCIAL INDICATORS

Continuing operations		**2022**	**2021**	**2020**
Revenue	EUR '000	198,691	80,256	59,805
EBITDA	EUR '000	53,747	5,940	-4,050
% of revenue		27.1%	7.4 %	-6.8 %
Operating profit / (loss) (EBIT)	EUR '000	52,293	6,822	-28,192
% of revenue		26.3%	8.5 %	-47.1 %
Profit / (loss) before taxes	EUR '000	49,187	2,878	-32,447
% of revenue		24.8%	3.6 %	-54.3 %
Return on equity	%	60.3%	1.7%	-53.0 %
Return on capital employed	%	59.9%	16.8%	-18.3 %
Equity ratio	%	65.6%	29.7%	20.9 %
Gearing	%	-9.8%	74.2%	161.8 %
Personnel at the end of the accounting period		600	503	621

SHARE-RELATED KEY INDICATORS

		2022		2021		2020	
		Group	Continuing operations	Group	Continuing operations	Group	Continuing operations
Earnings per share, basic	EUR	0.19	0.18	0.04	0.00	-0.07	-0.10
Earnings per share, diluted	EUR	0.19	0.18	0.04	0.00	-0.07	-0.10
Equity per share	EUR	0.41	0.41	0.18	0.18	0.12	0.12
Price to earnings	EUR	1.84		3.74		neg.	
Average number of shares	1,000	251,310		244,484		238,488	
Average number of shares, diluted	1,000	251,846		245,747		241,403	
Number of shares at the end of the period	1,000	267,042		252,042		252,042	
Share price information (NASDAQ Helsinki)							
Average share price	EUR	0.42		0.19		0.33	
Lowest share price	EUR	0.12		0.13		0.15	
Highest share price	EUR	0.98		0.32		0.98	
Market capitalisation	EUR '000	94,266		34,278		56,961	
Share turnover	EUR '000	62,146		6,582		15,687	
Share turnover	%	55.9%		13.6%		18.7 %	
Share price information (London Stock Exchange)							
Average share price	EUR	0.23		0.23		0.32	
	GBP	0.19		0.20		0.28	
Lowest share price	EUR	0.23		0.06		0.06	
	GBP	0.20		0.05		0.05	
Highest share price	EUR	0.23		0.29		0.84	
	GBP	0.20		0.25		0.75	
Market capitalisation	EUR '000	60,217		59,990		56,070	
	GBP '000	53,408		50,408		50,408	
Share turnover	EUR '000	2,125		368		96	
Share turnover	GBP '000	1,812		317		85	
Share turnover	%	2.30%		0.9%		0.1%	

From the financial year 2021 and 2022 the company did not distribute capital redemption. In 2022 the Board of Directors proposes to the Annual General Meeting a distribution policy for 2022 and beyond.

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 (loss) / profit	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.

EVENTS AFTER THE REPORTING PERIOD

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

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

Flagging notification after the reporting period

On 27 February 2023, the Company received from Aida Djakov and the company Atkey Limited (“Atkey”), in which Aida Djakov has a controlling interest, a flagging notification pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to the notification, Aida Djakov holds 61,926,701 Afarak shares as a result of a transaction carried out on 27 February 2023. According to the notifications, Atkey Limited no longer holds any Afarak shares.

ANNUAL FINANCIAL STATEMENTS

1 January-31 December 2022

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR '000	Note	1.1.-31.12.2022	1.1.-31.12.2021
Revenue	1	**198,691**	**80,256**
Other operating income	2	2,641	3,633
Materials and supplies		-120,850	-55,260
Employee benefits expense	3	-18,416	-16,139
Depreciation and amortisation	4	-1,297	-2,086
Impairment	4	-157	2,968
Other operating expenses	5	-8,319	-6,550
Operating profit/(loss)		**52,293**	**6,822**
Finance income	6	4,279	6,725
Finance expense	6	-7,385	-10,669
Profit/(loss) before taxes		**49,187**	**2,878**
Income taxes	7	-4,475	-2,268
Profit/(loss) from continuing operations		**44,712**	**610**
Profit/(loss) on discontinued operations	8	2,885	8,396
Profit/(loss) for the year		**47,597**	**9,006**
Profit/(loss) attributable to:			
Owners of the parent		47,716	9,161
Non-controlling interests		-119	-155
		47,597	9,006
Earnings per share (counted from profit / (loss) attributable to owners of the parent):	9		
basic (EUR), Group total		0.19	0.04
diluted (EUR), Group total		0.19	0.04
basic (EUR), continuing operations		0.18	0.00
diluted (EUR), continuing operations		0.18	0.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.-31.12.2022	1.1.-31.12.2021
Profit/(loss) for the year		**47,597**	**9,006**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit pension plans		8,101	2,289
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations - Group		2,069	2,244
Other comprehensive income/(loss), net of tax		**10,170**	**4,533**
Total comprehensive income/(loss) for the year		**57,767**	**13,539**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		57,885	13,699
Non-controlling interests		-118	-160
		57,767	**13,539**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Property, plant and equipment	10	38,976	38,471
Goodwill	11	48,720	46,029
Other intangible assets	11	5,239	5,548
Other financial assets	13	961	132
Deferred tax assets	19	654	1,766
		94,550	**91,946**
Current assets			
Inventories	14	24,734	13,292
Trade and other receivables	15	28,056	34,825
Cash and cash equivalents	16	12,418	6,287
		65,208	**54,404**
Total assets		**159,758**	**146,350**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

EUR '000	Note	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	17	23,642	23,642
Share premium reserve		25,223	25,223
Legal Reserve		31	39
Paid-up unrestricted equity fund		215,116	209,798
Translation reserve		-36,224	-38,292
Retained Earnings		-122,081	-176,170
		105,707	**44,240**
Non-controlling interests		-920	-801
Total equity		**104,787**	**43,439**
Non-current liabilities			
Deferred tax liabilities	19	9,111	9,182
Interest-bearing debt	13	404	17,749
Pension liabilities	21	11,988	20,619
Other non-current debt	22	23	28
Provisions	20	12,207	11,671
		33,733	**59,249**
Current liabilities			
Trade and other payables	22	15,420	18,890
Provisions	20	274	266
Tax liabilities	22	3,754	3,744
Interest-bearing debt	13	1,790	20,762
		21,238	**43,662**
Total liabilities		**54,971**	**102,911**
Total equity and liabilities		**159,758**	**146,350**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	1.1.-31.12.2022	1.1.-31.12.2021
Operating activities			
(Loss) / profit from continuing operation		44,712	610
Adjustments to net profit:			
Non-cash items			
Depreciation, amortisation and impairment	4	1,454	-882
Finance income and cost	6	3,106	3,944
Income taxes	7	4,475	2,268
Share-based payments	18	-67	-112
Proceeds from non-current assets		-347	3,275
Working capital changes:			
Change in trade receivables and other receivables		-1,891	-984
Change in inventories		-11,169	564
Change in trade payables and other debt		-5,276	5,569
Change in provisions		398	416
Interests paid		-1,739	-2,703
Interests received		-14	450
Other financing items		102	-939
Income taxes paid		-3,625	-2,584
Discontinued operations	8	1,089	4,234
Net cash from operating activities		**31,209**	**13,125**
Investing activities			
Capital expenditure on non-current assets, net		-1,682	-836
Other investments, net		84	17
Repayments of loan receivables and loans given, net		0	0
Net cash used in investing activities		**-1,598**	**-819**
Financing activities			
Proceeds from borrowings		2,183	7,905
Repayments of borrowings		-27,103	-11,525
Payment of principal portion of lease liabilities		-81	-49
Movement in short term financing activities		1,555	-3,207
Net cash used in financing activities		**-23,446**	**-6,876**
Change in cash and cash equivalents		**6,165**	**5,430**
Cash at beginning of period		6,287	1,098
Exchange rate differences		-33	-241
Cash at end of period		12,418	6,287
Change in the statement of financial position	16	**6,165**	**5,430**

