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If you have sold or otherwise transferred all your Shares in Afarak Group SE, please send this document, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Afarak Group SE

(an European company governed by the laws of Finland with business identity code 0618181-8)

Proposed Related Party Transaction Combining LL-resources GmbH into Afarak Group SE

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Board of Directors which is set out on pages 3 to 11 of this document and which recommends you vote in favour of the Resolution to be proposed at the Annual General Meeting referred to below.

Afarak Group SE has convened its Annual General Meeting for its Shareholders to be held at 10:30 a.m. (Finnish time) on Wednesday 21 June 2023 at Union Square Auditorium (Floor K1) Unioninkatu 22, 00130 Helsinki, Finland, by publishing a notice of the meeting on the Company's website (www.afarak.com) and as a separate stock exchange release in accordance with the Company's by-laws on Wednesday 31 May 2023. The formal notice of the Annual General Meeting has been published in Finnish and in English.

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Publication of the formal notice of resolution to be considered as item 18 of the agenda of the Annual General Meeting	Wednesday 31 May 2023
Cut off time and date for right to attend meeting	Close of shareholder register on Friday 9 June 2023
Latest time and date for Shareholders holding Shares in nominee accounts to be entered into the Company's temporary share register	1 0:00 a.m. (Finnish time) on Friday 16 June 2023
Latest time and date for informing the Company of intention to attend the Annual General Meeting either in person or by proxy	4:00 p.m. (Finnish time) on Sunday 11 June 2023
Annual General Meeting	10:30 a.m. (Finnish time) on Wednesday 21 June 2023
Completion of the Transaction	by 31 December 2023

The expected timetable of events is also listed in the formal notice of the resolution to be considered as item 18 of the agenda of the Annual General Meeting which is being published on the Company's website (www.afarak.com) on Wednesday 31 May 2023. If the expected timetable of events changes from the above, the Company will release an announcement to this effect.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Afarak Group SE

(Incorporated as a public limited company governed by the laws of Finland with business identity code 0618181-8)

Directors

Thorstein Abrahamsen (Chairman)
Dr Jelena Manojlovic (Non-executive Director)
Guy Konsbruck (Chief Executive Officer, Executive Director)

Registered office

Kaisaniemenkatu 4
FI-00100 Helsinki
Finland

31 May 2023

Dear Shareholder

Proposed Related Party Transaction

Combining LL-resources GmbH into Afarak Group SE

Introduction

On 12 May 2023, the Board of Directors announced that Afarak Group SE ("**Afarak**" or the "**Company**"; has entered into a combination agreement (the "**Combination Agreement**") with the owners ("**Transferors**") of the Austrian company LL-resources GmbH ("**LLR**"). In accordance with the Combination Agreement the Transferors shall transfer the entire LLR to Afarak in a transaction (the "**Transaction**" or the "**Share Swap**") in which Afarak would, in a directed share issue (the "**Share Issue**") arranged in connection with the completion of the Transaction, issue to be subscribed by the Transferors for a total of 140,000,000 new shares in Afarak (the "**Consideration Shares**") as a payment of the consideration. As a result of the completion of the Transaction, the total number of shares in Afarak would increase from 267,041,814 shares to a total of 407,041,814 shares. The Consideration Shares would correspond to a total of approximately 35 per cent of Afarak's total shares and votes after the completion of the Transaction.

The completion of the Transaction is conditional on the fulfilment of certain conditions of the Combination Agreement.

The Transaction is expected to be implemented on the fifth (5th) Business Day after the conditions for implementation have been met (the "**Effective Date**"). If the conditions for the implementation of the Transaction have not been met by 31 December, 2023, both Afarak and the Transferors have the right to terminate the Combination Agreement with immediate effect.

I am writing to give you further details of the Transaction, including the background to and reasons for it, to explain why Afarak's Board of Directors considers it to be in the best interests of the Company and to seek your approval of the Transaction.

The Transaction is classified as a "related party Transaction" as Afarak's CEO and Board member Guy Konsbruck exercises control over LLR's shareholder GK Consulting S.à.r.l. Therefore Guy Konsbruck has a financial interest in the completion of the Transaction due to his indirect shareholding in LLR.

Consequently, the Transaction is subject to, and conditional upon, inter alia, the approval of the Transaction by the Shareholders. Your approval will be sought at the Annual General Meeting to be held on Wednesday 21 June 2023. Formal notice of the Annual General Meeting was published on the Company's website www.afarak.com) and as a separate stock exchange release in accordance with the Company's by-laws on Wednesday 31 May 2023. The formal notice of the Annual General Meeting has been published in Finnish and in English.

