AFARAK GROUP SE

The Board of Directors Report 2024 and the Annual Financial Statements 1 January-31 December 2024

Domicile: Helsinki
Company number: 0618181-8

Contents

THE BOARD OF DIRECTORS REPORT

Dear Shareholders,

In an extremely tough year 2024, we generated a positive EBITDA of € 2.6M. The stainless steel demand was historically low, especially in Europe. The demand for low carbon ferro-chrome suffered from this fact. In addition the price pressure from low cost imports (India, Kazakhstan, Russia and China) weighed heavily on our margins. We have decreased the OPEX by 21.2%, but that wasn't enough to generate a good result. The Chrome Ore prices decreased sharply in the second half year, which further impacted the revenues and margins. Nonetheless, we succeeded in keeping our financial situation stable. The company will follow the new dividend policy and the board intends to decide about the actual dividend allocation at a later stage.

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.

There were two fatal accidents to a subcontractor's workers in the company's South African mines during 2024. The Board has taken seriously these incidents and have been investigating the cause so as to ensure that similar incidents do not happen in the future. Our goal is to ensure that our employees work in a safe environment at all times.

CSRD REPORT

ESRS 2: General Disclosures

BP-1: General principles for the preparation of the sustainability declaration

This report is the first sustainability report of Afarak SE (Societas Europaea) (hereinafter referred to as "Afarak"). In accordance with the EU Corporate Sustainability Reporting Directive (CSRD), the group is obliged to report for the 2024 financial year and is therefore preparing this sustainability report in accordance with the European Sustainability Reporting Standards (ESRS).

The information in this sustainability report relates to the 2024 financial year, with deviations marked accordingly. The scope of consolidation for this sustainability report includes the locations in Germany, South Africa and Turkey. The locations not included in the scope of consolidation are Serbia and Malta, as they were not classified as material in accordance with the materiality criteria of the ESRS standard for sustainability reporting. No significant economic activities took place there in the reporting year.

The sustainability report relates to two value chains. The first chain relates to Afarak's mining sites, which serve as the primary source for the extraction of raw materials and therefore represent the beginning of the value chain. The second chain comprises the Group's production site. It should be mentioned here that some of the raw materials extracted from the mines' value chain are processed in the company's own production facilities.

Afarak has decided not to omit any information regarding intellectual property, know-how or innovative results from the sustainability statement. Similarly, in accordance with Article 19a (3) and Article 29a (3), no omissions of information on forthcoming developments or issues currently under negotiation are made.

BP-2: Disclosures in connection with specific circumstances

Time horizons and further information

In accordance with the time horizons defined in ESRS 1, Afarak has not made any deviations. The medium-term time horizon extends up to five years after the end of the current reporting period, while the long-term time horizon extends beyond that. The reporting also does not include any upstream or downstream value chain metrics based on estimates from indirect sources such as industry average data or other approximations. Furthermore, no quantitative key figures or monetary amounts are reported that would be subject to a high degree of measurement uncertainty.

As this is Afarak's first Sustainability Report, no changes have been made in the preparation and presentation of the sustainability information compared to previous reporting periods, and there are no errors from previous reports to mention. Furthermore, this Sustainability Report does not include any additional information based on other legal requirements or generally accepted standards and frameworks, including standards of the European Standardization System (ISO/IEC or CEN/CENELEC standards). Furthermore, no specific information has been incorporated by reference into the sustainability statement.

Use of transitional periods

Afarak makes use of some transitional periods and thus omits ESRS E4 (Biodiversity and Ecosystems), ESRS S1 (Own Workforce) and ESRS S3 (Affected Communities) in accordance with Appendix C of ESRS 1. Although detailed reporting on these topics will be dispensed with in the first reporting year, they shall remain a central component of Afarak's strategic orientation. The plan is to cover these topics in detail in the sustainability reports in the coming years. The importance of these aspects is already firmly integrated into the Group's business model and strategic direction, as explained in more detail below:

<u>In relation to E4 (Biodiversity and ecosystems)</u>

Afarak's business model is closely linked to the use of natural resources. Although Afarak's mine sites are not located in ecologically protected areas, the Group recognizes the importance of preserving biodiversity and ecosystems even in areas outside officially protected regions. The long-term strategy aims to minimize negative impacts on the environment. Afarak is constantly working to establish sustainable practices at its production and mining sites.