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	**Notes**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Equity at 31.12.2020		**23,642**	**25,223**	**208,005**	**-40,540**	**-188,860**	**65**	**27,536**	**2,269**	**29,806**
Profit for the period 1-12/2021 + comprehensive income						9,162		9,162	-155	9,006
Other Comprehensive Income					2,247	2,289		4,537	-5	4,532
Total comprehensive income					2,247	11,451		13,699	-160	13,539
Share-based payments				112				112		112
Acquisition of non-controlling interest				1,680		1,235		2,915	-2,915	0
Other changes in equity						5	-26	-26	4	-17
Equity at 31.12.2021		**23,642**	**25,223**	**209,798**	**-38,292**	**-176,170**	**39**	**44,240**	**-801**	**43,439**
Profit for the period 1-12/2022 + comprehensive income						47,716		47,716	-119	47,597
Other Comprehensive Income					2,068	8,101		10,169	1	10,170
Total comprehensive income					2,068	55,817		57,885	-118	57,767
Share-based payments				67				67	0	67
Issue of shares in exchange for settlement of liability				5,252				5,252	0	5,252
Provision for withholding tax from previous financial periods						-1,728		-1,728		-1,728
Other changes in equity							-9	-9	0	-9
Equity at 31.12.2022		**23,642**	**25,223**	**215,116**	**-36,224**	**-122,080**	**-30**	**105,707**	**-920**	**104,787**

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 COMPANY INFORMATION

Afarak Group is a public limited company in Finland. 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 SE (business ID: 0618181-8) (previously Afarak Group plc). The parent company is domiciled in Helsinki, Finland, and its registered address is Kaisaniemenkatu 4, 00100 Helsinki, Finland. Copies of the consolidated financial statements are available at Afarak Group SE's head office or at the Company's website: www.afarak.com.

Afarak Group SE 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).

For the purpose of reporting according to ESEF regulations: the company changed name from Afarak Group plc to Afarak Group SE during 2022. Afarak Group SE is the ultimate parent of the Group and its principal place of business is Helsinki, Finland. The ESEF financial statements are unaudited.

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 2022. 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 SE's Board of Directors resolved on 31 March 2023 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 SE, 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.

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 SE.

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 has 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 2022 financial year, testing took place on 30 June 2022 for the Speciality Alloys business and the South African minerals processing business and on 31 December 2022 for all cash generating units. Impairment testing and the methods used are discussed in more detail in section 1.5 in the 'Impairment testing'.

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 by applying the nominal income tax rate which is 35%. Six sevenths of this tax is credited to the shareholder. The Maltese companies forms a fiscal unit and consequently the effective tax rate is 5%. 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

<u>Measurement of mineral resources and ore reserves in business combinations</u>

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.

<u>Exploration and evaluation expenses of mineral resources</u>

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 I*FRS 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 13, 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
For purposes of subsequent measurement, financial assets are classified in four categories: 1.Financial assets at amortised cost (debt instruments);
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
4. Financial assets at fair value through profit or loss.
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 is 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 13, 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 SE, 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.

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 2022. 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 2022. 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 2022, 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 2022, the Group has adopted the following amended standards issued by the IASB.
- 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 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.
- 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.

The above changes did not have an impact on the 2022 consolidated financial statements and they are not expected to have any impact in the 2023 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.

- 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.
- 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 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.
- Amendments to IAS 1: Non-current Liabilities with Covenants. The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- Amendments to IAS 8: The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback. The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

The new and amended standards that become effective of 1 January 2023 or later are not expected to have an impact on Afarak Group SE consolidated financial statements.

1.3 GOING CONCERN

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

1.4 BUSINESS COMBINATIONS AND ACQUISTION OF NON-CONTROLLING INTERESTS

1.4.1 Financial Year 2022

Afarak did not carry out any acquisitions during the financial year 2022.

1.4.2 Financial Year 2021

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

1.5 IMPAIRMENT TESTING

General principles of impairment testing

Afarak Group has carried out impairment testing on goodwill and other assets as of 31 December 2022. 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, 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 2022.

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

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

Changes in goodwill during 2022

During the financial year 2022, the total goodwill of the Group increased by EUR 2.7 million to a total of EUR 48.7 million. The increase was attributable to an exchange rate movement of EUR 2.7 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 1.1.2022	46,029	0	46,029
Exchange rate movement	2,691	0	2,691
Goodwill 31.12.2022	**48,720**	**0**	**48,720**

The changes in goodwill during 2021 are presented below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1. 2021	42,105	0.0	42,105
Exchange rate movement	3,924	0.0	3,924
Goodwill 31.12. 2021	**46,029**	**0.0**	**46,029**

Goodwill as a ratio of the Group's equity on 31 December 2022 and 31 December 2021 was as follows:

EUR '000	31.12.2022	31.12.2021
Goodwill	48,720	46,029
Equity	104,787	43,439
Goodwill/Equity, %	46.4%	106.0%

Impairment on long term assets

In 2022, there were no impairment write down on other long term assets.

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 6.9% 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 2022.

The information used in the 31 December 2022 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 forecasted prices 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.

These pre-tax discount rates applied in 2022 impairment testing were the following:

Cash Generating Unit	Pre-tax discount rate	
	2022	**2021**
Speciality Alloys	18.2%	11.7%
South African mine - Mecklenburg mine	18.8%	26.6%

The key reasons for the changes in the discount rates compared to 2022 were the changes in risk-free interest rates in both cash-generating units.

The cash flows in the Mecklenburg mine impairment test review includes both opencast and underground operation. 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 2021

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	46.1	46.1	74.2	Clearly above
South African Mines				
- Mecklenburg	0.0	0.0	15.6	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: 25,500 t/a	LC/ULC ferrochrome with average Cr content of 70 %, based on forecasted prices	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 2023; 177,000t om 2024; and is planned to increase to an average of 539,000t/a as from 2025 to 2032	SA Concentrate & SA Lumpy prices are based on forecasted prices	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 659 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 17.3 for the year 2022.

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 2021 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	4.5% - points	-18.0%	-1.8% - points
South African mining business:			
- Mecklenburg mine	-69.5% - points	-88.3%	-63.4% - 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 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 2022

Year ended 31.12.2022 EUR '000	Speciality Alloys	Ferro Alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	563	563	26	0	589
Sale of goods	191,736	4,696	196,432	1,669	0	198,101
Total external revenue	191,736	5,259	196,995	1,696	0	198,691
Inter-segment revenue	391	0	391	2,333	-2,724 [1]	0
Total revenue	**192,127**	**5,259**	**197,386**	**4,029**	**-2,724**	**198,691**
Segment EBITDA	**56,228**	**490**	**56,718**	**-2,972**	**0**	**53,747**
Depreciation and amortisation	-847	-261	-1,108	-189	0	-1,297
Impairment	0	0	0	-157	0	-157
Segment operating profit / (loss)	**55,381**	**229**	**55,611**	**-3,318**	**0**	**52,293**
Finance income						4,279
Finance cost						-7,386
Income taxes						-4,475
(Loss)/profit for the period from continuing operations						**44,712**
(Loss)/profit for the period from discontinued operations						2,885
(Loss)/profit for the period						**47,597**
Segment's assets [2]	**160,747**	**49,331**	**210,078**	**7,639**	**-57,959**	**159,758**
Segment's liabilities [2]	**48,184**	**42,461**	**90,645**	**39,036**	**-74,710**	**54,971**
Other disclosures						
Capital expenditure [3]	1,566	85	1,651	473	0	2,123
Provisions [4]	1,837	10,643	12,480	0	0	12,480

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.

