AFARAK GROUP SE

(previously Afarak Group plc)

The Board of Directors Report 2023 and the Annual Financial Statements 1 January-31 December 2023

Domicile: Helsinki
Company number: 0618181-8

Contents

THE BOARD OF DIRECTORS REPORT

Dear Shareholders,

After absolute record results in 2022, AFARAK has produced in 2023 another good performance, even though the second half year 2023 was characterized by very sluggish markets and serious pressure on prices by the Russian imported material as well as the strong pressure of other imported materials from India and China. It took until the very end of 2023 for the EU, to put imports of Russian ferroalloys on the sanction list. Our margins were also impacted by high interest rates and freight cost. Nevertheless, we continued to be profitable and cash positive. As expected, the ferro-alloys segment continued to perform well and improved the group's profitability. We expect further positive developments in this segment for 2024. We have been driving forward the drilling and exploration work in our Magnochrome deposits and expect a complete and updated feasibility study by end of May 2024. With all above in mind, we are still presenting in 2023 one of the best results in AFARAK's history, which is largely an achievement of my ever so committed colleagues and EMT members. I wish to thank each and every one for their great work.

Guy Konsbruck
CEO

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.

SUSTAINABILITY, HEALTH AND SAFETY AT AFARAK GROUP

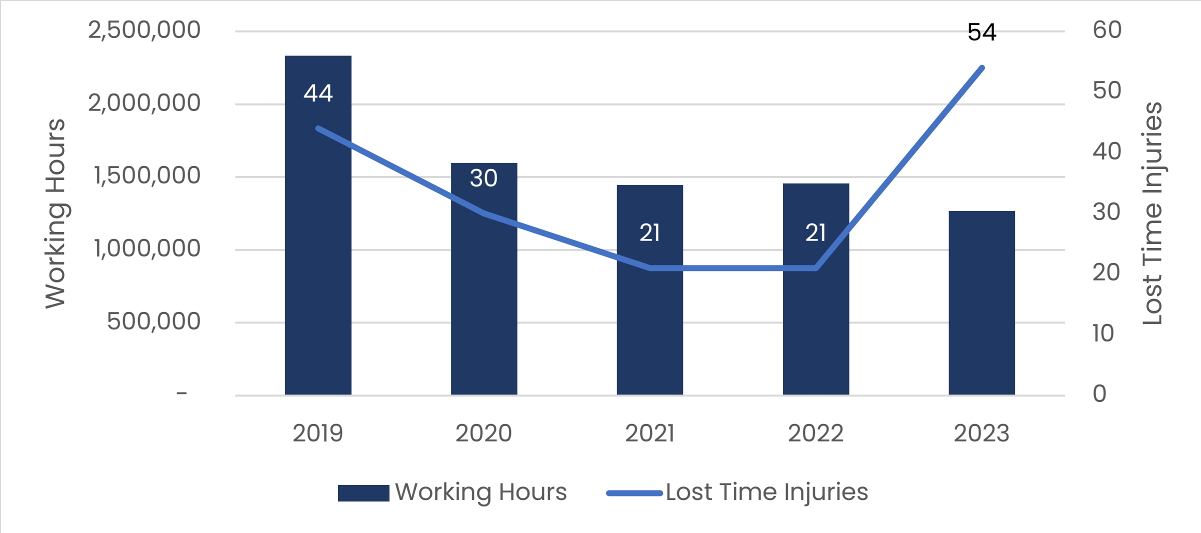
Afarak Group extracts, processes, markets and trades specialised metals and is trusted by a highly diversified customer base that covers the aviation, nuclear, oil & gas and automotive industries. Our customers are leaders in their sectors and look to their suppliers to uphold their high standards for ethical conduct, health and safety and environmental protection. The communities in the regions where we operate also look to us to support their economic development.

Our sustainability commitments and our work to date is designed to provide all our stakeholders with the assurance that we are a well-managed business that respects people and the planet. Our programmes are built around three broad categories:

1. Health and Safety

During 2023, the Group's employees contributed approximately 1,267,401 working hours during which the company suffered 54 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. In our factories we continuously assess, monitor, and control the risks of our workers.

Our 5-year LTI performance is set out below. As part of our efforts to continually review and improve addressing the upward LTIs over the reporting period, we are reviewing and updating our Health & Safety Policy and Procedures and look forward to reporting this more fully in our next Annual Report.



We conduct routine health checks on all sites; these checks also include drug and alcohol testing. We are constantly reviewing the role of organising shifts in the mines to minimise any possible fatigue-related injuries.

2. Environmental protection, including water management, waste management, land rehabilitation and emissions reduction.

We understand and recognise the critical importance of environmental protection, particularly in the extractives sector. Our subsidiaries are working hard to introduce programmes to improve the management of water and waste while also focusing on emissions reduction wherever possible. We started work to establish data collection processes that will allow us to set our benchmarks and introduce realistic long-term targets to measure our improved performance.

3. Community engagement and support

Based on the five-year Social and Labour Plan, our subsidiaries in South Africa are developing their relevant activities. During 2023, the company supported employees through the payment of inflation compensation aids. We have provided social support to all our local communities and to communities affected by the earthquake in February 2023 affecting large areas of Turkey. In addition we have also facilitated travel into the affected areas for TMS workers, who chose to volunteer to help the local population.

ESG GOVERNANCE

We recognise the importance of robust governance to ensure Afarak manages its ESG-related risks and its environmental and social impacts. The Board and Executive Committee takes a leading role, overseeing our sustainability strategies and ensuring alignment with our corporate objectives. We have established clear roles and responsibilities, to ensure we manage our ESG risks, deliver against our health and safety, environmental and community goals, and improve our overall sustainability performance.

Afarak operates in highly differentiated national markets with differing national laws, preferences and cultures. As a result, operational direction and management of sustainability lie primarily with national business managers, who are best placed to ensure compliance with national legislation and market expectations. The Executive Committee, which reports to the Board, therefore takes a holistic approach to overseeing the sustainability initiatives implemented at a national level and take responsibility for ensuring that such initiatives are in line with investor expectations.

BUSINESS ETHICS

Ensuring Afarak operates to the highest ethical standards is critical to our stakeholders including our employees, customers, investors and regulators. Our Code of Ethics and policies ensure that standards are upheld by Afarak and its suppliers. The Code of Ethics state the Group's commitment to ensuring an equitable, diverse and inclusive workplace.

Additionally, to maintain strong business ethics, the Group has adopted and maintains policies on Human Rights, Anti-Bribery and Anti-Corruption. Our ESG policy is in development and will be established within the next 12 months.

The whistleblowing procedure also lays down the process for making complaints on discrimination in the workplace. The whistleblowing policy, as well as the contacts are available on the Group's website (https://afarak.com/)

DIVERSITY AND INCLUSION

Afarak seeks to build a working environment that enables full and active participation and embraces and encourages diversity of thought and experience in order to maximise business performance.

The Board is very cognisant of the ongoing desire from stakeholders for greater diversity in senior management and boards. The UK FCA Listing Rules require companies to disclose, on a comply or explain basis, whether they meet specific diversity targets, being:

at least 40% of the board are women	**1 out of 3 Directors is a woman, corresponding to 33.3.%**
at least one of the senior board positions is a woman	Dr. Jelena Manojlovic **is the Senior Non-Executive Director**
at least one member of the board is from a minority ethnic background	**None of the Directors are classified as White British***

** Note: The Law Society advise that the terms 'ethnic minority', 'minority ethnic' or 'minoritised ethnic' usually refer to racial and ethnic groups that are in a minority in the population. In the UK, they usually cover all ethnic groups except White British.*

We believe the small size of our Board assists in its collegiality and sense of purpose. Therefore, while we will miss the gender diversity target by 6.7% we will continue with a small Board that is efficient. The Board continues to seek to achieve greater diversity in the senior management of the Group and throughout the organisation and continuing assessment of the Group's diversity and inclusion approach in relevant areas. Currently, the Group has not adopted a Diversity and Inclusion Policy but will have accomplished this during the current financial year.
The following tables set out information on the diversity of the individuals on the Company's Board and in its Executive Management as required by the UK FCA Listing Rule 14.3.3.33.R.

	No. of Board Members	% of the Board	No. of Senior Positions on the Board	No. in Executive Management	% of Executive Management
Gender Identity					
Men	2	66.7%	2	3	75
Female	1	33.3%	1	1	25
Ethic Background					
White British or other White (including minority white groups)	–	–	–	–	–
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/ – Black British	–	–	–	–	–
Other ethnic group, including – Arab	–	–	–	–	–
Not specified/prefer not to say*	3	100%	3	4	100%

Notes:
**: None of the Group's Board, Executive Management and staff are British nationals, although Dr. Jelena Manojlovic is resident in the United Kingdom. During the reporting period, the Group employed [601] people representing in excess of [8] different nationalities with multiple and diverse ethnic groups represented especially in our operations in South Africa and Turkey.*
***: In accordance with UK Listing Rule 9.8.6 R(9)(a) includes the Chairman, Chief Executive Officer and the Senior Independent Director.*
****: In accordance with UK Listing Rule 9.8.6 R(10), executive management for these purposes are our Chief Executive Officer , Chief Financial Officer, and members of our key management personnel Chief Compliance Officer, Company Secretary and Chief Technical Officer).*

CLIMATE REPORTING

Introduction

The Afarak Group is committed to assessing both its current and potential impact on climate change, as well as the implications of the climate crisis on its activities. As we undertake this evaluation, we recognise the importance of sharing our commitments, plans and progress with stakeholders to collectively direct efforts and increase transparency in combating the climate change. While reducing our carbon footprint has been a priority for our business for the last decade, we acknowledge that we are at the beginning of our journey towards making climate-related public disclosures. In the table below, we have detailed our current compliance with the Taskforce on Climate-Related Financial Disclosures (TCFD) and our plans to achieve full compliance.

Taskforce on Climate-Related Financial Disclosures (TCFD)

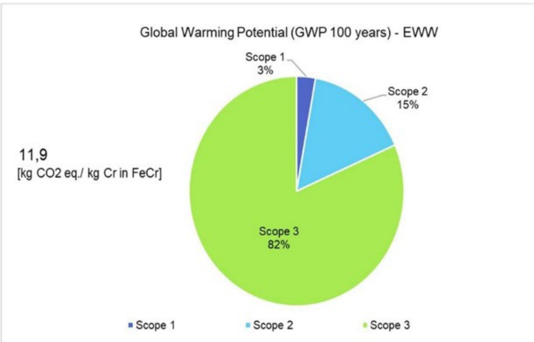
The Company supports the initiatives and recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and has taken steps to develop climate-related financial disclosures that it considers are consistent and appropriate with both the recommended disclosures of the TCFD and the current position of the Company.