The relationship between Afarak, LLR and Guy Konsbruck

Guy Konsbruck in the CEO and member of the Board in Afarak. Guy Konsbruck owns either directly, through persons closely associated with him or through controlled companies currently 2,800,000 shares in Afarak. GK Consulting S.à.r.l. owns fifteen (15) percent of the shares in LLR. GK Consulting S.à.r.l. is entity controlled by Guy Konsbruck.

Information on LLR

General

The official name is LL-resources GmbH. LLR is domiciled in Graz, Austria. LLR is a private limited liability company incorporated in Austria and is governed by Austrian law. LLR is entered in the Austrian Companies Register (Firmenbuch) under company registration number FN 363221z. The registered address of LLR is Grieskai 94/4/4, 8020 Graz, Austria. telephone number +43(0)316 890 368 and the address of the company's website is www.ll-resources.com.

Group Structure

LLR conducts its business through several group companies. The Group's operational subsidiaries operate in Austria, Germany, Latvia and Sweden. In addition, LLR is a minority shareholder in two Joint Venture companies operating in Latvia and Slovenia. LLR's operational group companies are presented in the table below. In addition LLR Group includes a non-operational subsidiary LL Resources USA, LLC.

COMPANY	REG. NRO	DOMICILE	BUSINESS
LEMETCO GMBH	HRB 9482	Germany	Transmission
L3-LOGISTICS GMBH	418164y	Austria	Logistics
↳ L3-LOGISTICS-DUISBURG GMBH	HRB 1224	Germany	Logistics
SIA LLR-ECOTECH	42103103201	Latvia	Production
↳ NORDIC FERRO ALLOYS AB	559025-3935	Sweden	Production
LL-RESOURCES DEUTSCHLAND GMBH	HRB 96600	Germany	Production
↳ WOLFGANG OELSCHLÄGER GMBH & CO KG	GAME 4375	Germany	Production
MSN METAL SERVICE NIEDERRHEIN BETRIEBS GMBH & CO. KG	GAME 23065	Germany	Production

Principal Activities

The LLR Group is a privately owned independent operator that provides its customers with mineral goods at a global level along the entire value chain. Through various group companies, LLR is able to offer its customers the entire supply chain of ores and other commodities, from ore to final product, including product warehousing and logistics. The Group's business also includes the processing, recycling and manufacturing of metals and other minerals.

Lemetco GmbH

Lemetco GmbH is the Group's German sales company. The company was founded in 1983 and acquired by LLR in 2020. The company specializes in the trade of raw materials, metals and alloys, acting as an intermediary for various commodities between smelters and end users using steel, as well as aluminum. The company also has its own warehousing and production facilities, which enable it to meet the raw material needs of the Group's various customers. The company's main products consist of ferrometallic (such as ferrotitane and ferrochrome) and other metals (such as aluminum, chromium and cobalt).

L3-Logistics -subgroup

LLR provides its customers with comprehensive logistics services as part of their business. The Group's logistics services are centralised under L3-Logistics GmbH (Austria) and its wholly-owned subsidiary L3-Logistics-Duisburg GmbH (Germany). The administration of the subgroup is managed in Vienna, Austria, and it has a logistics warehouse in Duisburg, Germany. Through the sub-group, LLR offers its customers warehousing services for various products, as well as logistics for the end customer by sea and road. LLR's logistics companies employ about fourteen people and have the capacity to store about fifteen thousand tons of ferrometals and other raw materials.

SIA LLR -Ecotech -subgroup

LLR's ferrotitane production is concentrated under SIA LLR-Ecotech (Latvia) and its wholly-owned subsidiary Nordic Ferro Alloys AB (Sweden). The production facilities of the SIA LLR-Ecotech subgroup are located in Latvia and Sweden. The crushing, milling and smelting capacity of the production facilities is large with potential ferroitan production of approximately 800 tonnes (MT) per month.

LL-Resources Deutschland -subgroup

LLR's aluminium production is concentrated under LL-Resources Deutschland GmbH (Germany) and its wholly-owned subsidiaries Wolfgang Oelschläger GmbH & CoKG (Germany) and MSN Metal Service Niederrhein Betriebs GmbH & Co. KG (Germany). Wolfgang Oelschläger GmbH & CoKG was founded in 1959 and MSN Metal Service Niederrhein Betriebs GmbH & Co in 2014 by the same owners. LLR has acquired the subgroup in 2021. The business of the aforementioned LLR subsidiaries is the recycling of aluminum from the initial processing to the finished aluminum raw material. The subgroup employs approximately 38 people and has a capacity of approximately 1,200–1,400 tonnes (MT) per month. The sub-group's production facilities are located in Germany.