Operating segment information 2021

Year ended 31.12.2020 EUR '000	**Speciality Alloys**	**Ferro Alloys**	**Segments total**	**Unallocated items**	**Eliminations**	**Consolidated Group**
External revenue						
Rendering of services	0	13	13	669	0	683
Sale of goods	77,824	1,750	79,574	0	0	79,574
Total external revenue	77,824	1,763	79,587	669	0	80,256
Inter-segment revenue	441	0	441	2,220	-2,661 [1]	0
Total revenue	**78,265**	**1,763**	**80,028**	**2,890**	**-2,661**	**80,256**
Segment EBITDA	**9,181**	**-942**	**8,240**	**-2,300**	**0**	**5,940**
Depreciation and amortisation	-1,343	-472	-1,814	-271	0	-2,086
Impairment		2,968	2,968	0	0	2,968
Segment operating profit / (loss)	**7,839**	**1,554**	**9,393**	**-2,571**	**0**	**6,822**
Finance income						6,725
Finance cost						-10,670
Income taxes						-2,268
(Loss)/profit for the period from continuing operations						**610**
(Loss)/profit for the period from discontinued operations						8,396
(Loss)/profit for the period						**9,006**
Segment's assets [2]	**133,046**	**49,055**	**182,100**	**9,210**	**-44,960**	**146,350**
Segment's liabilities [2]	**80,062**	**47,522**	**127,584**	**37,260**	**-61,933**	**102,911**

Other disclosures						
Capital expenditure [3]	770	39	809	135	0	943
Provisions [4]	1,311	9,175	10,487	1,450	0	11,937

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	2022	2021
Other EU countries	82,008	53,022
United States	78,068	15,200
China	1,666	0
Africa	3,647	837
Finland	0	120
Other countries	33,302	11,077
Total revenue	**198,691**	**80,256**

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 12.4% (14.3%) of the Group's revenue in 2022.

Non-current assets

EUR '000	2022	2021
Africa	32,767	33,040
Other EU countries	8,502	7,764
Other countries	2,946	3,215
Total	**44,214**	**44,019**

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	2022	2021
Sale of goods	198,101	79,574
Rendering of services	589	683
Total	**198,691**	**80,256**

2. Other operating income

EUR '000	2022	2021
Gain on disposal of tangible and intangible assets	-8	79
Rental income	184	175
Other	2,465	3,379
Total	**2,641**	**3,633**

3. Employee benefits

EUR '000	2022	2021
Salaries and wages	-16,024	-14,308
Share-based payments	-67	-112
Pensions costs	-518	-39
Other employee related costs	-1,808	-1,680
Total	**-18,416**	**-16,139**

Average personnel during the accounting period	2022	2021
Speciality Alloys business	471	505
FerroAlloys business	57	42
Group Management	17	5
Other operations *	0	15
Total	**545**	**567**

Personnel at the end of the accounting period	2022	2021
Speciality Alloys business	488	471
FerroAlloys business	94	14
Group Management	18	5
Other operations *	0	13
Total	**600**	**503**

* Other operations mainly relate to Magnohrom, in Serbia

4. Depreciation, amortisation and impairment

EUR '000	2022	2021
Depreciation / amortisation by asset category		
Intangible assets		
Other intangible assets	-90	-111
Total	**-90**	**-111**
Property, plant and equipment		
Buildings and constructions	-214	-541
Machinery and equipment	-673	-1,031
Other tangible assets	-319	-404
Right-of-use assets		0
Total	**-1,206**	**-1,975**
Impairment by asset category		
Machinery and equipment	-157	0
Impairment write-down on long term assets	0	2,968
Total	**-157**	**2,968**

5. Other operating expenses

EUR '000	2022	2021
Loss on disposal of intangibile assets, property, plant and equipment	0	-139
Loss on disposal of investments	0	-645
Rental costs	-207	-324
External services[1]	-3,247	-2,165
Travel expenses	-427	-143
Other operating expenses	-4,439	-3,134
Total	**-8,319**	**-6,550**

1. Audit fees paid to Tietotili totalled EUR 536 (2021: EUR 389) thousand in the financial year. The fees for non-audit services totalled EUR 87 (2021: EUR 42) thousand.

6. Financial income and expense

EUR '000	2022	2021
Finance income		
Interest income on loans and trade receivables	146	86
Foreign exchange gains	3,961	6,461
Other finance income	172	178
Total	**4,279**	**6,725**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-749	-1,938
Impairment losses on receivables	-40	0

Foreign exchange losses	-3,674	-7,291
Unwinding of discount, provisions	-1,312	-872
Other finance expenses	-1,610	-568
Total	**-7,385**	**-10,670**
Net finance expense	**-3,106**	**-3,944**

The interest expense on financial liabilities measured at amortised cost in both 2022 and 2021, include an accrual for interest on prepayment received in relation to the off-take agreement.

7. Income taxes

EUR '000	**2022**	**2021**
Income tax for the period	-3,407	-3,394
Income tax for previous years	1	0
Deferred taxes	-1,068	1,127
Total	**-4,475**	**-2,268**

EUR '000	**2022**	**2021**
Profit / (loss) before taxes	**52,072**	**2,878**
Income tax calculated at parent company income tax rate	**-10,414**	**-576**
Difference between domestic and foreign tax rates	-14,308	1,162
Tax credit	15,730	0
Items recognised only for taxation purposes	543	304
Income tax for previous years	1	-200
Impairment losses	-31	594
Deferred tax asset write-offs	0	-2,390
Tax losses not recognised as deferred tax assets	-3,405	-3,331
Non-tax deductible expenses	-819	-1,112
Previously unrecognised tax losses now recognised	8,229	3,282
Total adjustments	**5,940**	**-1,692**
Income tax recognised	**-4,475**	**-2,268**

On 31 December 2022 the Group companies had unused tax losses totalling EUR 21.6 (2021: 41.8) million for which the Group has not recognised deferred tax assets.

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 in 2020. As from September 2020 Afarak Group is no longer consolidating Afarak Mogale (Pty) ltd.

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

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

9. Earnings per share

	2022			2021		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to owners of the parent company (EUR '000)	44,712	2,885	47,597	610	8,396	9,006
Weighted average number of shares, basic (1 000)	251,310	251,310	251,310	244,484	244,484	244,484
Basic earnings per share (EUR) total	**0.18**	**0.01**	**0.19**	**0.00**	**0.03**	**0.04**

	2022			2021		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to owners of the parent company (EUR '000)	44,712	2,885	47,597	610	8,396	9,006
Weighted average number of shares, basic (1 000)	251,310	251,310	251,310	244,484	244,484	244,484
Effect of share options on issue (1 000)	536	536	536	1,263	1,263	1,263
Weighted average number of shares, diluted (1 000)	251,846	251,846	251,846	245,747	245,747	245,747
Diluted earnings per share (EUR) total	**0.18**	**0.01**	**0.19**	**0.00**	**0.03**	**0.04**

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 1.1.2022	1,964	3,907	11,074	53,309	2,242	72,496
Additions	0	22	1,815	227	5	2,069
Disposals	0	-20	-765	2	-7	-790
Reclass between items	0	209	0	0	606	815
Effect of movements in exchange rates	-2	-220	-16	-973	0	-1,211
Balance at 31.12.2022	**1,962**	**3,898**	**12,108**	**52,565**	**2,846**	**73,379**
Accumulated depreciation and impairment 1.1.2022	0	-3,033	-4,683	-26,168	-142	-34,026
Depreciation	0	-214	-673	-312	-7	-1,206
Impairment	0	0	-157	0	0	-157
Disposals	0	15	258	0	5	278
Effect of movements in exchange rates	0	123	-238	827	1	713
Accumulated depreciation and impairment at 31.12.2022	**0**	**-3,109**	**-5,493**	**-25,653**	**-143**	**-34,398**
Carrying amount at 1.1.2022	**1,964**	**874**	**6,391**	**27,141**	**2,100**	**38,470**
Carrying amount at 31.12.2022	**1,962**	**789**	**6,615**	**26,912**	**2,703**	**38,981**
Balance at 1.1.2021	1,967	4,816	40,645	69,984	2,154	119,566
Additions	0	22	561	344	0	927
Disposals	0	-308	-12,000	-14,422	-56	-26,786
Reclass between items	0	0	-5,330	0	146	-5,184
Effect of movements in exchange rates	-3	-623	-12,802	-2,597	-1	-16,026
Balance at 31.12.2021	**1,964**	**3,907**	**11,074**	**53,309**	**2,243**	**72,497**
Accumulated depreciation and impairment 1.1.2021	0	-2,985	-26,718	-28,066	-178	-57,947
Depreciation	0	-541	-1,031	-389	-15	-1,976
Disposals	159	5,677	0	51	5,887	159
Reclassbetween items	0	0	5,330	0	0	5,330
Effect of movements in exchange rates	0	334	12,059	2,286	1	14,680
Accumulated depreciation and impairment at 31.12.2021	**0**	**-3,033**	**-4,683**	**-26,169**	**-141**	**-34,026**
Carrying amount at 1.1.2021	**1,967**	**1,831**	**13,927**	**41,918**	**1,976**	**61,619**
Carrying amount at 31.12.2021	**1,964**	**874**	**6,391**	**27,140**	**2,102**	**38,471**

Machinery and equipment include the prepayments made for them.
Property, plant and equipment include right of use asset EUR 0.2 (2021: 0.2) and a depreciation of EUR 0.1 (2021: 0.1) million.