The TCFD recommended disclosure framework comprises four broad categories of disclosure: governance, strategy, risk management and metrics and targets. Within each category of recommended disclosure, the TCFD has identified further specific disclosures that the Company should report on. The Company has reported on this basis below.

The Company has considered the appropriate level of detail to be included within the various disclosures having regard to the nature and size of the Company's current operations and the planned future operations.

TCFD recommendations	Afarak Group disclosures	Compliance status	Full compliance timeline
Governance			
a) Describe the board's oversight of climate-related risks and opportunities	The Board of Directors of the Group holds ultimate accountability for climate related and ESG (Environmental, Social, governance) management, as well as the relevant disclosures, in line with the CSR Corporate Sustainability Reporting Directive, which will be implemented in 2025 for the 2024 annual reporting cycle. Additionally, the Board is responsible for the identifying and evaluating the climate related risks and opportunities (CRRO). All managing Directors and Board Members of all the subsidiary companies are also held responsible toward the Afarak Group Board for the implementation of activities related to the CRRO.	Compliant	
b) Describe management's role in assessing and managing climate-related risks and opportunities	The Board oversees the ESG and climate-related issues through the ESG Team, which reports directly to the Board. The team is composed of the following key positions: • Chief Compliance Officer, Afarak Group • ESG team leader, Afarak Group • Internal ESG officer, Afarak Group Beginning in 2024, internal reports to the Board occur on a half-yearly basis and encompass ESG and key climate-related elements. including the assessment and approval of construction and operational ESG KPIs and targets.	Compliant	
Strategy			
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Please, refer to the table *"Main climate risks for the Afarak Group"*.	Partially compliant	FY2027
b) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy,	Please, refer to the table *"Main climate risks for the Afarak Group"*. While the Group has identified climate-related risks and their potential impact on operations, we are currently in the process of analysing	Partially compliant	FY2027

TCFD recommendations	Afarak Group disclosures	Compliance status	Full compliance timeline
and financial planning.	additional opportunities. Additionally, we are planning to conduct a deep-dive analysis of how CRRO (Climate-Related Risk and Opportunities) is impacting financial indicators.		
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	The Afarak Group has not yet completed the Life Cycle Assessment (LCA) assessment to determine the key climate-related inputs for its mining operations in Turkey and South Africa. Consequently, the company is unable to provide results of testing various climate-related scenarios in the current reporting period. The Group will disclose its business model resilience testing, including climate-related time horizons for different scenarios that impact the strategic plan, once the necessary assessments are completed.	Non-compliant	FY2027 The Company has not provided the climate-related time horizons for the scenarios provided because it has not yet completed the LCA required to determine key inputs.
Risk management			
Describe the organization's processes for identifying and assessing climate-related risks.	The ESG Team has developed a checklist covering various points encompassing all ESG aspects and related risks, including Climate Change, Pollution, Water and Marine Resources, Biodiversity and Ecosystems, Circular Economy, Our Workforce, Workers in the Value Chain, Affected Communities, Consumers and End Users, and Business Conduct. Based on this checklist, all subsidiary companies are reviewing their present status and preparing specific strategic plans in anticipation of CSRD reporting and full compliance with the TCFD. This serves as the basis for developing the ESG management and disclosure system for the Group.	Partially compliant	FY2027
Describe the organization's processes for managing climate-related risks.	Afarak is developing the ESG Group System which includes corporate policies and controls, and social management plans and action plans. The Board and the EMT , the Executive Management Team whose members are the Group CEO,CFO, Chief Technical Officer and Chief Compliance officer, are committed to developing the entire system also in harmony with the local environment and communities taking all the appropriate steps in the process to meet the requirements of TCFD and CSRD reporting and disclosures. .	Non-compliant	FY2027

TCFD recommendations	Afarak Group disclosures	Compliance status	Full compliance timeline
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	The ESG Group System is in the development phase in close collaboration with the feasibility studies for the projects. That means that the environmental, social and governance aspects will be integrated in the overall design with the scope to avoid any potential adverse impact but, instead, creating opportunities also for the local communities.	Non-compliant	2027
Metrics and Targets			
a) Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	The company use such metrics as direct and indirect emissions and its intensity, energy consumption and intensity per kg of production to assess its carbon footprint. The company has also conducted a Life Cycle Assessment study on LC FeCr, which was carried out in accordance with the requirements of ISO 14040 and ISO 14044. The LCA assessment for the mines in Turkey and South Africa will be conducted during 2024. The full dataset will map all energy and manufacturing inputs, as well as the relevant associated emissions, throughout the product life cycle.	Partially compliant	2026
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We have focused our first LCA on our principal smelting business, EWW based in Germany. This has been the priority as it is the most energy intensive business unit and potentially the most impactful in terms of GHG. The LCA calculated GHG emissions (see chart below)  Scope 1: [0,35 Kg CO2 eq/Kg Cr in FeCr] Scope 2: [1,78 Kg CO2 eq/Kg Cr in FeCr] Scope 3: [9,75 Kg CO2 eq/Kg Cr in FeCr]	[Partially compliant]	2026

TCFD recommendations	Afarak Group disclosures	Compliance status	Full compliance timeline
	The Scope 3 emissions within smelting are coming from the burnt lime ($CaCO_3 + E \rightarrow CaO + CO_2$) We have commissioned a LCA for our mining business units and will report GHG for those activities in the next Annual Report		
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	We recognise that the Group must set long-term decarbonization targets across all scopes. These must be ambitious but also realistic and achievable. To do this we must first establish our benchmark emissions through accurate and reliable data. We are aiming to establish the processes necessary for the regular collection of accurate scope 1, 2 and 3 emissions within the next year, with a view to setting and publishing our benchmarks within two years. Once established, we will develop our long-term emissions reduction targets.	Non-compliant	2027

Countries of Operation & Net Zero Pledges – influences on Afarak's strategy and actions in relation to climate change

We recognise the Net Zero ambitions of the countries in which we operate and conduct our activities. We develop our strategy and actions in relation to climate change to support and align with these larger national Net Zero objectives.

Country	Activities	Net Zero Target Date	Legal Status
Finland	Country of Incorporation & Listing on Helsinki Nasdaq	2035	In Law
United Kingdom	Listing on London Stock Exchange	2050	In Law
South Africa	Mining & Mineral Processing	2050	Declaration / Pledge
Turkey	Mining & Mineral Processing	2053	In Policy Document
Germany	Mineral Processing	2045	In Law
Malta	Commodity Trading	2050	In Policy Document

Source: Net Zero Tracker

Key climate risks and opportunities

Risk category	Risk	Description of impact on the Group	Mitigation measures	Horizon
Physical	Extreme weather events	The Group is operating in regions which may be exposed to extreme weather events bringing the risk of damage to the structures and the	None of the mines are in flood risk areas and, where we are not allowed to mine natural water courses, there are risks of	***Long term (5-10 years)***

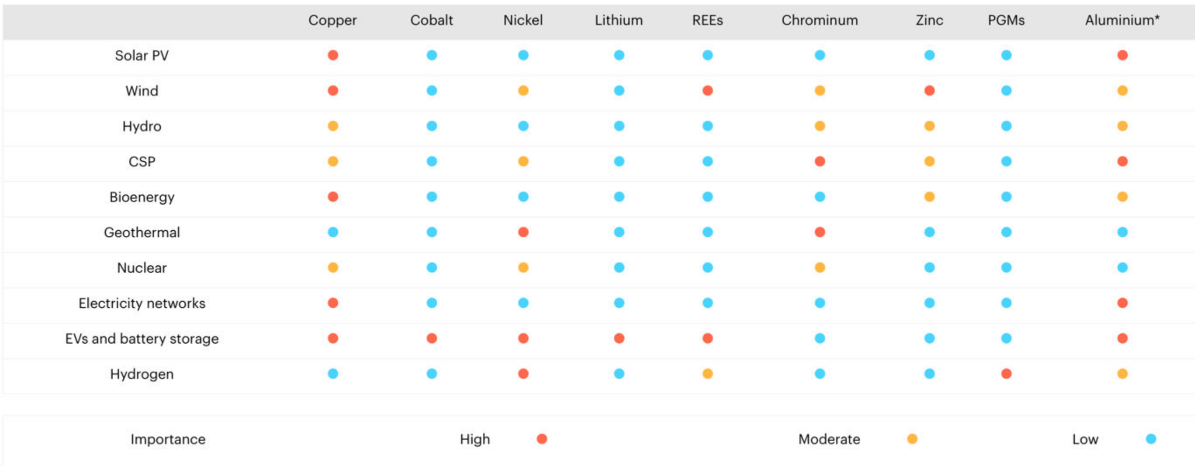
Risk category	Risk	Description of impact on the Group	Mitigation measures	Horizon
		infrastructure, equipment, and disruption to operations due to increased frequency and intensity of extreme weather events. Increases in temperature could adversely impact workforce (through dehydration, heat stroke etc.) and could cause plant and machinery to overhead.	water shortages, but the mines have multiple sources (mainly boreholes) and all water is captured, reused and recycled also in those areas where we can mine natural water. Development and continual revision of working practices including health and safety.	
Energy	Contribution to greenhouse gas	The main sources of greenhouse gas ("GHG") emissions associated with the Project relate to fuel combustion and electricity usage. Some of transitional risks are also present during the development of the technology and the design of the renewable energy plants, in particular the production of energy through the biomass gas generation, and the opportunity to valorise the unavoidable waste by transforming it in an added value additive.	Upgrading of energy intensive machinery during the operational phase is expected to improve efficiency and reduce CO2 emissions compared to plant which will be removed. Further energy efficiency opportunities will also be investigated	***Long term (5-10 years)***
Technology	Equipment might need to be acquired for the generation of renewable energy and the added value transformation of the unavoidable waste.	The company is actively working to the own generation of renewable energy, and the waste as a business opportunity	Use of government grants and find strategic partners with technologies available and ability to finance	***Medium term (3-5 years)***
Regulatory and reporting	Renewal of licences, mining permitting	The specific regulations in each country may change with additional administrative costs and impacts on the operations	Use internal and external human resources to fulfil the activities	***Short term (1-3 years)***

Risk category	Risk	Description of impact on the Group	Mitigation measures	Horizon
	processes and increased reporting requirements			
Reputational	Intensive energy user exposed to availability and spikes in costs	The nature of the smelting operations is of an intensive energy user	Own production of renewable energy with recovery of the heat generated	***Medium term (3-5 years)***

Opportunities

The main climate-related opportunity the Company has identified is the increased use of chromium as a result of the transition to a lower-carbon world economy. Chromium is often labelled as a critical mineral for the adoption of clean energy technologies.