Shareholders

The following table shows the shareholders of LLR as of the date of this document.

Shareholder	Total shares and votes (%)
LLR-Holding GmbH ¹⁾	37
Motus Capital GmbH ²⁾	33
Trade Services Handels GmbH ³⁾	15
GK Consulting S.à.r.l ⁴⁾	15
Total	100

¹⁾ LLR-Holding GmbH is DI Dr. Roman Lurf's controlling entity.

²⁾ Motus Capital GmbH is Mag. Anatoly Zaytsev's controlling entity.

³⁾ Trade Services Handels GmbH is Dr. Rudolf Kirchmayr's controlling entity.

⁴⁾ GK Consulting S.à.r.l is Mag. Guy Konsbruck's controlling entity.

Key Persons of the Management

The management team of LL-resources consists of Dr. Roman Lurf, M.Sc. (Tech.), Anatoly Zaytsev and Dr. Michael Lang, M.Sc. (Tech.).

Statutory Auditor

LLR's auditor is SWI Tax & Audit GmbH and the principal auditor is MMag Robert Wirtitsch. SWI Tax & Audit GmbH is a member of the Austrian Association of Auditors.

Financial information

The turnover of the LLR group in total in 2022 was EUR 566,081,000 (2021: EUR 345,834,000) and the EBITDA of the LLR Group in 2022 was EUR 39,815,000 (2021: EUR 20,013,000) in accordance with Austrian Local GAAP ("UGB") and EUR 38,588,000 (2021: EUR 21,425,000) in accordance with International Financial Reporting Standards (IFRS). The Balance sheet total of LLR Group as at 31.12.2022 was EUR 117,194,000 (2021: EUR 76,839,000) in accordance with International Financial Reporting Standards (IFRS). These numbers are unaudited.

Background to and reasons for the Transaction

The strategic objective of Afarak and LLR is to develop and grow Afarak's business through the integration of LLR's businesses into Afarak.

Afarak's Board of Directors estimates that the Transaction will bring significant value to Afarak's shareholders through expanding business opportunities. In addition, the Share Issue to be arranged to complete the Transaction will significantly strengthen the Company's equity, in addition to which the transaction is expected to have a significant improvement in Afarak's result for this year. The Transaction is therefore in the interest of all shareholders of Afarak.

Risk factors

Achieving the estimated benefits of the Transaction will depend largely on the timely and efficient combination of the business operations of Afarak and LLR (the "**Combined Company**"). The combination will involve certain risks and uncertainties, and there can be no assurance that the Combined Company will achieve any of the estimated benefits of the Transaction, including the strategic, financial and operational benefits as well as cost and revenue synergy benefits within the currently estimated timeframe, or that any such benefits can be achieved at all. Furthermore, adverse developments in general geopolitical situation or economic conditions could, among other factors, limit, prevent or delay the Combined Company's ability to realize estimated benefits, which could have a material adverse effect on the Combined Company's business, financial position and results of operations.

Risks and challenges related to the combination of the business operations of Afarak and LLR include, but are not limited to, the following:

- the placement of considerable demands on the Combined Company's resources to manage the combination, including requiring significant amounts of management's time, which may impair management's ability to run the Combined Company's business effectively during the combination process;
- the efficiency, reliability, continuity and consistency of the Combined Company's functions, financing operations, control as well as administrative and support functions, such as cash management, internal and other financing, hedging against market risks, insurance, financial control and reporting, information technology, communications, human resources and compliance functions;
- the definition and implementation of a new strategy for the Combined Company;
- the implementation of a new organisational and governance model for the Combined Company;

- the working capacity of senior management and key personnel and their continued employment with the Combined Company;
- the ability to successfully control the change and adaptation process with regard to personnel, including reserving sufficient time for the implementation of necessary changes;
- the coordination and securing of sourcing in order to eliminate interruptions in supply chain and procurement operations and to achieve savings;
- loss of customers;
- unexpected investments in equipment, IT systems and other business crucial infrastructure as well as interruptions related to the integration of IT systems;
- the ability to react to market and business environment changes while integrating, among others, product development, marketing and other support functions; and
- loss of partners or claims for damages e.g. due to certain overlapping product portfolios and business operations that may result in possible breaches of non-competition or other restrictive provisions in agreements that prohibit Afarak or LLR from producing, selling, marketing and/or distributing competing products or conducting competing business operations in the markets covered by such agreements.