11. Intangible assets

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2022	46,029	72,904	6,597	1,507	127,037
Additions	0	0	55	0	55
Disposals	0	0	-275	0	-275
Reclass between items	0	0	-209	0	-209
Effect of movements in exchange rates	2,692	4,166	-124	-25	6,709
Balance at 31.12.2022	**48,721**	**77,070**	**6,044**	**1,482**	**133,317**
Accumulated amortisation and impairment at 1.1.2022	0	-72,904	-2,361	-198	-75,463
Amortisation	0	0	-83	-6	-89
Disposals	0	0	238	0	238
Effect of movements in exchange rates	0	-4,166	121	2	-4,043
Accumulated amortisation and impairment at 31.12.2022	**0**	**-77,070**	**-2,085**	**-202**	**-79,357**
Carrying amount at 1.1.2022	**46,029**	**0**	**4,236**	**1,309**	**51,574**
Carrying amount at 31.12.2022	**48,721**	**0**	**3,959**	**1,280**	**53,960**
Balance at 1.1.2021	93,329	96,406	7,631	1,573	198,939
Additions	0	0	16	0	16
Disposals	0	0	-721	0	-721
Reclass between items	51,225	28,687	0	0	79,912
Effect of movements in exchange rates	3,924	5,185	-349	-66	8,694
Balance at 31.12.2021	**46,028**	**72,904**	**6,597**	**1,507**	**127,036**
Accumulated amortisation and impairment at 1.1.2021	-51,225	-96,406	-2,789	-184	-150,604
Amortisation	0	0	-92	-20	-112
Disposals	0	0	173	0	173
Reclass between items	51,225	28,687	0	0	79,912
Effect of movements in exchange rates	0	-5,185	347	6	-4,832
Accumulated amortisation and impairment at 31.12.2021	**0**	**-72,904**	**-2,361**	**-198**	**-75,463**
Carrying amount at 1.1.2021	**42,104**	**0**	**4,842**	**1,389**	**48,335**
Carrying amount at 31.12.2021	**46,028**	**0**	**4,236**	**1,309**	**51,573**

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% (2021: 8.99%) in Valtimo Components Oyj.

During the financial year 2022 and 2021, Afarak did not acquire or dispose holdings in associates.

13. Financial assets and liabilities

31.12.2022, EUR '000 **Non-current financial assets**	**At fair value through profit and loss**	**At fair value through other comprehensive income**	**At amortised cost**	**Carrying value**	**Fair value**
Non-current interest-bearing receivables			102	102	102
Trade and other receivables *			860	860	860
Current financial assets					
Trade and other receivables *			22,402	22,402	22,402
Other financial assets			410	410	410
Cash and cash equivalents			12,418	12,418	12,418
Total financial assets			**36,192**	**36,192**	**36,192**
Non-current financial liabilities					
Non-current interest-bearing liabilities			404	404	404
Other non-current liabilities			24	24	24
Current financial liabilities					
Current interest-bearing liabilities			1,645	1,645	1,645
Trade and other payables *			134	134	134
Total financial liabilities			**2,207**	**2,207**	**2,207**

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

31.12.2021, EUR '000 **Non-current financial assets**	**At fair value through profit and loss**	**At fair value through other comprehensive income**	**At amortised cost**	**Carrying value**	**Fair value**
Non-current interest-bearing receivables			106	106	106
Trade and other receivables *			26	26	26
Current financial assets					

Trade and other receivables *			29,112	29,112	29,112
Other financial assets			411	411	411
Cash and cash equivalents			6,287	6,287	6,287
Total financial assets			**35,942**	**35,942**	**35,942**
Non-current financial liabilities					
Non-current interest-bearing liabilities			17,749	17,749	17,749
Other non-current liabilities			28	28	28
Current financial liabilities					
Current interest-bearing liabilities			20,762	20,762	20,762
Trade and other payables *			17,884	17,884	17,884
Total financial liabilities			**56,423**	**56,423**	**56,423**

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

Fair value hierarchy

31.12.2021, 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	**Carrying amounts at the end of the reporting period**		
Financial assets at fair value	**Level 1**	**Financial assets at fair value**	**Level 1**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives			
Total			

31.12.2021, EUR '000
Level 3 reconciliation
Acquisition cost at 1.1.2021
Acquisition cost at 31.12.2021

Accumulated impairment losses at 1.1.2021
Accumulated impairment losses at 31.12.2021
Carrying amount at 31.12.2021
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

Interest-bearing debt

EUR '000	2022	2021
Non-current		
Bank loans	2	21
Acquisition of NCI liability	0	1,713
Finance lease liabilities	401	296
Other interest-bearing liabilities	0	15,719
Total	**404**	**17,749**
Current		
Bank loans	1,638	2,872
Finance lease liabilities	17	7
Other interest-bearing liabilities (*)	134	17,884
Total	**1,790**	**20,762**

EUR '000	2022	2021
Finance lease liabilities, minimum lease payments		
No later than 1 year	17	7
Later than 1 year and not later than 5 years	401	296
	419	**302**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	17	7
Later than 1 year and not later than 5 years	401	296
	419	**302**
Future finance charges	**0**	0
Total minimum lease payments	**419**	**302**

* Other interest-bearing liabilities include a short-term commercial debt which has been negotiated into a longer-term arrangement after the reporting period.

Changes in liabilities arising from financing activities

EUR '000	1 January 2022	Cash flows	Acquisition	Foreign exchange movement	Reclassification	Discontinued operation	Other	31 December 2022
Non-current borrowings	17,432	-16,592	-	876	-	-	-1,716	-
Current borrowings	20,726	-18,748	-	-369	-	-	-	1,638
Lease liabilities	324	71	-	9	-	-	410	410
Total liabilities from financing activities	**38,511**	**35,269**	**-**	**515**	-	-	**-1,709**	**2,049**

EUR '000	1 January 2021	Cash flows	Acquisition	Foreign exchange movement	Reclassification	Discontinued operation	Other	31 December 2021
Non-current borrowings	34,270	-436	-	1,052	-17,454	-	-	17,432
Current borrowings	14,675	-3,797	-	-261	17,454	-4,162	-3,153	20,756
Lease liabilities	369	-44	-	-23	-	-	22	324
Total liabilities from financing activities	**49,314**	**-4,277**	**-**	**768**	**-**	**-4,162**	**-3,153**	**38,511**

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 SE 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 2022

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 2022 closing date:

On 31 December 2022, 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 million as collateral for a lending facility of South African Subsidiary which has now been discontinued. During 2020 ABSA has called on this corporate guarantee and on 24 August 2021, the Company published that the parties have settled the claim and that the District Court of Helsinki has dismissed the claims in their entirety.

One of the Group's Maltese subsidiaries has been granted a trade finance loan facility amounting to $ 4.0 million during 2022. The Maltese subsidiary utilized US$ 1.6 million as at the end of the reporting period and the Group has given a corporate guarantee amounting to US$ 4.0 as collateral.

One of the Group's Turkish subsidiaries has been granted various short term loans in 2022. The loans amount as at end of 2022 was EUR 0.0 (2021: 2.2 million).

Interest-bearing debt 31 December 2022

- Floating rate loans from financial institutions total EUR 1.7 (2021: 2.2) million. Fixed rate loans total EUR 0.1 (2021: 0.7) million.

- The interest rate of the Turkish bank loan facility is tied to the market rate of EURIBOR. The interest rate on 31 December 2022, based on market interest rates at that date, was 1.25% (2021: 1.00%). The interest rate margin for the fixed rate notes was 0.60% (2021: 0.20%) p.a.
- The interest rate of the Maltese bank loan facility is tied to the at the rate of 4.25% per annum margin above the Bank's Lending Base Rate. The interest rate on 31 December 2022, based Bank's Lending Base Rate at that date, was 3.25%.