Critical mineral needs for clean energy technologies



Source: International Energy Agency

Ferrochrome (FeCr) is a ferroalloy which includes iron and chromium. Depending on the application, ferrochrome contains between 50 and 70% chromium. It comes from the reduction of chromite, a mineral composed mainly of chrome oxide and iron oxide and mined as chrome ore.
Ferrochromium is made using metallurgical grade chrome ore and can be divided into three categories, depending on the level of carbon in the alloy.
The three types of ferrochrome alloys are:

- High-carbon (HC) ferrochrome (carbon content between 4% and 9%)
- Low- and medium-carbon (LC & MC) ferrochrome (carbon content less than 0.5% for LC and between 0.5% and 4% for MC)
- Ferrochrome-silico-chrome (FeSiCr)

Afarak is specialist producer of Low carbon ferrochrome (LC FeCr), with a carbon content below 0.10%. It is a ferroalloy used to regulate the ratio of chromium in steel production without adding carbon and other unwanted ingredients. It is also used by the superalloys industries.
Afarak is the only Western producer of low carbon ferrochrome which has applications in CO_2 reduction.

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.

2023 Market overview

Low carbon ferrochrome prices for standard grade are expected to stabilize going forward, but they are on the low side. We have a sizeable and long-term customer base for these grades. We do not expect increasing the output for these standard grades, unless the leading stainless-steel groups improve their activity and/or start showing more interest in sustainable and responsible supply chains.

The special grade market, on the other side, continues to grow and show upside. Afarak is expecting solid results for 2024, as our focus resides in this special grade segment. The tense geopolitical situation combined with the money market uncertainties may have a major negative impact on these generally positive expectations.

Market sentiment for 2024

The Indian and Chinese in-flows seem to be reducing, due to high logistics cost, and somewhat stronger internal demands. Hence, we foresee a slightly more friendly market outlook, starting Q2/2024. The interest rates should also reduce over 2024, although this now seems to be delayed towards the end of the year. Afarak has been for many years now the only Western producer of special grade low carbon ferro-chrome, a critical ingredient for the production of high-quality components for the Aerospace, Automotive, Green energies, Defense and various other industries. The output of these special grades is regulated by their limited usage world-wide. We have to reduce our output for regular standard grades, as we cannot always produce and sell those in an economically responsible way, the pressure of imported lower grade material being too high.

We continue to improve our productivity and efficiency, so as to cope better and better with this low-quality competition. We expect the margin pressure to continue, at least through H1/2024, due to the weak state of the stainless-steel industry, mostly in Europe.

GROUP OPERATIONAL REVIEW

Operationally, 2023 presented lower sales and higher production for the Group which the latter was mainly driven by resumed operations in the Mecklenburg mine.

Sales

The Group sales of processed material decreased by 20.6% and stood at 20,709 (2022: 26,085) tonnes due to higher demand.

Group mining

Group mining activity increased by 154.3% to 336,601(2022: 132,362) tonnes during the year under review.

Annual mining levels in the Speciality Alloys segment increased by 7.5% to 65,655 (2022: 61,092) tonnes. Production within the FerroAlloys segment increased significantly as the output increased in South African mines on account of the favourable market conditions to 270,946 (2022: 71,271) tonnes.

Group processing

Group processing for 2023 decreased by 20.5% to 21,179 (2022: 26,642) tonnes on account of higher demand.

Human resources

At the end of the year 2023, Afarak had 596 (600) employees. The average number of employees during the year 2023 was 599 (545).

GROUP FINANCIAL PERFORMANCE

2023 performance

The Group revenue was lower compared to prior year EUR 153.7 (198.7) million mainly to a decline in prices. Speciality Alloys Processed material sold decreased by 20.6%, to 20,709 (FY/2022: 26,085) tonnes.

The mining operation increased by 154.3%, to 336,601 (FY/2022: 132,362) tonnes.

Profit for the year totalled EUR 10.0 (FY/2022: 47.6) million and EBITDA during the year decreased to EUR 16.6 (FY/2022: 53.7) million. EBIT stood at EUR 15.0 (FY/2022: 52.3) million;

EUR million	**H1 2023**	**H2 2023**	**FY 2023**	**FY 2022**
Revenue	95.4	58.3	153.7	198.7
EBITDA	15.1	1.5	16.6	53.7
EBIT	14.4	0.6	15.0	52.3
Profit from continuing operations	10.5	-0.5	10.0	44.7
Profit from discontinued operations	-	-	-	2.9
Profit for the period	10.5	-0.5	10.0	47.6
EBITDA margin	15.8%	2.5%	10.8%	27.1%
EBIT margin	15.1%	1.2%	9.8%	26.3%

Balance Sheet, Cash Flow and Financing

The Group's total assets on 31 December 2023 stood at EUR 162.2 (2022:159.8) million and net assets totalled EUR 105.8 (2022:104.8) million. During the second half, the translation differences on conversion of foreign denominated subsidiaries was adjusted by EUR 1.6 million. The Group's cash and cash equivalents, as at 31 December 2023, totalled EUR 18.0 (2022:12.4) million. Operating cash flow was positive, standing at EUR 1.3 (2022:31.2) million. The equity ratio stood at 65.1% (2022:65.6%). Afarak's gearing at the end of the year was -14.1% (2022: -9.8%), as the company kept low interest-bearing debt of EUR 3.1 (2022:2.2) million.

Investments, Acquisitions and Divestments

Capital expenditure for the full year of 2023 totalled EUR 3 (2.1) million. Capital Expenditure was mainly incurred to sustain Group operations.

SEGMENTS REVIEW

SPECIALITY ALLOYS SEGMENT

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.

2023 in Review

Revenue for the year under review decreased by 26.8% to EUR 140.3 (2022:191.7) million, driven by a substantially weaker market environment whereas the preceding year demonstrated exceptional strength.

The decrease in demand led to a decrease in processing levels by 20.5% when compared to last year. The decrease in revenue and processing resulted in a lower EBITDA for the year to EUR 17.5 (2022:56.2) million, and EBIT of EUR 16.3 (2022:55.4) million.

Revenue €140.3mln (2022: €191.7mln)	EBITDA €17.5mln (2022: €56.2mln)	EBIT €16.3mln (2022: €55.4mln)
Mining production 65,655mt (2022: 61092mt)	Processing production 21,179mt (2022: 26,642mt)	Sales of processed material 20,709mt (2022: 26,085mt)
Personnel 468 (2022: 488)		

Production

Total production levels during 2023 decreased by 1% to 86,834 (2022: 87,734) tonnes. The mining operations at TMS remained consistent, leading to a slight 2.4% increase compared to same period last year. Processing levels at the EWW plant in Germany was lower than same period last year by 23.5% as it carried out a longer term planned maintenance shutdown during the fourth quarter of 2023.

Sales

Speciality Alloys Processed material sold declined by 20.6%, to 20,709 (2022: 26,085) tonnes.

Financial performance

The declining sales resulted in a lower EBITDA for the year to EUR 17.5 (2022:56.2) million, and EBIT of EUR 16.3 (2022:55.4) million.

EUR million	**H1 2023**	**H2 2023**	**FY 2023**	**FY 2022**
Revenue	89.6	50.7	**140.3**	191.7
EBITDA	15.4	2.1	**17.5**	56.2
EBIT	14.8	1.5	**16.3**	55.4
EBITDA margin	17.2%	4.1%	**12.4%**	29.3%
EBIT margin	16.5%	2.8%	**11.6%**	28.9%

Looking ahead

Stability is expected in the Low carbon ferrochrome prices for standard grade going forward, although they persist at notably low levels. We do not expect increasing the output for these grades, unless the stainless mills improve their activity. The special grade market continues to grow and show some upside. Overall, Afarak is expecting solid results for 2024. However, the tense geopolitical landscape coupled with uncertainties in the money market could potentially cast a significant negative influence on these expectations.

FERROALLOYS SEGMENT

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

2023 in Review

The Ferro Alloys segment showed a steady increase both from the revenue and mining aspects. This is manifested in the EBITDA of EUR 3 (2022:0.5) million.

Revenue €13.2mln (2022: €5.3mln)	EBITDA €3 mln (2022: €0.5mln)	EBIT €2.7mln (2022: €0.2mln)
Mining production 270,946mt (2022: 71,271mt)	Processing production 0mt (2022: 0mt)	Sales of processed material 26mt (2022: 0mt)
Personnel 111 (2022: 94)		

Production

Operationally, the segment registered almost trebled total production by to 270,946 (2022: 71,271) tonnes. Production within the FerroAlloys segment increased significantly as the output increased in South African mines on account of the favourable market conditions. Opencast mining was resumed at the Mecklenburg mine.

Sales

The sales of mining material from the FerroAlloys segment increased by149% in 2023 to EUR 13.2 million when compared to 2022 (EUR 5.3) million.

Financial performance

EUR million	**H1/23**	**H2/23**	**FY23**	**FY22**
Revenue	5.7	7.5	**13.2**	5.3
EBITDA	1.7	1.3	**3.0**	0.5
EBIT	1.6	1.2	**2.7**	0.2
EBITDA margin	30.6%	17.1%	**22.9%**	9.3%
EBIT margin	27.9%	15%	**20.6%**	4.4%

Production within the FerroAlloys segment increased significantly as the output increased. The aforementioned factors, resulted in a positive EBITDA increase to EUR 3.0 (2022: 0.5) million during the reporting period.

Looking ahead

Afarak continued with its mining activity in South Africa and plans to increase its output during 2024.

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.

2023 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.

SHARE INFORMATION

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

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

Flagging notifications

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

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

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

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

Shareholders

On 31 December 2023, the Company had a total of 8,387 shareholders (8,387 shareholders on 31 December 2022), of which nine were nominee-registered. The registered number of shares on 31 December 2022 was (2022: 267,041,814).

LARGEST SHAREHOLDERS ON 31 DECEMBER 2023

	Shareholder	Shares	%
1	Skandinaviska Enskilda Banken AB	153,553,387	57.50
2	Hino Resources Co. Ltd	36,991,903	13.85
3	Hanwa Company Limited	9,000,000	3.37
4	Afarak Group SE	6,541,514	2.45
5	Joensuun Kauppa ja Kone Oy	5,160,683	1.93
6	4capes Oy	4,105,000	1.54
7	Nieminen Jorma Juhani	3,000,000	1.12
8	Osuusasunnot Oy	2,590,000	0.97
9	PM Ruukki Oy	2,299,934	0.86
10	Hukkanen Esa Veikko	1,650,381	0.62
	Total	224,892,802	**84.21**
	Other Shareholders	42,149,012	**15.79**
	Total shares registered	**267,041,814**	**100.00**

Afarak Group SE's Board members and Chief Executive Officer owned in total 1,950,000 (2022: 2,4 50,000) Afarak Group SE shares on 31 December 2023, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.7% (2022: 0.9 %) of the total number of registered shares on 31 December 2023.