The assumptions and judgements relating to the estimated cost and revenue synergy benefits and related integration costs are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause the actual cost and revenue synergy benefits, if any, and the related integration costs to differ materially from the estimates.

Principal terms and conditions of the Transaction

Afarak and the Transferors have entered into Combination Agreement dated Thursday 11 May 2023, which set out (amongst other things) the terms relating to the Transaction.

Combination Agreement

Afarak and LLR's shareholders LLR-Holding GmbH, Motus Capital GmbH, Trade Services Handels GmbH and GK Consulting S.à.r.l. signed 11 May.2023 the Combination Agreement. In accordance with the Combination Agreement LLR's shareholders will transfer the entire LLR to Afarak in exchange for the Consideration Shares issued by Afarak.

Consideration, Leakage and Payment of the Consideration

The consideration for 100% of the shares in LLR is an amount equal to EUR 59.5 million less or plus the amount of notified leakage (if any).

The payment of the consideration will be carried out through a Share Swap, in which LLR's shareholders subscribe for a total of 140,000,000 Consideration Shares issued by Afarak and transfer in kind the share capital of LLR to Afarak. The subscription price of the Consideration Shares to be issued has been agreed at 0.425 per share, corresponding to the volume-weighted average price of the Afarak share on Nasdaq Helsinki Oy's stock market listing for 20 trading days before the Letter of Intent regarding this Transaction was signed.

Completion

The completion of the Transaction is subject to e.g.

- approval of the Transaction by the Shareholders of Afarak;
- merger control approval in Austria and Germany;
- Foreign Direct Investment (FDI) clearance and approval in Austria;

- approval of the Prospectus by the Finnish Financial Supervisory Authority for the listing of the Consideration Shares in Finland and needed approval in the UK;
- fulfilment of other customary terms and conditions of a transaction of this type. The Transaction is expected to be implemented on the fifth (5th) Business Day after the conditions for implementation have been met (the “**Effective Date**”).

Following the completion of the Share Swap, Afarak owns 100% of the shares in LLR, and thus the entire LLR.

Long-stop Date

If the conditions for the implementation of the Transaction have not been met by 31 December. 2023, both Afarak and the Transferors have the right to terminate the Combination Agreement with immediate effect.

Due Diligence

Prior to the signing of the Combination Agreement, Afarak has conducted Due Diligence regarding the affairs of the LLR Group Companies as it deems appropriate to the Transaction. In connection with the Due Diligence Afarak and its advisors have had access to the disclosure material and the questions raised by the Afarak and its professional advisors have been responded to.

Representations and warranties

LLR is to be sold free and clear of any third-party rights. The Combination Agreement contains representations and warranties given by the Transferors in relation to compliance with material agreements, compliance with laws, insurance, taxation, property and operational matters as well as other matters customary for a transaction related to an Austrian company.

In addition, Afarak and the Transferors have agreed on specific indemnities from Transferors in respect of certain specific liabilities, based on the Due Diligence conducted by Afarak relating to the affairs of the LLR Group Companies.

Limitation of Liability

The Transferors' aggregate maximum amount of liability based on claims shall be limited to an amount equaling ten (10) % of the consideration except for (i) any breach of the Transferors' Warranties given by the Transferors related to taxes for which the aggregate maximum liability of each Transferor shall be limited to an amount equaling twenty (20) % of the consideration actually received by the respective Transferor and (ii) any breach of the Fundamental Warranties (corporate existence, corporate authorization and non-contravention, and ownership of the shares and capitalisation of the Group Companies) for which the aggregate maximum liability of each Transferor shall be limited to 100 % of the consideration actually received by the respective Transferor.

Lock-Up

The Transferors; LLR-Holding GmbH, Motus Capital GmbH, Trade Services Handels GmbH and GK Consulting S.à.r.l. have undertaken not to transfer of the Afarak Consideration Shares subscribed for in the Share Swap as follows: for the first 6 months after the completion of the Share Swap, the transfer restrictions will apply to 100 per cent of the Consideration Shares, after which, between 6 and 12 months after the completion of the Share Swap, the transfer restrictions will apply to 80 per cent of the Consideration Shares.

Non-competition and Non-solicitation

Each Transferor has committed a) for a period of three (3) years immediately following the Effective Date not to compete with LLR's business and b) for a period of three (3) years immediately following the Effective Date not to solicit or endeavour to entice away from any LLR Group Company any person employed by such LLR Group Company at the Effective Date.