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 65.6% (2021: 29.7%).

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 SE'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:

31.12.2022, 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	1,638	-1,641	-1,641	0	0	0	0
Finance lease liabilities	419	-419	-62	-62	-45	-250	0
Trade and other payables	9,878	-9,878	-9,854	0	-24	0	0
Total	**11,936**	**-11,938**	**-11,557**	**-62**	**-69**	**-250**	**0**

31.12.2021, 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	2,872	-2,915	-2,915	0	0	0	0
Finance lease liabilities	302	-302	-3	-3	-58	-101	-136
Trade and other payables	47,741	-47,741	-23,531	-6,144	-8,914	0	-9,149
Total	**50,916**	**-50,958**	**-26,449**	**-6,147**	**-8,976**	**-101**	**-9,286**

(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.

31.12.2022, EUR '000	EUR exchange rate	1	1.0666	0.88693	19.9649	18.0986	0.9847	117.1529
		EUR	USD	GBP	TRY	ZAR	CHF	RSD
Cash and cash equivalents (EUR)		7,428	3,082	29	878	808	5	184
Trade and other receivables (EUR)		742	7,237	0	849	13,984	0	0
Loans and other financial assets (EUR)		1,712	-19	0	107	-838	0	0
Trade and other current payables (EUR)		-6,323	-1,956	-23	-775	-717	0	-60
Loans and other liabilities (EUR)		-401	-1,671	0	-20	-24	0	-102
Currency exposure, net (EUR)		3,158	6,672	5	1,039	13,213	5	22
Currency exposure, net in currency ('000)		3,158	7,116	5	20,741	239,139	5	2,587

31.12.2021, EUR '000	EUR exchange rate	1	1.1326	0.84028	15.2335	18.0625	117.2747
		EUR	USD	GBP	TRY	ZAR	RSD
Cash and cash equivalents (EUR)		1,144	3,374	20	879	646	224
Trade and other receivables (EUR)		1,227	13,267	0	158	14,869	2
Loans and other financial assets (EUR)		1,680	0	0	133	-1,681	0
Trade and other current payables (EUR)		-2,511	-9,782	0	-667	-1,742	-2
Loans and other liabilities (EUR)		-296	-17,885	-15,719	-2,200	-1,737	-702
Currency exposure, net (EUR)		1,244	-11,026	-15,700	-1,696	10,355	-478
Currency exposure, net in currency ('000)		1,244	-12,488	-13,192	-25,842	187,043	-56,031

The effect on the 31 December 2022 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 2022

		USD	GBP	TRY	ZAR	CHF	RSD
20%	strengthening	1,668	1	260	3,303	-5	6
15%	strengthening	1,177	1	183	2,332	-5	4
10%	strengthening	741	1	115	1,468	-5	2
5%	strengthening	351	0	55	695	-5	1
0%	no change	0	0	0	0	-5	0
-5%	weakening	-318	0	-49	-629	-5	-1
-10%	weakening	-607	0	-94	-1,201	-5	-2
-15%	weakening	-870	-1	-136	-1,723	-5	-3
-20%	weakening	-1,112	-1	-173	-2,202	-5	-4

31 December 2021

		USD	GBP	TRY	ZAR	CHF	RSD
20%	strengthening	-2,757	-3,925	-424	2,589	-	-119
15%	strengthening	-1,946	-2,771	-299	1,827	-	-84
10%	strengthening	-1,225	-1,744	-188	1,151	-	-53
5%	strengthening	-580	-826	-89	545	-	-25
0%	no change	0	0	0	0	-	0
-5%	weakening	525	748	81	-493	-	23
-10%	weakening	1,002	1,427	154	-941	-	43
-15%	weakening	1,438	2,048	221	-1,351	-	62
-20%	weakening	1,838	2,617	283	-1,726	-	80

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 2022 and 31 December 2021 was as follows:

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

Fixed rate instruments	**31.12.2022**	**31.12.2021**
Financial assets	0	0
Financial liabilities	0	0
Fixed rate instruments, net	**0**	0
Variable rate instruments		
Financial assets	102	127
Financial liabilities	-1,645	-20,762
Variable rate instruments, net	-1,543	-20,635
Interest-bearing net debt	**-1,543**	**-20,635**

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 2022, and if there were no changes in exchange rates.

31 December 2022

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-2	33	31
-1.50%	-2	25	23
-1.00%	-1	16	15
-0.50%	-1	8	8
0.00%	0	0	0
0.50%	1	-8	-8
1.00%	1	-16	-15
1.50%	2	-25	-23
2.00%	2	-33	-31

31 December 2021

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-3	415	413
-1.50%	-2	311	310
-1.00%	-1	208	206
-0.50%	-1	104	103
0.00%	0	0	0
0.50%	1	-104	-103
1.00%	1	-208	-206
1.50%	2	-311	-310
2.00%	3	-415	-413

(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 7.8 million for financial period end 31 December 2022 (2021: 13.5). The Group did not record any loss allowance on trade receivables during 2022 and during 2021. The portion of prepaid revenues or portion under trade financing amounts to EUR 1.7 million on 31.12.2021 (2021: 0.3). The prepaid portion of the trade receivables does not include any potential losses.

The loan receivables amounted to EUR 0.4 million on 31.12.2022 (2021: 0.4). 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 2022 and in 2021, 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 31.12.2022 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”.

The Board of Directors of Afarak Group SE 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’s**	**31.12.2022**	**31.12.2021**
Interest-bearing		
Cash and cash equivalents	12,418	6,287
Other interest bearing receivables	102	127
Interest-bearing, total	**12,520**	**6,414**
Interest-free		
Trade receivables	7,833	13,518
Other short-term receivables	14,979	16,005
Long-term receivables	860	26
Interest-free, total	**23,672**	**29,549**
Total	**36,192**	**35,963**

(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 2022.

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 2022 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 2022 production of 26,642 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 2022

Change in Sales price (USD / lb Cr)		**Change in Operating Profit**	**Change in Group's Equity**
		EUR 000's	**EUR 000's**
4.50	20%	28,911	27,465
4.31	15%	21,683	20,599
4.13	10%	14,455	13,733
3.94	5%	7,228	6,866
3.75	0%	0	0
3.56	-5%	-7,228	-6,866
3.38	-10%	-14,455	-13,733
3.19	-15%	-21,683	-20,599
3.00	-20%	-28,911	-27,465

Financial year 2021

Change in Sales price (USD / lb Cr)		**Change in Operating Profit**	**Change in Group's Equity**
		EUR 000's	**EUR 000's**
4.81	20%	25,377	24,108
4.61	15%	19,033	18,081
4.41	10%	12,689	12,054
4.21	5%	6,344	6,027
4.01	0%	0	0
3.80	-5%	-6,344	-6,027
3.60	-10%	-12,689	-12,054
3.40	-15%	-19,033	-18,081
3.20	-20%	-25,377	-24,108

<u>Sensitivity Analysis – Mining business</u>

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 64,038 t/a, and December 2022 price level 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 2022

Change in Sales price (USD/t)		**Change in Operating Profit**	**Change in Group's Equity**
339.00	20%	3,618	2,605
324.88	15%	2,714	1,954
310.75	10%	1,809	1,303
296.63	5%	905	651
282.50	0%	0	0
268.38	-5%	-905	-651
254.25	-10%	-1,809	-1,303
240.13	-15%	-2,714	-1,954
226.00	-20%	-3,618	-2,605

Financial Year 2021

Change in Sales price (USD/t)		**Change in Operating Profit**	**Change in Group's Equity**
285.00	20%	5,302	3,817
273.13	15%	3,976	2,863
261.25	10%	2,651	1,909
249.38	5%	1,325	954
237.50	0%	0	0
225.63	-5%	-1,325	-954
213.75	-10%	-2,651	-1,909
201.88	-15%	-3,976	-2,863
190.00	-20%	-5,302	-3,817

14. Inventories

EUR '000	**2022**	**2021**
Goods and supplies	11,955	5,406
Unfinished products	122	161
Finished products	12,395	7,725
Prepayments	263	0
Total	**24,734**	**13,292**

15. Trade and other current receivables

EUR '000	**2022**	**2021**
Trade receivables	7,833	13,518
Loan receivables	410	411
Prepaid expenses and accrued income	4,953	2,932
Income tax receivables	291	1,973
Other receivables	14,569	15,991
Total	**28,056**	**34,825**

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 Company has lodged a claim against the logistic company for the inventory lost in transit amounting to EUR 0.4 million. The matter has been referred to arbitration and, having received legal advice, the directors believe that a favourable outcome is very likely.