SHAREHOLDERS BY CATEGORY 31 DECEMBER 2023

Number of shares	Number of shareholders	% share of shareholder	Number of shares held	% of shares held
1 - 100	2,420	27.23	102,543	0.04
101 - 1000	3,326	37.43	1,576,997	0.59
1001 - 10000	2,433	27.38	8,788,675	3.29
10001 - 100000	628	7.07	17,378,737	6.51
100001 - 1000000	60	0.68	14,302,060	5.36
1000001 - 1000000	8	0.09	34,347,512	12.86
10000001 & above	2	0.02	190,545,290	71.35
Total	**8,877**	**100%**	**267,041,814**	**100.00**
of which nominee-registered	10	0.11%	**157,727,945**	**57.94**
Total outstanding			**260,500,300**	**97.55**

SHAREHOLDERS BY SHAREHOLDER TYPE ON 31 DECEMBER 2023

	% of share
Finnish shareholders	24.57
of which:	
Non-financial corporations and housing corporations	7.03
Financial and insurance corporations	2.82
Households	14.72
Non-profit institutions serving households	0.00
Foreign shareholders	75.43
Total	100.00
of which nominee-registered	57.94

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

Afarak Group SE’s Annual General Meeting was held in Helsinki on 21 June 2023. The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2022. The AGM resolved that no dividend would be paid for 2022. The AGM also adopted the Remuneration Report for the Company’s governing bodies. THE BOARD OF DIRECTORS The AGM resolved that the Board of Directors would comprise of three (3) members: Dr Jelena Manojlovic (UK citizen), Mr Thorstein Abrahamsen (Norwegian citizen) and Mr Guy Konsbruck (Luxembourg citizen) were re-elected as Board members. The AGM resolved that the Non-executive Board Members shall be paid EUR 5,000 per month and the Chairman of the board shall be paid an additional EUR 1,500 per month. Non-Executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership. Board Members shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work in accordance with the company's travel rules.

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

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

CHANGE OF THE ARTICLES OF ASSOCIATION
The AGM resolved that the Articles of Association of the Company are amended by changing the Article 8 (Call to the General Meeting) so that the general meeting can be held completely without a meeting venue as a so-called remote meeting. Following the changes, the above-mentioned Article 8 of the Articles of Association reads as follows: “8 Call to the General Meeting The call to the General Meeting shall be published on the company's website and as a stock exchange release no earlier than two (2) months and no later than twenty-one (21) days before the meeting, however, in any event nine (9) days before the record date of the General Meeting. The Board of Directors may, at its discretion, also publish the call to the General Meeting in one or two national newspapers or by sending the call to the meeting to the shareholders to their addresses recorded in the share register by registered mail or other verifiable means. Aside from the location of the registered office, the General Meeting may also be held in Espoo, Oulu, Oulunsalo or Vantaa. The Board of Directors may also decide that the General Meeting will be held without a meeting venue so that the shareholders will exercise their decision-making power full-on and on an up-to-date basis by means of a telecommunications connection and a technical device during the meeting.”

ACQUISITION OF LL-RESOURCES GMBH
The AGM approved the Transaction, as detailed in the Circular dated 31 May 2023, and authorized the Board of Directors to take all such steps as may be necessary or acceptable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (providing such modifications, variations, revisions or amendments are not of a material nature) as they shall deem necessary or desirable. In relation to the Transaction, the AGM authorized the Board of Directors to issue ordinary shares. By virtue of the authorization shares could be issued up to a maximum of 140,000,000 new shares. This equates approximately 52.43 % of the Company’s current registered shares. The Board of Directors 10 will be entitled to decide on the directed share issue related to the implementation of the Transaction in such a way that the payment of the whole subscription price will be made with contribution in kind (the entire share capital of LL-resources GmbH). The authorization does not replace the previous authorizations and it is valid two (2) years as from the decision of the General Meeting.

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

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		**2023**	**2022**	**2021**
Revenue	EUR '000	153,655	198,691	80,256
EBITDA	EUR '000	16,594	53,747	5,940
% of revenue		10.8%	27.1%	7.4 %
Operating profit (EBIT)	EUR '000	15,032	52,293	6,822
% of revenue		9.8%	26.3%	8.5 %
Profit before taxes	EUR '000	11,965	49,187	2,878
% of revenue		7.8%	24.8%	3.6 %
Return on equity	%	9.5%	60.3%	1.7%
Return on capital employed	%	18.8%	59.9%	16.8%
Equity ratio	%	65.1%	65.6%	29.7%
Gearing	%	-14.1%	-9.8%	74.2%
Personnel at the end of the accounting period		595	600	503

SHARE-RELATED KEY INDICATORS

		2023		2022		2021	
		Group	Continuing operations	Group	Continuing operations	Group	Continuing operations
Earnings per share, basic	EUR	0.04	0.04	0.19	0.18	0.04	0.00
Earnings per share, diluted	EUR	0.04	0.04	0.19	0.18	0.04	0.00
Equity per share	EUR	0.41	0.41	0.41	0.41	0.18	0.18
Price to earnings	EUR	11.02		1.84		3.74	
Average number of shares	1,000	260,478		251,310		244,484	
Average number of shares, diluted	1,000	260,978		251,846		245,747	
Number of shares at the end of the period	1,000	267,042		267,042		252,042	
Share price information (NASDAQ Helsinki)							
Average share price	EUR	0.52		0.42		0.19	
Lowest share price	EUR	0.35		0.12		0.13	
Highest share price	EUR	0.69		0.98		0.32	
Market capitalisation	EUR '000	107,885		94,266		34,278	
Share turnover	EUR '000	42,513		62,146		6,582	
Share turnover	%	30.7		55.9		13.6	
Share price information (London Stock Exchange)							
Average share price	EUR	0.23		0.23		0.23	
	GBP	0.20		0.19		0.20	
Lowest share price	EUR	0.00		0.23		0.06	
	GBP	0.00		0.20		0.05	
Highest share price	EUR	0.23		0.23		0.29	
	GBP	0.20		0.20		0.25	
Market capitalisation	EUR '000	61,456		60,217		59,990	
	GBP '000	53,408		53,408		50,408	
Share turnover	EUR '000	34		2,125		368	
Share turnover	GBP '000	29		1,812		317	
Share turnover	%	0.02		2.30		0.9	

From the financial year 2023 and 2022 the company did not distribute capital redemption. In 2024, The Board of Directors will propose a new dividend policy to the Annual General Meeting. The Group will in future review its distributions to shareholders either through a capital redemption or dividend. The target dividend payout ratio in respect to each financial year shall be minimum 10% (ten percent) of the Afarak Group's EBITDA per full year. This new policy will allow the board to take prudent decisions based on market conditions whilst continuing to share its positive results with shareholders.

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

Stock Exchange Releases

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

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

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

The share issuance consists of 10,000,000 new shares. The shares are of the same share series than the existing shares of the Company and they have the same share rights as of their registration than the Company´s existing shares. The shares which will be held by the Company may be used among other things to raise additional finance and enabling corporate and business acquisitions or other arrangements and investments of business activity or for employee incentive and commitment schemes.

The new shares will be registered into the Trade Register without undue delay after which the Company will apply for the shares to be publicly traded on Nasdaq Helsinki Oy.

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

The new shares will be applied for public trading on Nasdaq Helsinki Oy from on or about March 1, 2024.
As a result of the registration of the new shares, the number of Afarak Group SE's shares is 277,041,814, of which 16,041,514 are treasury shares.

On **25 March 2024,** Afarak published a notice regarding an Extraordinary General Meeting in connection with the Report of the Special Audit.

Flagging notification after the reporting period

Afarak Group SE has on **29 February 2024** made a flagging notification to FIN-FSA pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to the flagging notification Afarak's portion of the Company's shares has exceeded the threshold of 5 per cent.

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

ANNUAL FINANCIAL STATEMENTS

1 January-31 December 2023

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR '000	Note	1.1.-31.12.2023	1.1.-31.12.2022
Revenue	1	**153,655**	**198,691**
Other operating income	2	5,722	2,641
Materials and supplies		-110,170	-120,850
Employee benefits expense	3	-22,272	-18,416
Depreciation and amortisation	4	-1,562	-1,297
Impairment	4	0	-157
Other operating expenses	5	-10,341	-8,319
Operating profit		**15,032**	**52,293**
Finance income	6	5,267	4,279
Finance expense	6	-8,334	-7,385
Profit before taxes		**11,965**	**49,187**
Income taxes	7	-1,966	-4,475
Profit from continuing operations		**9,999**	**44,712**
Profit on discontinued operations	8	0	2,885
Profit for the year		**9,999**	**47,597**
Profit attributable to:			
Owners of the parent		9,450	47,716
Non-controlling interests		549	-119
		9,999	47,597
Earnings per share (counted from profit attributable to owners of the parent):	9		
basic (EUR), Group total		0.04	0.19
diluted (EUR), Group total		0.04	0.19
basic (EUR), continuing operations		0.04	0.18
diluted (EUR), continuing operations		0.04	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.-31.12.2023	1.1.-31.12.2022
Profit for the year		**9,999**	**47,597**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit pension plans		-1,241	8,101
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations - Group		-6,394	2,069
Other comprehensive income/(loss), net of tax		**-7,635**	**10,170**
Total comprehensive income for the year		**2,365**	**57,767**
Total comprehensive income attributable to:			
Owners of the parent		1,751	57,885
Non-controlling interests		614	-118
		2,365	**57,767**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Property, plant and equipment	10	37,497	38,976
Goodwill	11	46,997	48,720
Other intangible assets	11	4,643	5,239
Other financial assets	13	1,201	961
Deferred tax assets	19	1,044	654
		91,382	**94,550**
Current assets			
Inventories	14	29,583	24,734
Trade and other receivables	15	23,345	28,056
Cash and cash equivalents	16	18,032	12,418
		70,960	**65,208**
Total assets		**162,342**	**159,758**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