Support in integration

The ultimate shareholders of the Transferors, i.e., Guy Konsbruck, Roman Lurf, Rudolf Kirchmayr and Anatoly Zaytsev undertake for a period of twelve (12) months from Effective Date to the best of their abilities to support Afarak and the LLR Group Companies and to take necessary actions for the benefit of the LLR Group Companies in the integration process of the Transaction.

Governing Law

The Combination Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of Finland, excluding the Finnish Sale of Goods Act (27 March 1987/355, In Finnish: Kauppalaki), the United Nations Convention on Contracts for the International Sales of Goods (CISG) as well as any conflict of laws principles.

Arbitration

Any dispute, controversy or claim arising out of or relating to the Combination Agreement, or the breach, termination or validity thereof, shall be finally settled by arbitration in accordance with the Arbitration Rules of the Finland Chamber of Commerce. The number of arbitrators shall be three (3). The arbitration shall be held in Helsinki, Finland in the English language. The award shall be final and binding on the Parties and enforceable in any court of competent jurisdiction.

In the event that any arbitration or legal action is brought with respect to the subject of the Combination Agreement, the prevailing party in such arbitration or legal action shall be entitled to receive reasonable attorneys' fees, as well as costs of the arbitration or legal action, in addition to any other relief that it may receive.

Before or during any legal proceedings, a party may apply to any court having jurisdiction for a temporary restraining order or preliminary injunction where such relief is necessary to protect its interests, pending completion of the legal proceedings.

Resolution to be considered as item 18 of the agenda of the Annual General Meeting

The Transaction is a related party Transaction and is conditional upon the approval of Shareholders. Afarak is convening an Annual General Meeting to be held at 10:30 a.m. (Finnish time) on Wednesday 21 June 2023 at Union Square Auditorium (Floor K1) Unioninkatu 22, 00130 Helsinki, Finland, and has published notice of the meeting on the Company's website www.afarak.com and as a separate stock exchange release in accordance with the Company's by-laws. The formal notice of the Annual General Meeting has been published in Finnish and in English.

Guy Konsbruck has irrevocably undertaken to abstain from voting on the Resolution.

Action to be taken

As specified in the notice of Annual General Meeting, a Shareholder who wishes to attend the Annual General Meeting either in person or by proxy should inform the Company of his/her/its intention to attend the Annual General Meeting no later than 4:00 p.m. (Finnish time) on Sunday 11 June 2023 in manner as set out in more detail the notice of Annual General Meeting.

Holders of nominee-registered Shares

As specified in the notice of Annual General Meeting, a holder of nominee-registered shares has the right to participate in the Annual General Meeting by virtue of such shares based on which he/she on the record date of the general meeting, i.e. 9 June 2023 would be entitled, to be registered in the Shareholders' Register of the company held by Euroclear Finland Ltd. In addition, the right to participate in the Annual General Meeting requires that the shareholder has been registered on the basis of such shares into the temporary Shareholders' Register held by Euroclear Finland Ltd at the latest on 16 June 2023 at 10:00 am. As regards nominee-registered shares, this constitutes a due registration for the Annual General Meeting. Changes in shareholding after the record date do not affect the right to participate in the meeting or the number of voting rights held in the meeting. Further

information is available in the notice of Annual General Meeting and on the Company's website at <https://afarak.com/investors/shareholder-meetings/>.

Advance voting

Shareholders that have a Finnish book-entry account (including equity savings account) may vote in advance on certain items on the agenda of the Annual General Meeting during the period 31 May 2023 at 12.00 a.m. (EET) – 11 June 2023 at 4:00 p.m. (EET). In addition, account managers of custodians may vote in advance on behalf of holders of nominee-registered shareholders they represent in accordance with their voting instructions provided by them within the registration period set for nominee-registered shares.

A proposal subject to advance voting is considered to have been presented without amendments at the Annual General Meeting. Further information is available in the notice of Annual General Meeting and on the Company's website at <https://afarak.com/investors/shareholder-meetings/>.

RECOMMENDATION

Your Board considers that the proposed Transaction is fair and reasonable as far as the Shareholders are concerned.

Guy Konsbruck exercises control over LLR's shareholder GK Consulting S.à.r.l. Therefore Guy Konsbruck has a financial interest in the completion of the Transaction due to his indirect shareholding in LLR. Guy Konsbruck has not participated in the Board's consideration of the Transaction due to his relationship with LLR as set out above.

Your Board considers that the Transaction is in the best interests of the Company and its Shareholders as a whole. Accordingly your Board recommends that you vote in favor of the Resolution to be proposed at the Annual General Meeting,

Guy Konsbruck will not vote on the Resolution.

Yours sincerely

Thorstein Abrahamsen
Chairman