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

EUR '000	2022	2021
Not past due	4,348	4,685
Past due 0-30 days	2,063	1,819
Past due 31-60 days	300	2,163
Past due 61-90 days	3	2,681
Past due more than 90 days	1,119	2,171
Trade receivables total	**7,833**	**13,518**

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.

16. Cash and cash equivalents

EUR '000	2022	2021
Cash and bank balances	**11,768**	**5,801**

Cash and cash equivalents in the consolidated cash flow statement:

EUR '000	2022	2021
Cash and bank balances	11,768	5,801
Short-term money market investments	650	486
Total	**12,418**	**6,287**

17. Notes to equity

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2020	**252,041,814**	**238,879,215**	**23,642**
Share based on payments (CEO)		400,000	
Acquisition of NCI		7,088,608	
31.12.2021	**252,041,814**	**246,367,823**	**23,642**
Share based payments (CEO)		500,000	
Issue of shares in exchange for settlement of liability	15,000,000	13,132,477	
31/12/2022	**267,041,814**	**260,000,300**	**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 2022, the Company had 7,041,514 (5,673,991) own shares in treasury, which was equivalent to 2.64% (2.25%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2022, was 260,000,300 (246,367,823).

The Company’s subsidiaries do not hold any of Afarak Group SE’s shares.

Share Issue Authorisations given to the Board of Directors

Based on the resolution at the AGM on 1 June 2022, 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 250,000,000 new shares or shares owned by the Company. This equates to approximately 93.6% 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.

18. Share-based payments

As part of the remuneration package under the CEO agreement, the CEO received 400,000 Company shares which were self-reduced by 20% on 12 October 2021 and 500,000 Company shares on 10 February 2022. n January 2022, the Group extended for another year the CEO contract and granted 500,000 shares in the Company. These shares have effectively been received after reporting period on 17 January 2023.

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 0.13 per share. The expense recognized in the income statement during the year was EUR 66,849 (2021: EUR 112,301).

19. Deferred tax assets and liabilities

Movements in deferred taxes in 2022

EUR '000	01.01.2022	Exchange rate differences	Recognised in income statement	31.12.2022
Deferred tax assets:				
Unrealised expenses	1,316	5	-1,124	197
Pension liabilities	168		-201	-32
From translation difference	-69		0	-69
Group eliminations	351	4	203	558
Total	**1,766**	**9**	**-1,121**	**654**
Deferred tax liabilities:				
Assets at fair value in acquisitions	8,830	-16	-46	8,768
Translation difference	80			80
Other timing differences	272	-2	-7	263
Total	**9,182**	**-18**	**-53**	**-9,110**

Movements in deferred taxes in 2021

EUR '000	01.01.2021	Exchange rate differences	Recognised in income statement	31.12.2021
Deferred tax assets:				
Unrealised expenses	2,396	27	-1,106	1,316
Pension liabilities	313		-144	168
From translation difference	-69			-69
Group eliminations	277	-15	89	351
Total	**2,918**	**12**	**-1,162**	**1,766**
Deferred tax liabilities:				
Assets at fair value in acquisitions	11,171	52	-2,393	8,830
Translation difference	80			80
Other timing differences	186	-18	105	272
Total	**11,437**	**34**	**-2,289**	**9,182**

20. Provisions

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2022	9,453	2,484	11,937
Additions	610	933	1,543
Releases and reversals	-117	-1,945	-2,062
Unwinding of discount	989	272	1,261
Exchange differences	-79	-119	-198
Balance at 31.12.2022	**10,855**	**1,625**	**12,480**
Balance at 1.1.2021	9,148	24,201	11569
Additions	144	522	666
Releases and reversals	-507	-263	-770
Unwinding of discount	860	0	860
Exchange differences	-192	-196	-389
Balance at 31.12.2021	**9,453**	**2,484**	**11,937**

EUR '000	2022	2021
Long-term provisions	12,207	11,671
Short-term provisions	274	266
Total	**12,480**	**11,937**

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 in prior year include a FIN-FSA penalty amounting to Eur 1,450 thousand provided for in 2019, and which was settled during 2022.

21. 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 0.6 (2021: 0.6) million has been recognised on the 2022 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 12.0 (2021: 20.6) million on 31 December 2022. 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	2022	2021
Present value of funded obligation	19,973	28,114
Fair value of plan assets	-7,985	-7,495
Net liability	**11,988**	**20,619**

Movements in defined benefit obligation

EUR '000	2022	2021
Defined benefit obligations at 1.1.	28,116	30,584
Benefits paid	-853	-871
Current service costs	407	453
Interest expense	315	208
Actuarial losses / (gains)	-8,013	-2,257
Closing balance at 31.12.	**19,973**	**28,116**

Movements in the fair value of the plan assets

EUR '000	2022	2021
Fair value of the plan assets at 1.1.	7,498	7,225
Expected return on plan assets	86	51
Benefits paid by the plan	-200	-207
Return on plan assets greater/(less) than discount rate	89	32
Contributions paid into the plan	513	398
Closing balance at 31.12.	**7,985**	**7,498**

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	**2022**	**2021**
Current service cost	-407	-453
Net interest on net defined benefit liability/(asset)	-229	-157
	-636	**-611**

Expense recognised in other comprehensive income (OCI) EUR '000	**2022**	**2021**
Actuarial (gains)/losses due to liability experience	-187	-24
Return on plan assets (greater)/less than discount rate	-89	-32
Actuarial (gains)/losses – demographic assumptions	-7,826	-2,233
Actuarial (gains)/losses – financial assumptions		
	-8,101	**-2,289**

Actual return on plan assets totalled EUR 0.08 (2021: 0.03) million in 2022.

Principal actuarial assumptions	**2022**	**2021**
Discount rate	3.73%	1.14%
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 2022, the employee severance indemnity recognised in accordance with IAS 19 totalled EUR 1.1 (2021: 0.5) million.

22. Trade payables and other interest-free liabilities

EUR '000	**2022**	**2021**
Non-current		
Other liabilities	23	28
Total non-current	23	28
Current		
Current liabilities to related parties	6	6
Trade payables	7,352	14,126
Accrued expenses and deferred income	5,566	4,185
Current advances received	1	2
Income tax liability	3,754	3,744
Other liabilities	2,495	571
Total current	**19,174**	**22,634**

At end of 2022, Trade payables included a liability to supplier in relation to financing of material amounting to Eur 0.1 (0.3) million.

1.9 RELATED PARTY DISCLOSURES

1.9.1 Group structure on 31 December 2022

Subsidiaries

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group SE'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 (Pty) Ltd	South Africa	100.00	0.00
Afarak Mining Investments (Pty) Ltd	South Africa	100.00	0.00
Afarak Platinum (Pty) Ltd	South Africa	100.00	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 South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	94.00	0.00
Chromex Mining Ltd	United Kingdom	100.00	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
Ilitha Mining (Pty) Ltd	South Africa	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
Magnohrom doo Kraljevo	Serbia	100.00	0.00
Rekylator Oy	Finland	100.00	100.00
Synergy Africa Ltd	United Kingdom	100.00	0.00
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

Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. On 23 March 2021, Afarak acquired a further 20% of the shares in Chromex Mining (Pty) Ltd, in exchange for total consideration of 7,088,608 shares in Afarak Group SE, amounting to Eur 1,680,000.

The Company Afarak Services Sagl was liquidated during 2022.