EUR '000	Note	31.12.2023	31.12.2022
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		18	31
Paid-up unrestricted equity fund		215,359	215,116
Translation reserve		-42,683	-36,224
Retained Earnings		-115,512	-122,081
		106,047	**105,707**
Non-controlling interests		-306	-920
Total equity		**105,741**	**104,787**
Non-current liabilities			
Deferred tax liabilities	19	8,051	9,111
Interest-bearing debt	13	321	404
Pension liabilities	21	12,838	11,988
Other non-current debt	22	22	23
Provisions	20	11,400	12,207
		32,632	**33,733**
Current liabilities			
Trade and other payables	22	16,670	15,420
Provisions	20	96	274
Tax liabilities	22	4,437	3,754
Interest-bearing debt	13	2,766	1,790
		23,969	**21,238**
Total liabilities		**56,601**	**54,971**
Total equity and liabilities		**162,342**	**159,758**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	1.1.-31.12.2023	1.1.-31.12.2022
Operating activities			
(Loss) / profit from continuing operation		9,999	44,712
Adjustments to net profit:			
Non-cash items			
Depreciation, amortisation and impairment	4	1,562	1,454
Finance income and cost	6	3,250	3,106
Income taxes	7	1,966	4,475
Share-based payments	18	242	-67
Proceeds from non-current assets		-1,098	-347
Working capital changes:			
Change in trade receivables and other receivables		2,191	-1,891
Change in inventories		-6,717	-11,169
Change in trade payables and other debt		2,103	-5,276
Change in provisions		427	398
Interests paid		-1,266	-1,739
Interests received		653	-14
Other financing items		-2,100	102
Income taxes paid		-1,633	-3,625
Discontinued operations	8	0	1,089
Net cash from operating activities		**9,579**	**31,209**
Investing activities			
Capital expenditure on non-current assets, net		-3,216	-1,682
Other investments, net		-19	84
Repayments of loan receivables and loans given, net		-200	0
Net cash used in investing activities		**-3,435**	**-1,598**
Financing activities			
Proceeds from borrowings		61	2,183
Repayments of borrowings		-20	-27,103
Payment of principal portion of lease liabilities		-95	-81
Movement in short term financing activities		1,122	1,555
Net cash used in financing activities		**1,068**	**-23,446**
Change in cash and cash equivalents		**7,212**	**6,165**
Cash at beginning of period		12,418	6,287
Exchange rate differences		-1,598	-33
Cash at end of period		18,032	12,418
Change in the statement of financial position	16	**7,212**	**6,165**

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

EUR '000	Notes	A	B	C	D	E	F	G	H	I
		Attributable to owners of the parent								
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		67
Issue of shares in exchange for settlement of liability				5,252				5,252		5,252
Provision for withholding tax from previous financial periods						-1,728		-1,728		-1,728
Other changes in equity							-9	-9		-9
Equity at 31.12.2022		**23,642**	**25,223**	**215,116**	**-36,224**	**-122,080**	**30**	**105,707**	**-920**	**104,787**
Profit for the period 1-12/2023 + comprehensive income						9,450		9,450	549	9,999
Other Comprehensive Income					-6,459	-1,241		-7,700	65	-7,635
Total comprehensive income					-6,459	8,209		1,750	614	2,364
Share-based payments				242				242		242
Other changes in equity						-1,641	-12	-1,653		-1,653
Equity at 31.12.2023		**23,642**	**25,223**	**215,359**	**-42,683**	**-115,512**	**18**	**106,047**	**-306**	**105,741**

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 2023. 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 26 March 2024 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 2023 financial year, testing took place on 30 June 2023for the Speciality Alloys business and the South African minerals processing business and on 31 December 2023 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

Measurement of mineral resources and ore reserves in business combinations

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

Exploration and evaluation expenses of mineral resources

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources when new potential ore reserves are sought, for example by exploratory drilling.

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

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

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

Mine establishment costs

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

Impairment

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

Goodwill and intangible assets identified at acquisition

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

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

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

Research and development costs

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

Other intangible assets

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

Inventories

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

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss in accordance with 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 2023. 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 2023. 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 2023, 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 2023, the Group has adopted the following amended standards issued by the IASB.

-Amendments to IAS 1 Presentation of financial statements, IFRS Practice Statement 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Disclosure of Accounting Policies and Definition of Accounting Estimates: The amendments distinguish changes in accounting estimates from changes in accounting policies and aim to improve accounting policy disclosures.

-Amendments to IAS 12 Income taxes – Deferred Tax related to Assets and Liabilities arising from single transaction: The amendment clarifies the application of the recognition exemption of deferred taxes on a single transaction.

- Amendments to IAS 12 - International Tax Reform, Pillar Two Model Rules: The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include: A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The above changes did not have an impact on 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.

IFRS Sustainability Disclosure Standards S1 and S2

-IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information. Its objective requires an entity to disclose information about its sustainability-related risks and opportunities, that is useful to the primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

-IFRS S2: Climate-related Disclosures. This standard sets the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Other Standards

-Amendments to IFRS 7: Financial Instruments- Disclosures regarding supplier finance arrangements and amendments to IAS 7: Statements of Cash Flows concerning supplier finance arrangements. Sufficient information has to be disclosed so that users of financial statements can firstly, assess how supplier finance arrangements affect an entity's liabilities and cashflows and secondly, to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

-Amendments to IFRS 16: Lease Liability in a Sale and Leaseback. The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions. 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.

-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: Presentation of Financial Statements regarding the classification of debts 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.

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 2023

Afarak did not carry out any acquisitions during the financial year 2023.

1.4.2 Financial Year 2022

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

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 2023. 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 2023.

During 2023, 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 2023

During the financial year 2023, the total goodwill of the Group decreased by EUR 1.7 million to a total of EUR 47 million. The increase was attributable to an exchange rate movement of EUR 1.7 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 1.1.2023	48,720	0	48,720
Exchange rate movement	-1,724	0	-1,724
Goodwill 31.12.2023	**46,996**	**0**	**46,996**

The changes in goodwill during 2022 are presented 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**

Goodwill as a ratio of the Group's equity on 31 December 2023 and 31 December 2022 was as follows:

EUR '000	31.12.2023	31.12.2022
Goodwill	46,996	48,720
Equity	105,741	104,787
Goodwill/Equity, %	44.4%	46.4%

Impairment on long term assets

In 2023, 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 2023.

The information used in the 31 December 2023 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. The cash flow models have been prepared at constant foreign exchange rates. 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 2023 impairment testing were the following:

Cash Generating Unit	**Pre-tax discount rate**	
	2023	**2022**
Speciality Alloys	16.4%	18.2%
South African mine - Mecklenburg mine	24.3%	18.8%

The key reasons for the changes in the discount rates compared to 2023 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 2023

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	70.8	Clearly above
South African Mines				
- Mecklenburg	0.0	0.0	13.6	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: 25,000 t/a; and is planned to increase gradually to 28,000 t/a to 2028 Cr Ore: 40,000 t/a 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 2024; 177,000t	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

	om 2025; and is planned to increase to an average of 539,000t/a as from 2026 to 2033		operations adjusted for inflation rate. The cost over the life of mine excluding inflation is estimated to be ZAR 747 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 18.77 for the year 2023.

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 2022 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	2.9% - points	-19.1%	-1.5% - points
South African mining business:			
- Mecklenburg mine	-58.4% - points	-82.7%	-51% - 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 2023

Year ended 31.12.2023 EUR '000	Speciality Alloys	Ferro Alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services		1,371	1,371	42		1,413
Sale of goods	140,308	11,795	152,103	139		152,242
Total external revenue	140,308	13,166	153,474	181		153,655
Inter-segment revenue				2,467	-2,467 [1]	-
Total revenue	**140,308**	**13,166**	**153,474**	**2,648**	**-2,467**	**153,655**
Segment EBITDA	**17,464**	**3,018**	**20,482**	**-3,888**	**-**	**16,594**
Depreciation and amortisation	-1,213	-308	-1,521	-41	-	-1,562
Impairment						
Segment operating profit / (loss)	**16,251**	**2,710**	**18,961**	**-3,929**	**-**	**15,032**
Finance income						5,267
Finance cost						-8,334
Income taxes						-1,966
Profit for the period from continuing operations						**9,999**
(Loss)/profit for the period from discontinued operations						0
Profit for the period						**9,999**
Segment's assets [2]	**166,573**	**47,650**	**214,223**	**7,714**	**-59,595**	**162,342**
Segment's liabilities [2]	**49,635**	**42,407**	**92,042**	**40,798**	**-76,239**	**56,601**
Other disclosures						
Capital expenditure [3]	0	2,968	2,968	0	0	2,968
Provisions [4]	1,516	9,980	11,496	0	0	11,496

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 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.

Geographical information

Revenues from external customers

EUR '000	**2023**	**2022**
Other EU countries	60,562	82,008
United States	64,876	78,068
China	4,867	1,666
Africa	8,068	3,647
Finland	0	0
Other countries	15,282	33,302
Total revenue	**153,655**	**198,691**

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 7.27% (12.4%) of the Group's revenue in 2023.

Non-current assets

EUR '000	**2023**	**2022**
Africa	29,154	32,767
Other EU countries	9,969	8,502
Other countries	3,017	2,946
Total	**42,140**	**44,214**

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	2023	2022
Sale of goods	152,242	198,101
Rendering of services	1,413	589
Total	**153,655**	**198,691**

2. Other operating income

EUR '000	2023	2022
Gain/(loss) on disposal of tangible and intangible assets	104	-8
Rental income	229	184
Other	5,389	2,465
Total	**5,722**	**2,641**

3. Employee benefits

EUR '000	2023	2022
Salaries and wages	-19,152	-16,024
Share-based payments	-242	-67
Pensions costs	-821	-518
Other employee related costs	-2,057	-1,808
Total	**-22,272**	**-18,416**

Average personnel during the accounting period	**2023**	**2022**
Speciality Alloys business	475	471
FerroAlloys business	107	57
Group Management	2	2
Other operations *	15	15
Total	**599**	**545**

Personnel at the end of the accounting period	**2023**	**2022**
Speciality Alloys business	468	488
FerroAlloys business	111	94
Group Management	3	2
Other operations *	14	16
Total	**596**	**600**

* Other operations mainly relate to Magnohrom, in Serbia

4. Depreciation, amortisation and impairment

EUR '000	2023	2022
Depreciation / amortisation by asset category		
Intangible assets		
Other intangible assets	-102	-90
Total	**-102**	**-90**
Property, plant and equipment		
Buildings and constructions	-106	-215
Machinery and equipment	-970	-673
Other tangible assets	-384	-319
Right-of-use assets		
Total	**-1,460**	**-1,207**
Impairment by asset category		
Machinery and equipment	0	-157
Total	**0**	**-157**

5. Other operating expenses

EUR '000	2023	2022
Rental costs	-217	-207
External services[1]	-3,792	-3,247
Travel expenses	-614	-427
Other operating expenses	-5,676	-4,439
Total	**-10,299**	**- 8,319**

1. Audit fees paid to Tietotili totalled EUR 457 (2022: EUR 536) thousand in the financial year. The fees for non-audit services totalled EUR 29 (2022: EUR 87) thousand.