1.9.2 Related party transactions

Afarak Group SE 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 SE'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		2022 Salaries	2022 Fees	2022 Share-based remuneration	2021 Salaries	2021 Fees	2021 Share-based remuneration
CEO							
Konsbruck Guy	Board member 05.2.2018 onwards, CEO 15.1.2017 onwards		710	67		318	112
Board members							
Abrahamsen Thorstein	Board member 23.5.2017 onwards, Chairman11.11.2019 onwards		65			78	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 23.5.2017 – 25.6.2019		75			57	
Total		**0**	**850**	**67**	**0**	**453**	**112**

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 fees for his service during 2022 were EUR 360,000 and a Company bonus of EUR 350,000.

As part of the remuneration package under the CEO agreement, the CEO received 400,000 Company shares which were self-reduced by 20% on 12 October 2021 and 500,000 Company shares on 10 February 2022. n January 2022, the Group extended for another year the CEO contract and granted 500,000 shares in the Company. These shares have effectively been received after reporting period on 17 January 2023.

Management remuneration

EUR '000	2022	2021
Fixed salaries and fees	100	240
Total	**100**	**240**

The table includes the Executive Management Team remuneration excluding the CEO and including salary of Danko Koncar, COO amounting to Eur 100,000. Danko Koncar resigned from his position as COO on 31 May 2022. The CEO and Board members compensation has been presented separately.

Other related party transactions

No dividends were received from associated companies during 2022 and 2021.

On 18 August 2022, the company has resolved on directed share issue ("Share Issue") to RCS Trading Corporation Ltd ("RCS"). The Share Issue is connected to an Arrangement approved by the Board of Directors on 18th August 2022 related to the purchase by Afarak of certain loan receivables that RCS Trading Corporation Ltd has from Afarak's Group company Synergy Africa Limited. Afarak also settled the remaining loan balance before the year end 31 December 2022.

1.10 COMMITMENTS AND CONTINGENT LIABILITIES

1.10.1 Mortgages and guarantees pledged as security

On 31 December 2022 the Group had loans from financial institutions totalling EUR 1.6 (2021: 2.9) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 1.6 (2021: 1.8) million. Moreover, the Group companies have given cash deposits totalling EUR 0.3 (2020: 0.4) million as security for their commitments. The value of other collaterals totalled EUR 3.8 (2021: 0.0) million as at 31 December 2022.

1.10.2 Covenants included in the Group's financing agreements

One of the Group's Maltese subsidiaries, Afarak Trading Ltd, was granted a loan facility from a Maltese bank in 2022. As at year end 2022 the balance was US$ 1.6 (EUR 1.5) million. The financial covenants attached to this loan were not breached at the end of the reporting period.

1.10.3 Rental agreements

Liabilities associated with rental and operating lease agreements totaled some EUR 0.2 (2021: 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 2022.

1.11 EVENTS AFTER THE REPORTING PERIOD

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

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

Flagging notification after the reporting period

On 27 February 2023, the Company received from Aida Djakov and the company Atkey Limited ("Atkey"), in which Aida Djakov has a controlling interest, a flagging notification pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to the notification, Aida Djakov holds 61,926,701 Afarak shares as a result of a transaction carried out on 27 February 2023. According to the notifications, Atkey Limited no longer holds any Afarak shares.

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.2022 - 31.12.2022	1.1.2021 - 31.12.2021
Revenue	1	**2,334**	**2,221**
Personnel expenses			
Salaries and wages		-240	-375
Pension expenses		0	0
Social security expenses total		0	0
Personnel expenses total		-240	-375
Depreciation, amortisation and impairment	2		
Impairment of investment in subsidiaries		0	-492
Depreciation, amortisation and impairment total		0	-492
Other operating expenses	3	-2,569	-1,488
OPERATING PROFIT / (LOSS)		**-475**	**-135**
Financial income and expenses:	4		
Impairment of non-current investments		0	5,158
Other financial income			
From Group companies		56	21
From others		69	1,127
Interests and other financial expenses			
To Group companies		-1,206	-617
To others		-1,681	-3,203
Impairment of intra-group receivable		-245	0
Financial income and expenses total		-2,762	2,486
PROFIT / (LOSS) BEFORE TAXES		**-3,482**	**2,351**
Income taxes	5	0	0
PROFIT / (LOSS) FOR THE PERIOD		**-3,482**	**2,351**

STATEMENT OF FINANCIAL POSITION (FAS)

EUR '000	Note	31/12/2022	31/12/2021
ASSETS			
NON-CURRENT ASSETS			
Investments	6		
Shares in Group companies		65,832	65,832
Total investments		**65,832**	**65,832**
Non-current receivables	7		
Receivables from Group companies		5,257	5
Total non-current receivables		**5,257**	**5**
Total non-current assets		**71,089**	**65,837**
CURRENT ASSETS			
Current receivables	7		
Trade receivables		0	0
Receivables from Group companies		6,784	6,350
Other interest-bearing receivables		0	55
Other non interest-bearing receivables		77	108
Prepaid expenses and accrued income		56	64
Total current receivables		**6,916**	**6,577**
Cash and cash equivalents		**3**	**3**
Total current assets		**6,919**	**6,581**
TOTAL ASSETS		**78,008**	**72,418**

STATEMENT OF FINANCIAL POSITION (FAS) (CONT.)

EUR '000	Note	31/12/2022	31/12/2021
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	8		
Share capital		23,642	23,642
Share premium reserve		25,223	25,223
Paid-up unrestricted equity reserve		219,051	213,799
Retained earnings		-225,214	-227,565
(Loss) / profit for the period		-3,482	2,351
Total shareholders' equity		**39,220**	**37,450**
LIABILITIES	9		
Non-current liabilities			
Liabilities to Group companies		27,417	25,819
Provisions		0	1,450
Total non-current liabilities		**27,417**	**27,269**
Current liabilities			
Liabilities to Group companies		1,710	220
Liabilities to others		0	0
Accounts payable		329	368
Accounts payable to Group companies		8,311	6,543
Other liabilities		6	17
Accrued expenses and deferred income		1,015	549
Total current liabilities		**11,371**	**7,698**
Total liabilities		**38,788**	**34,967**
TOTAL EQUITY AND LIABILITIES		**78,008**	**72,418**

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.-31.12.2022	1.1.-31.12.2021
Operating activities		
(Loss) / profit for the period	-3,482	2,351
Adjustments for:		
Impairment, net	245	-4,666
Unrealised foreign exchange gains and losses	1,611	2,076
Financial revenue and expense excluding impairment	1,150	597
Other adjustments	-205	131
Cash flow before working capital changes	-681	489
Working capital changes:		
Change in current trade receivables	-1,883	-1,315
Change in current trade payables	2,183	963
Change in Provisions	-1,450	0
Cash flow before financing items and taxes	-1,831	136
Interests received from Group companies	56	21
Interests received and other financing items	69	1,127
Interests paid and other financing items	-1,207	-617
Net cash used in operating activities	**-2,913**	**666**
Investing activities		
Proceeds from sale of tangible and intangible assets	0	0
Net cash from investing activities	**0**	**0**
Financing activities		
Repayments of current borrowings	0	0
Non-current loans from Group companies	-512	-1,354
Repayments of current loan receivables	3,425	738
Net cash from financing activities	**2,913**	**-616**
Change in cash and cash equivalents	**0**	**50**
Cash at beginning of period	3	54
Cash at end of period	3	3
Change in the statement of financial position	**0**	**51**

2. 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 and 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	2022	2021
By business line:		
Services	2,334	2,221
Total	**2,334**	**2,221**
By geography:		
Finland	1	1
EU countries	1,546	2,053
Other countries	787	168
Total	**2,334**	**2,221**

2. Depreciation, amortisation and impairment

EUR '000	2022	2021
Impairment		
Impairment on investment in subsidiaries	-0	-492
Total	**-0**	**-492**

3. Other operating expenses

EUR '000	2022	2021
Premise expenses	-17	-17
Machinery and equipment expenses	-42	-20
Travelling expenses	-43	14
Administration expenses	-1,446	-755
Other operating expenses	-1,021	-709
Total	**-2,569**	**-1,488**

4. Financial income and expense

EUR '000	2022	2021
Other financial income		
From Group companies	56	21
From others	69	1,127
Other financial expense		
To Group companies	-1,206	-617
To others	-1,681	-3,203
Impairment on Intra-group receivables	-245	-0
Total	**-3,006**	**-2,673**