6. Financial income and expense

EUR '000	2023	2022
Finance income		
Interest income on loans and trade receivables	588	146
Foreign exchange gains	4,617	3,961
Other finance income	62	172
Total	**5,267**	**4,279**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-175	-749
Impairment losses on receivables	25	-40
Foreign exchange losses	-4,484	-3,674
Unwinding of discount, provisions	-668	-1,312
Other finance expenses	-3,033	-1,610
Total	**-8,335**	**7,385**

Net finance expense	**-3,068**	**-3,106**

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

7. Income taxes

EUR '000	**2023**	**2022**
Income tax for the period	-2,174	-3,407
Income tax for previous years	-40	1
Deferred taxes	248	-1,068
Total	**-1,966**	**-4,475**

EUR '000	**2023**	**2022**
Profit before taxes	**11,965**	**52,072**
Income tax calculated at parent company income tax rate	**-2,393**	**-10,414**
Difference between domestic and foreign tax rates	-4,400	-14,308
Tax credit	5,006	15,730
Items recognised only for taxation purposes	202	543
Income tax for previous years	-40	1
Impairment losses	0	-31
Deferred tax asset write-offs		0
Tax losses not recognised as deferred tax assets	-2,210	-3,405
Non-tax deductible expenses	-284	-819
Previously unrecognised tax losses now recognised	2,153	8,229
Total adjustments	**427**	**5,940**
Income tax recognised	**-1,966**	**-4,475**

On 31 December 2023 the Group companies had unused tax losses totalling EUR 18.3 (2022: 21.6) 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 million arising from the transaction. There were no discontinued operation during 2023.

9. Earnings per share

	2023			2022		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to owners of the parent company (EUR '000)	9,451	-	9,451	44,712	2,885	47,597
Weighted average number of shares, basic (1 000)	260,478	-	260,478	251,310	251,310	251,310
Basic earnings per share (EUR) total	**0.04**	**-**	**0.04**	**0.18**	**0.01**	**0.19**

	2023			2022		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to owners of the parent company (EUR '000)	9,451	-	9,451	44,712	2,885	47,597
Weighted average number of shares, basic (1 000)	260,478	-	260,478	251,310	251,310	251,310
Effect of share options on issue (1 000)	500	-	500	536	536	536
Weighted average number of shares, diluted (1 000)	260,978	-	260,978	251,846	251,846	251,846
Diluted earnings per share (EUR) total	**0.04**	**-**	**0.04**	**0.18**	**0.01**	**0.19**

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 1.1.2023	1,962	3,898	12,108	52,565	2,846	73,379
Additions	0	50	2,509	415	18	2,992
Disposals	0	-70	-628	0	-3	-701
Reclass between items	0	0	0	0	689	689
Effect of movements in exchange rates	-132	-318	-628	-6,722	-19	-7,819
Balance at 31.12.2023	**1,830**	**3,560**	**13,361**	**46,258**	**3,531**	**68,540**
Accumulated depreciation and impairment 1.1.2023	0	**-3,110**	**-5,495**	**-25,654**	**-144**	**-34,403**
Depreciation	0	-106	-970	-378	-5	-1,459
Impairment	0	0		0	0	0
Disposals	0	69	519	0	3	591
Effect of movements in exchange rates	0	100	455	3,654	19	4,228
Accumulated depreciation and impairment at 31.12.2023	**0**	**-3,047**	**-5,491**	**-22,378**	**-127**	**-31,043**
Carrying amount at 1.1.2023	**1,962**	**788**	**6,613**	**26,911**	**2,702**	**38,976**
Carrying amount at 31.12.2023	**1,830**	**513**	**7,870**	**23,880**	**3,404**	**37,497**
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	-215	-674	-312	-8	-1,209
Impairment	0	0	-157	0	0	-157
Disposals	0	15	258	0	5	278
Effect of movements in exchange rates	0	123	-239	826	1	711
Accumulated depreciation and impairment at 31.12.2022	**0**	**-3,110**	**-5,495**	**-25,654**	**-144**	**-34,403**
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**	**788**	**6,613**	**26,911**	**2,702**	**38,976**

Machinery and equipment include the prepayments made for them.
Property, plant and equipment include right of use asset EUR 0.2 (2022: 0.2) and a depreciation of EUR 0.1(2022: 0.1) million.

11. Intangible assets

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2023	**48,721**	**77,070**	**6,044**	**1,482**	**133,317**
Additions	0	0	104	0	104
Disposals	0	0	-27	-44	-71
Reclass between items	0	0	0	0	0
Effect of movements in exchange rates	-1,724	-2,485	-713	-184	-5,106
Balance at 31.12.2023	**46,997**	**74,585**	**5,408**	**1,254**	**128,244**
Accumulated amortisation and impairment at 1.1.2023	0	**-77,070**	**-2,086**	**-202**	**-79,358**
Amortisation	0	0	-95	-6	-101
Disposals	0	0	0	44	44
Effect of movements in exchange rates	0	2,485	301	24	2,810
Accumulated amortisation and impairment at 31.12.2023	**0**	**-74,585**	**-1,880**	**-140**	**-76,605**
Carrying amount at 1.1.2023	**48,720**	**0**	**3,959**	**1,280**	**53,959**
Carrying amount at 31.12.2023	**46,997**	**0**	**3,528**	**1,114**	**51,639**
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**

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 5.99% (2022: 8.99%) in Valtimo Components Oyj.

During the financial year 2023 and 2022, Afarak did not acquire or dispose holdings in associates.

13. Financial assets and liabilities

31.12.2023, 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			78	78	78
Trade and other receivables *			1,124	1,124	1,124
Current financial assets					
Trade and other receivables *			20,060	20,060	20,060
Other financial assets			546	546	546
Cash and cash equivalents			18,032	18,032	18,032
Total financial assets			**39,840**	**39,840**	**39,840**
Non-current financial liabilities					
Non-current interest-bearing liabilities			321	321	321
Other non-current liabilities			21	21	21
Current financial liabilities					
Current interest-bearing liabilities			2,766	2,766	2,766
Trade and other payables *			0	0	0
Total financial liabilities			**3,108**	**3,108**	**3,108**

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

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.

Interest-bearing debt

EUR '000	2023	2022
Non-current		
Bank loans	1	2
Acquisition of NCI liability		0
Finance lease liabilities	319	401
Other interest-bearing liabilities		0
Total	**320**	**404**
Current		
Bank loans	2,766	1,638
Finance lease liabilities	0	17
Other interest-bearing liabilities (*)	0	134
Total	**2,766**	**1,790**

EUR '000	2023	2022
Finance lease liabilities, minimum lease payments		
No later than 1 year	0	17
Later than 1 year and not later than 5 years	320	401
	320	**419**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	0	17
Later than 1 year and not later than 5 years	320	401
	320	**419**
Future finance charges	**0**	**0**
Total minimum lease payments	**320**	**419**

* 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 2023	Cash flows	Foreign exchange movement	Other	31 December 2023
Non-current borrowings	-	-	-	-	-
Current borrowings	1,638	1,072	55	-	2,766
Lease liabilities	410	-85	6	-11	320
Total liabilities from financing activities	**2,019**	**987**	**61**	**-11**	**3,086**

EUR '000	1 January 2022	Cash flows	Foreign exchange movement	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**

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 2023

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 2023 closing date:

On 31 December 2023, 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.

One of the Group's Maltese subsidiaries has been granted a trade finance loan facility amounting to $ 4.0 million during 2022 and the Group has given a corporate guarantee amounting to US$ 4.0 as collateral. The Maltese subsidiary utilized US$ 2.7 million as at the end of 2023. During 2023, an additional trade finance loan facility without recourse amounting to $ 2.0 million has been granted. The Maltese subsidiary utilized US$ 0.0 million as at the end of 2023

One of the Group's Turkish subsidiaries has been granted various short term loans in 2023. The loans amount as at end of 2023 was EUR 0.0 (2022: 0.0 million).

Interest-bearing debt 31 December 2023

- Floating rate loans from financial institutions total EUR 2.7 (2022: 1.5) million. Fixed rate loans total EUR 0.0 (2022: 0.1) million.
- The interest rate of the Turkish bank loan facility is tied to the market rate of EURIBOR. The interest rate on 31 December 2023, based on market interest rates at that date, was 3.845% (2022: 1.25%). The interest rate margin for the fixed rate notes was 3.325% (2022: 0.60%) p.a.

- The interest rate of the Maltese bank loan facility is tied to the at the rate of 4.5% per annum margin above the Bank's Lending Base Rate. The interest rate on 31 December 2023, based Bank's Lending Base Rate at that date, was 5.2%.

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% (2022: 65.6%).

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, 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:

31.12.2023, 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	2,766	-2,766	-2,766	0	0	0	0
Finance lease liabilities	319	-319	-54	-54	-46	-165	0
Trade and other payables	22	-22	0	0	-22	0	0
Total	**3,107**	**-3,107**	**-2,820**	**-54**	**-68**	**-165**	**0**

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**

(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.

31.12.2023, EUR '000 — EUR exchange rate	1	1.1050	0.86905	32.6531	20.3477	0.926	116.929
	EUR	USD	GBP	TRY	ZAR	CHF	RSD
Cash and cash equivalents (EUR)	3,403	8,563	19	3,461	1,614	5	652
Trade and other receivables (EUR)	1,101	5,491	0	119	13,894	0	0
Loans and other financial assets (EUR)	1,520	-19	0	80	-381	0	0
Trade and other current payables (EUR)	-3,119	-7,310	-8	-702	-352	0	-7
Loans and other liabilities (EUR)	-319	-2,716	0	-51	-22	0	0
Currency exposure, net (EUR)	2,586	4,010	11	2,907	14,754	5	645
Currency exposure, net in currency ('000)	2,586	4,431	9	94,928	300,210	5	75,391

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

The effect on the 31 December 2023 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 2023

		USD	GBP	TRY	ZAR	CHF	RSD
20%	strengthening	1,002	3	727	3,689	-5	161
15%	strengthening	708	2	513	2,604	-5	114
10%	strengthening	446	1	323	1,639	-5	72
5%	strengthening	211	1	153	777	-5	34
0%	no change	0	0	0	0	-5	0
-5%	weakening	-191	-1	-138	-703	-5	-31
-10%	weakening	-365	-1	-264	-1,341	-5	-59
-15%	weakening	-523	-1	-379	-1,924	-5	-84
-20%	weakening	-668	-2	-485	-2,459	-5	-107

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

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 2023, 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 2023 and 31 December 2022 was as follows:

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

Fixed rate instruments	**31.12.2023**	**31.12.2022**
Financial assets	0	0
Financial liabilities	0	0
Fixed rate instruments, net	**0**	0
Variable rate instruments		
Financial assets	78	102
Financial liabilities	-2,766	-1,645
Variable rate instruments, net	-2,688	-1,543
Interest-bearing net debt	**-2,688**	**-1,543**

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 2023, and if there were no changes in exchange rates.

31 December 2023

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-2	55	54
-1.50%	-1	41	40
-1.00%	-1	28	27
-0.50%	0	14	13
0.00%	0	0	0
0.50%	0	-14	-13
1.00%	1	-28	-27
1.50%	1	-41	-40
2.00%	2	-55	-54

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

(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 7.5 million for year ended 31 December 2023 (2022: 7.8). The Group did not record any loss allowance on trade receivables during 2023 and during 2022. The portion of prepaid revenues or portion under trade financing amounts to EUR 1.7 million on 31 December 2023 (2022: 1.7). The prepaid portion of the trade receivables does not include any potential losses.

The loan receivables amounted to EUR 0.5 million on 31 December 2023 (2022: 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 2023 and in 2022, 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 31.12.2023 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**	**31.12.2023**	**31.12.2022**
Interest-bearing		
Cash and cash equivalents	18,032	12,418
Other interest bearing receivables	78	102
Interest-bearing, total	**18,110**	**12,520**
Interest-free		
Trade receivables	7,467	7,833
Other short-term receivables	13,140	14,979
Long-term receivables	1,124	860
Interest-free, total	**21,731**	**23,672**
Total	**39,841**	**36,192**

(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 2023.

<u>Sensitivity Analysis - Speciality Alloys business</u>

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 2023 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 2023 production of 21,179 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 2023

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR 000's	**EUR 000's**
3.72	20%	18,339	17,422
3.57	15%	13,754	13,066
3.41	10%	9,169	8,711
3.26	5%	4,585	4,355
3.10	0%	0	0
2.95	-5%	-4,585	-4,355
2.79	-10%	-9,169	-8,711
2.64	-15%	-13,754	-13,066
2.48	-20%	-18,339	-17,422

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

Sensitivity Analysis – Mining business

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

Assuming, for simplicity, an average annual mining activity of 97,489 t/a, and December 2023 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 2023

Change in Sales price (USD/t)		Change in Operating Profit	Change in Group's Equity
309.00	20%	5,021	3,615
296.13	15%	3,765	2,711
283.25	10%	2,510	1,807
270.38	5%	1,255	904
257.50	0%	0	0
244.63	-5%	-1,255	-904
231.75	-10%	-2,510	-1,807
218.88	-15%	-3,765	-2,711
206.00	-20%	-5,021	-3,615

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

14. Inventories

EUR '000	2023	2022
Goods and supplies	16,636	11,955
Unfinished products	129	122
Unfinished construction projects	283	0
Finished products	12,399	12,395
Prepayments	136	263
Total	**29,583**	**24,734**

15. Trade and other current receivables

EUR '000	2023	2022
Trade receivables	7,467	7,833
Loan receivables	546	410
Prepaid expenses and accrued income	2,615	4,953
Income tax receivables	123	291
Other receivables	12,594	14,569
Total	**23,345**	**28,056**

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

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

EUR '000	2023	2022
Not past due	4,698	4,348
Past due 0-30 days	1,184	2,063
Past due 31-60 days	678	300
Past due 61-90 days	37	3
Past due more than 90 days	870	1,119
Trade receivables total	**7,467**	**7,833**

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	2023	2022
Cash and bank balances	**16,252**	**11,768**

Cash and cash equivalents in the consolidated cash flow statement:

EUR '000	2023	2022
Cash and bank balances	16,252	11,768
Short-term money market investments	1,780	650
Total	**18,032**	**12,418**

17. Notes to equity

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
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**
Share based payments (CEO)		500,000	
31.12.2023	**267,041,814**	**260,500,300**	**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 2023, the Company had 6,541,514 (7,041,514) own shares in treasury, which was equivalent to 2.45% (2.64%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2023, was 260,500,300 (260,000,300).

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 21 June 2023, 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 90.2% 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 500,000 Company shares on 10 February 2022. On January 2023, 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 22 January 2024

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 0.50 per share. The expense recognized in the income statement during the year was EUR 242,397 (2022: EUR 66,849).

19. Deferred tax assets and liabilities

Movements in deferred taxes in 2023

EUR '000	01.01.2023	Exchange rate differences	Recognised in income statement	31.12.2023
Deferred tax assets:				
Unrealised expenses	197	4	356	557
Pension liabilities	-32	0	45	13
From translation difference	-69	0	0	-69
Group eliminations	558	-34	19	543
Total	**654**	**-30**	**420**	**1,044**

Deferred tax liabilities:				
Assets at fair value in acquisitions	8,768	-1,005	-53	7,710
Translation difference	80	0	0	80
Other timing differences	263	-3	1	261
Total	**9,111**	**-1,008**	**-52**	**8,051**

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**

20. Provisions

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2023	10,855	1,625	12,480
Additions	92	753	845
Releases and reversals	-657	-552	-1,209
Unwinding of discount	1,069	0	1,069
Exchange differences	-1,252	-437	-1,689
Balance at 31.12.2023	**10,107**	**1,389**	**11,496**
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**

EUR '000	**2023**	**2022**
Long-term provisions	11,400	12,206
Short-term provisions	96	274
Total	**11,496**	**12,480**

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.

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 0.7 (2022: 0.6) million has been recognised on the 2023 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 12.8 (2022: 12) million on 31 December 2023. 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**	**2023**	**2022**
Present value of funded obligation	21,147	19,973
Fair value of plan assets	-8,308	-7,985
Net liability	**12,839**	**11,988**

Movements in defined benefit obligation **EUR '000**	**2023**	**2022**
Defined benefit obligations at 1.1.	19,973	28,116
Benefits paid	-774	-853
Current service costs	241	407
Interest expense	728	315
Actuarial losses / (gains)	979	-8,013
Closing balance at 31.12.	**21,147**	**19,973**

Movements in the fair value of the plan assets **EUR '000**	**2023**	**2022**
Fair value of the plan assets at 1.1.	7,985	7,498
Expected return on plan assets	306	86
Benefits paid by the plan	-217	-200
Return on plan assets greater/(less) than discount rate	-262	89
Contributions paid into the plan	496	513
Closing balance at 31.12.	**8,308**	**7,985**

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**	**2023**	**2022**
Current service cost	-241	-407
Net interest on net defined benefit liability/(asset)	-422	-229
	-663	**-636**

Expense recognised in other comprehensive income (OCI) **EUR '000**	**2023**	**2022**
Actuarial (gains)/losses due to liability experience	-479	-187
Return on plan assets (greater)/less than discount rate	262	-89
Actuarial (gains)/losses – financial assumptions	1,457	-7,826
	1,240	**-8,101**

Actual return on plan assets totalled EUR 0.26 (2022: 0.08) million in 2023.

Principal actuarial assumptions	**2023**	**2022**
Discount rate	3.17%	3.73%
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 2023, the employee severance indemnity recognised in accordance with IAS 19 totalled EUR 1.0 (2022: 1.1) million.

22. Trade payables and other interest-free liabilities

EUR '000	**2023**	**2022**
Non-current		
Other liabilities	22	23
Total non-current	**22**	**23**
Current		
Current liabilities to related parties	6	6
Trade payables	10,863	7,352
Accrued expenses and deferred income	5,171	5,566
Current advances received	4	1
Income tax liability	4,437	3,754
Other liabilities	626	2,495
Total current	**21,107**	**19,174**

Trade payables included a liability to supplier in relation to financing of material amounting to Eur 0.1 million in 2022.

1.9 RELATED PARTY DISCLOSURES

1.9.1 Group structure on 31 December 2023

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	100.00
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

In December 2023, the ownership of Afarak Investments Ltd was changed to a Single Member Company, hence one share which was previously owned by Rekylator Oy, was transferred to Afarak Group SE.

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

		2023			2022		
EUR '000		**Salaries**	**Fees**	**Share-based remuneration**	**Salaries**	**Fees**	**Share-based remuneration**
CEO							
Konsbruck Guy	Board member 05.2.2018 onwards, CEO 15.1.2017 onwards	14	535	242		710	67
Board members							
Abrahamsen Thorstein	Board member 23.5.2017 onwards, Chairman11.11.2019 onwards		137			75	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 23.5.2017 – 25.6.2019		125			65	
Total		**14**	**797**	**242**	**0**	**850**	**67**

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 2023 were EUR 360,000, a salary of EUR 14,636 and a Company bonus of EUR 175,000.

As part of the remuneration package under the CEO agreement, the CEO received 500,000 Company shares on 10 February 2022. On January 2023, 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 22 January 2024.

Management remuneration

EUR '000	**2023**	**2022**
Fixed salaries and fees	553	100
Total	**553**	**100**

The table includes the Executive Management Team remuneration excluding the CEO for the year 2023. The comparative period includes salary to Danko Koncar, COO amounting to Eur100,000. 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 2023 and 2022.

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 2023 the Group had loans from financial institutions totalling EUR 2.8 (2022: 1.6) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 2.7 (2022:

1.6) million. Moreover, the Group companies have given cash deposits totalling EUR 0. (2022: 0.3) million as security for their commitments. The value of other collaterals totalled EUR 3.8 (2022: 3.8) million as at 31 December 2023.

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 2023. As at year end 2023 the balance was US$ 2.7 (EUR 1.6) million. An additional trade finance loan facility without recourse amounting to $ 2.0 million was utilised during the year. The Maltese subsidiary made use of this facility and settled in full by end of 2023.The financial covenants attached to both loans 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 (2022: 0.2) 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 2023.

1.11 EVENTS AFTER THE REPORTING PERIOD

Stock Exchange Releases

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

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

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

The share issuance consists of 10,000,000 new shares. The shares are of the same share series than the existing shares of the Company and they have the same share rights as of their registration than the Company´s existing shares. The shares which will be held by the Company may be used among other things to raise additional finance and enabling corporate and business acquisitions or other arrangements and investments of business activity or for employee incentive and commitment schemes.

The new shares will be registered into the Trade Register without undue delay after which the Company will apply for the shares to be publicly traded on Nasdaq Helsinki Oy.