5. Income taxes

EUR '000	**2022**	**2021**
(Loss) / profit before taxes	-3,237	2,351
(Loss) / profit for the period	**-3,237**	**2,351**

2.3 Notes to assets

6. Investments

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2021	322,514	8,153	17,614	348,281
Disposal of investment	1,680			1,680
Acquisition cost 31.12.2021	324,194	8,153	17,614	349,961
Accumulated depreciation and impairment 1.1.2021	-257,870	-8,153	-17,614	-283,637
Impairment of investment in subsidiares	-492	0	0	-492
Accumulated depreciation and impairment 31.12.2021	-258,362	-8,153	-17,614	-284,129
Book value 31.12.2021	**65,832**	**0**	**0**	**65,832**

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2022	324,194	8,153	17,614	349,961
Addition of investment	0			0
Acquisition cost 31.12.2022	324,194	8,153	17,614	349,961
Accumulated depreciation and impairment 1.1.2022	-258,362	-8,153	-17,614	-283,637
Impairment of investment in subsidiaries	0			0
Accumulated depreciation and impairment 31.12.2022	-258,362	-8,153	-17,614	-284,129
Book value 31.12.2022	**65,832**	**0**	**0**	**65,832**

Holdings in Group and other companies

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group SE'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 (Pty) Ltd	South Africa	100.00	0.00
Afarak Mining Investments (Pty) Ltd	South Africa	100.00	0.00
Afarak Platinum (Pty) Ltd	South Africa	100.00	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 South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	94.00	0.00
Chromex Mining Ltd	United Kingdom	100.00	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
Ilitha Mining (Pty) Ltd	South Africa	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
Magnohrom doo Kraljevo	Serbia	100.00	0.00
Rekylator Oy	Finland	100.00	100.00
Synergy Africa Ltd	United Kingdom	100.00	0.00
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

Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. On 23 March 2021, Afarak acquired a further 20% of the shares in Chromex Mining (Pty) Ltd, in exchange for total consideration of 7,088,608 shares in Afarak Group SE, amounting to Eur 1,680,000.

The Company Afarak Services Sagl was liquidated during 2022.

7. Receivables

EUR '000	2022	2021
Non-current		
Loan and other receivables	5,257	5
Total	**5,257**	**5**
Current		
Loan receivables	0	1,355
Trade receivables	5,902	4,170
Interest receivables	56	1
Prepayments and accrued income	825	825
Total	**6,784**	**6,350**

Other interest-bearing receivables

EUR '000	2022	2021
Current		
VAT receivable	60	55
Total	**60**	**55**

Other interest-free receivables

EUR '000	2022	2021
Current		
Trade receivables	0	0
Other receivables	17	108
Total	**17**	**108**

Prepaid expenses and accrued income	**2022**	**2021**
Other prepaid expenses and accrued income	56	64
Total	**56**	**64**

2.4 Notes to equity and liabilities

8. Shareholders' equity

EUR '000

Share capital	**2022**	**2021**
Share capital 1.1.	23,642	23,642
Share capital 31.12.	**23,642**	**23,642**

Share premium reserve	**2022**	**2021**
Share premium reserve 1.1.	25,223	25,223
Share premium reserve 31.12.	**25,223**	**25,223**

Paid-up unrestricted equity reserve	**2022**	**2021**
Paid-up unrestricted equity reserve 1.1.	213,799	212,119
Issue of shares	5,252	1,680
Paid-up unrestricted equity reserve 31.12.	**219,051**	**213,799**

Retained earnings	**2022**	**2021**
Retained earnings 1.1.	-227,565	-164,730
(Loss) / profit for the period	2,351	-62,835
Retained earnings 31.12.	**-225,214**	**-227,565**
(Loss) / profit for the period	-3,482	2,351
Total shareholders' equity	**39,220**	**37,450**

Distributable funds	**2022**	**2021**
Retained earnings 1.1.	-225,214	-227,565
(Loss) / profit for the period	-3,482	2,351
Retained earnings 31.12.	**-228,696**	**-225,214**
Paid-up unrestricted equity reserve	219,051	213,799
Distributable funds 31.12.	**0**	**0**

9. Liabilities

Non-current liabilities

EUR '000

Non-current interest bearing debt	**2022**	**2021**
Loans from Group companies	27,417	25,819
Total	**27,417**	**25,819**

Non-current interest-free debt	**2022**	**2021**
Capital loans	0	0
Total	**0**	**0**

Current liabilities

EUR '000

Current interest bearing debt	**2022**	**2021**

Other debt to Group companies	0	0
Total	**0**	**0**

Current interest-free debt	**2022**	**2021**
Accounts payable	329	368
Payables to Group companies	8,311	6,543
Payables to others	0	0
Other debt	6	17
Other debt to Group companies	1,710	220
Accrued expenses and deferred income	1,015	549
Total	**11,371**	**7,698**

2.5 Pledges and contingent liabilities

EUR million	**31.12.2022**	**31.12.2021**
Commitments on behalf of subsidiaries		
Guarantees	0	0
Commitments and contingent liabilities total	**0**	**0**

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 had no loan receivables from the members and past members of the Board.

Information on the personnel

Personnel, annual average (all employees)	**2022**	**2021**
Employees	0	1

Management remuneration (EUR ’000)	**2022**	**2021**
Chief Executive Officer	710	318
Board members	140	135

The CEO fees for his service during 2022 were EUR 360,000 and a Company bonus of EUR 350,000.

As part of the remuneration package under the CEO agreement, the CEO received 400,000 Company shares which were self-reduced by 20% on 12 October 2021 and 500,000 Company shares on 10 February 2022. On January 2022, the Group extended for another year the CEO contract and granted 500,000 shares in the Company. These shares have effectively been received after reporting period on 17 January 2023.

Information on shares and shareholders

Changes in the number of shares and share capital

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

On 31 December 2022, the Company had 7,041,514 (2021: 5,673,991) own shares in treasury, which was equivalent to 2.64% (2021: 2.25%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2022, was 260,000,300 (246,367,823).

On 10 February 2022, the company announced changes regarding Afarak Group SE's treasury shares, where a total of 500,000 shares were transferred to the CEO Guy Konsbruck, which form part of the remuneration package under the CEO agreement. On 6 July 2022, the company announced that a total of 15,000,000 new shares were issued on the basis of the directed share issuance without payment to the Company itself. On 29 August 2022, the company announced changes regarding Afarak Group SE's treasury shares, where a total of 13,132,477 treasury shares were transferred to subscribers.

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 SE, domicile Helsinki (address: Kaisaniemenkatu 4, 00100 Helsinki, Finland)

Board members' and Chief Executive Officer's ownership

Afarak Group SE's Board members and Chief Executive Officer owned in total 2,450,000 (2021: 1,950,000) Afarak Group SE shares on 31 December 2022 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.9% (2021: 0.8%) of all outstanding shares that were registered in the Trade Register on 31 December 2022.

31.12.2022		shares	options
Board and CEO total:			
Thorstein Abrahamsen	Chairman & Non-Executive Director	0	0
Jelena Manojlovic	Independent Non-Executive Director	150,000	0
Guy Konsbruck	Chief Executive Officer & Executive Director	2,300,000	0
Board and CEO total		**2,450,000**	**0**
All shares outstanding		267,041,814	
Proportion of all shares		0.9 %	

On 31 December 2022 the total number of registered shares was 267,041,814 and the Board and CEO's ownership corresponded to 0.9% of the total number of registered shares.

Auditor's fees

EUR '000	**2022**	**2021**
Tietotili Audit Oy		
audit	336	335
other services	87	42
Total	423	377

Board's dividend proposal

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

SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

Helsinki 31 March 2023

Thorstein Abrahamsen Chairman	Guy Konsbruck Member of the Board & CEO

Jelena Manojlovic
Member of the Board

THE AUDITOR’S NOTE

Our auditor’s report has been issued today.

Helsinki 31 March 2023

Tietotili Audit Oy
Authorised Public Accountants

Urpo Salo
Authorised Public Accountant