On **29 February 2024**, a total of 10,000,000 new shares issued on the basis of the directed share issuance without payment to the Company itself was decided by Afarak's Board of Directors on February 14, 2024 based on the authorization granted by Afarak's Annual General Meeting on June 21, 2023 have been registered in the Trade Register today. The new shares are of the same share series than the existing shares of the Company. The new shares will be applied for public trading on Nasdaq Helsinki Oy from on or about March 1, 2024.
As a result of the registration of the new shares, the number of Afarak Group SE's shares is 277,041,814, of which 16,041,514 are treasury shares.

On **25 March 2024,** Afarak published a notice regarding an Extraordinary General Meeting in connection with the Report of the Special Audit.

Flagging notification after the reporting period

Afarak Group SE has on **29 February 2024** made a flagging notification to FIN-FSA pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to the flagging notification Afarak's portion of the Company's shares has exceeded the threshold of 5 per cent.

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

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.2023 - 31.12.2023	1.1.2022 - 31.12.2022
Revenue	1	**2,468**	**2,334**
Personnel expenses			
Salaries and wages		-327	-240
Pension expenses		0	0
Social security expenses total		0	0
Personnel expenses total		-327	-240
Depreciation, amortisation and impairment	2		
Impairment of investment in subsidiaries		0	0
Depreciation, amortisation and impairment total		0	0
Other operating expenses	3	-2,545	-2,569
OPERATING LOSS		**-404**	**-475**
Financial income and expenses:	4		
Impairment of non-current investments		0	0
Other financial income			
From Group companies		151	56
From others		1,109	69
Interests and other financial expenses			
To Group companies		-2,014	-1,206
To others		-40	-1,681
Impairment of intra-group receivable		0	-245
Financial income and expenses total		-794	-2,762
LOSS BEFORE TAXES		**-1,198**	**-3,482**
Income taxes	5		0
LOSS FOR THE PERIOD		**-1,198**	**-3,482**

STATEMENT OF FINANCIAL POSITION (FAS)

EUR '000

	Note	**31/12/2023**	**31/12/2022**
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	5,257
Total non-current receivables		**5,257**	**5,257**
Total non-current assets		**71,089**	**71,089**
CURRENT ASSETS			
Current receivables	7		
Trade receivables		0	0
Receivables from Group companies		4,973	6,784
Other interest-bearing receivables		0	0
Other non interest-bearing receivables		35	77
Prepaid expenses and accrued income		39	56
Total current receivables		**5,047**	**6,916**
Cash and cash equivalents		**0**	**3**
Total current assets		**5,047**	**6,919**
TOTAL ASSETS		**76,136**	**78,008**

STATEMENT OF FINANCIAL POSITION (FAS) (CONT.)

EUR '000	Note	31/12/2023	31/12/2022
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	219,051
Retained earnings		-228,696	-225,214
Loss for the period		-1,198	-3,482
Total shareholders' equity		**38,022**	**39,220**
LIABILITIES	9		
Non-current liabilities			
Liabilities to Group companies		26,464	27,417
Provisions		0	0
Total non-current liabilities		**26,464**	**27,417**
Current liabilities			
Liabilities to Group companies		220	1,710
Liabilities to others		0	0
Accounts payable		167	329
Accounts payable to Group companies		10,591	8,311
Other liabilities		6	6
Accrued expenses and deferred income		666	1,015
Total current liabilities		**11,650**	**11,371**
Total liabilities		**38,114**	**38,788**
TOTAL EQUITY AND LIABILITIES		**76,136**	**78,008**

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.-31.12.2023	1.1.-31.12.2022
Operating activities		
(Loss) / profit for the period	-1,198	-3,482
Adjustments for:		
Impairment, net	0	245
Unrealised foreign exchange gains and losses	-1,039	1,611
Financial revenue and expense excluding impairment	1,833	1,150
Other adjustments	87	-205
Cash flow before working capital changes	-317	-681
Working capital changes:		
Change in current trade receivables	2,021	-1,883
Change in current trade payables	1,769	2,183
Change in Provisions	0	-1,450
Cash flow before financing items and taxes	3,472	-1,831
Interests received from Group companies	-1	56
Interests received and other financing items	30	69
Interests paid and other financing items	-2,014	-1,207
Net cash used in operating activities	**1,487**	**-2,913**
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	-3,401	-512
Repayments of current loan receivables	1,911	3,425
Net cash from financing activities	**-1,490**	**2,913**
Change in cash and cash equivalents	**-3**	**0**
Cash at beginning of period	3	3
Cash at end of period	0	3
Change in the statement of financial position	**-3**	**0**

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**	**2022**
By business line:		
Services	2,468	2,334
Total	**2,468**	**2,334**
By geography:		
Finland	1	1
EU countries	1,614	1,546
Other countries	853	787
Total	**2,468**	**2,334**

2. Depreciation, amortisation and impairment

EUR '000	**2023**	**2022**
Impairment		
Impairment on investment in subsidiaries	0	0
Total	**0**	**0**

3. Other operating expenses

EUR '000	**2023**	**2022**
Premise expenses	-15	-17
Machinery and equipment expenses	-93	-42
Travelling expenses	-77	-43
Administration expenses	-1,534	-1,446
Other operating expenses	-826	-1,021
Total	**-2,545**	**-2,569**

4. Financial income and expense

EUR '000	**2023**	**2022**
Other financial income		
From Group companies	151	56
From others	1,109	69
Other financial expense		
To Group companies	-2,014	-1,206
To others	-40	-1,68
Impairment on Intra-group receivables	0	-245
Total	**-794**	**-3,006**

5. Income taxes

EUR '000	2023	2022
Loss before taxes	-1,198	-3,237
Loss for the period	**-1,198**	**-3,237**

2.3 Notes to assets

6. Investments

	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	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	-284,129
Impairment of investment in subsidiaries	0	0	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**

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2023	324,194	8,153	17,614	349,961
Addition of investment		0		
Acquisition cost 31.12.2023	324,194	8,153	17,614	349,961
Accumulated depreciation and impairment 1.1.2023	-258,362	-8,153	-17,614	-284,129
Impairment of investment in subsidiaries		0		
Accumulated depreciation and impairment 31.12.2023	-258,362	-8,153	-17,614	-284,129
Book value 31.12.2023	**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	100.00
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

In December 2023, the ownership of Afarak Investments Ltd was changed to a Single Member Company, hence one share which was previously owned by Rekylator Oy, was transferred to Afarak Group SE.

7. Receivables

EUR '000	2023	2022
Non-current		
Loan and other receivables	5,257	5,257
Total	**5,257**	**5,257**
Current		
Loan receivables	0	0
Trade receivables	3,910	5,902
Interest receivables	209	56
Prepayments and accrued income	854	826
Total	**4,973**	**6,784**

Other interest-bearing receivables

EUR '000	2023	2022
Current		
VAT receivable	18	60
Total	**18**	**60**

Other interest-free receivables

EUR '000	2023	2022
Current		
Trade receivables	0	0
Other receivables	17	17
Total	**17**	**17**

Prepaid expenses and accrued income	**2023**	**2022**
Other prepaid expenses and accrued income	39	56
Total	**39**	**56**

2.4 Notes to equity and liabilities

8. Shareholders' equity

EUR '000

Share capital	**2023**	**2022**
Share capital 1.1.	23,642	23,642
Share capital 31.12.	**23,642**	**23,642**

Share premium reserve	**2023**	**2022**
Share premium reserve 1.1.	25,223	25,223
Share premium reserve 31.12.	**25,223**	**25,223**

Paid-up unrestricted equity reserve	**2023**	**2022**
Paid-up unrestricted equity reserve 1.1.	219,051	213,799
Issue of shares	0	5,252
Paid-up unrestricted equity reserve 31.12.	**219,051**	**219,051**

Retained earnings	**2023**	**2022**
Retained earnings 1.1.	-225,241	-227,565
(Loss) / profit for the period	-3,482	2,351
Retained earnings 31.12.	**-228,696**	**-225,214**
Loss for the period	-1,198	-3,482
Total shareholders' equity	**38,022**	**39,220**

Distributable funds	**2023**	**2022**
Retained earnings 1.1.	-228,696	-225,214
(Loss) / profit for the period	-1,198	-3,482
Retained earnings 31.12.	**-229,894**	**-228,696**
Paid-up unrestricted equity reserve	219,051	219,051
Distributable funds 31.12.	**0**	**0**

9. Liabilities

Non-current liabilities

EUR '000

Non-current interest bearing debt	**2023**	**2022**
Loans from Group companies	26,464	27,417
Total	**26,464**	**27,417**

Non-current interest-free debt	**2023**	**2022**
Capital loans	0	0
Total	**0**	**0**

Current liabilities

EUR '000

Current interest bearing debt	**2023**	**2022**
Other debt to Group companies	0	0
Total	**0**	**0**

Current interest-free debt	**2023**	**2022**
Accounts payable	167	329

Payables to Group companies	10,591	8,311
Payables to others	0	0
Other debt	6	6
Other debt to Group companies	220	1,710
Accrued expenses and deferred income	666	1,015
Total	**11,650**	**11,371**

2.5 Pledges and contingent liabilities

EUR million	**31.12.2023**	**31.12.2022**
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)	**2023**	**2022**
Employees	1	0

Management remuneration (EUR '000)	**2023**	**2022**
Chief Executive Officer	535	710
Board members	262	140

The CEO fees for his service during 2023 were EUR 360,000, a salary of EUR 14,636 and a Company bonus of EUR 175,000.

As part of the remuneration package under the CEO agreement, the CEO received 500,000 Company shares on 10 February 2022. On January 2023, 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 22 January 2024

Information on shares and shareholders

Changes in the number of shares and share capital

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

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

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.

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 1,950,000 (2022: 2,450,000) Afarak Group SE shares on 31 December 2023 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.7% (2022: 0.9%) of all outstanding shares that were registered in the Trade Register on 31 December 2023.

31.12.2023		shares	options
Board and CEO total:			
Thorstein Abrahamsen	Chairman & Non-Executive Director	0	0
Jelena Manojlovic	Dependent Non-Executive Director	150,000	0
Guy Konsbruck	Chief Executive Officer & Executive Director	1,800,000	0
Board and CEO total		**1,950,000**	**0**
All shares outstanding		267,041,814	
Proportion of all shares		0.7%	

On 31 December 2023 the total number of registered shares was 267,041,814 and the Board and CEO's ownership corresponded to 0.7% of the total number of registered shares.

Auditor's fees

EUR '000	**2023**	**2022**
Tietotili Audit Oy		
audit	225	336
other services	29	87
Total	254	423

Board's dividend proposal

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

SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

Helsinki 26 March 2024

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 26 March 2024

Tietotili Audit Oy
Authorised Public Accountants

Urpo Salo
Authorised Public Accountant