Afarak is already integrating aspects of biodiversity and ecosystem protection into its environmental management systems to ensure that operations are in line with local and global objectives. The measures are aimed at maintaining soil health and protecting water resources.

The Group's current materiality assessment shows that topic standard E4 has only just reached the required threshold for a material classification. In light of this, Afarak considers it appropriate to take advantage of the transitional period and not report on this topic standard in the 2024 reporting year. This decision will allow a new and more comprehensive review of materiality to be performed next year, based on the disclosures required by ESRS E4. If the topic remains material, Afarak will establish detailed reporting on E4 by 2026 at the latest.

In addition, it is expected that regulatory requirements may change in the near future, which may result in either a higher classification or a more detailed analysis. The use of the transition period allows Afarak to ensure that reporting not only meets current standards, but is also flexible enough to respond to regulatory developments and provide a solid basis for future evaluation. The aim is to ensure sound and responsible reporting that meets both stakeholder requirements and internal standards.

<u>With regard to S1 (Own employees)</u>

Afarak's business model is geared towards long-term growth and stability, with the well-being and development of employees playing a central role. Great emphasis is placed on promoting health and safety in the workplace. Risks are continuously assessed at all sites and measures are implemented to improve health and safety guidelines. Afarak also offers continuous training and development opportunities and is mindful of diversity and inclusion within the workforce. These principles are firmly anchored in the corporate strategy to ensure a sustainable and motivated workforce. Afarak will establish more detailed reporting on S1 by 2025 at the latest.

<u>With regard to S3 (Communities concerned)</u>

Afarak's strategy aims to achieve positive social and economic effects in the regions in which the company operates. The Group is actively involved in initiatives that support local communities, particularly those close to the mining sites in South Africa. Such initiatives include job creation, access to education and the promotion of environmental awareness. Afarak also maintains an open dialogue with local stakeholders to better understand their needs and minimize any potential negative impacts of its operations. If the topic **remains material**, Afarak will establish more detailed reporting on S3 by **2026** at the latest.

<u>Goals on these topics</u>

In view of the measures and targets already implemented in the social area of sustainability, Afarak intends to establish a stronger and more detailed reporting system over the next two years. This will include a more detailed presentation of current and future initiatives. To achieve this, the Group plans to further strengthen its interaction with relevant stakeholder groups. The aim is to better understand the expectations and concerns of internal and external stakeholders and integrate them into strategic planning. In addition, Afarak will concretize its future plans by precisely setting out its long-term goals and strategies, particularly with regard to social aspects such as its own employees (ESRS S1) and the affected communities (ESRS S3). Another component of future reporting will be the detailed presentation of past projects in order to transparently disclose progress and successes to date and derive valuable insights for future initiatives.

<u>Guidelines on these topics</u>

As part of the Group's corporate social responsibility, the promotion of human rights and the improvement of the quality of life are at the heart of the concepts and guidelines. This shall include ensuring fair working conditions and the health and safety of employees. In addition, Afarak is committed to working with affected communities to focus on their needs, respond to them and promote positive social impacts. Furthermore, the guidelines of the Code of Conduct, the Code of Ethics and the Supplier Code of Conduct apply, which regulate the standards of conduct at Group level. All Afarak sites are instructed to act in accordance with these guidelines, in line with local legislation.

Measures on these topics

Afarak is committed to consistently striving to implement the Group-wide "Zero Harm Policy" at all levels of its business activities. This Group-wide guiding principle includes the intention to ensure a safe and healthy working environment for both employees and contractors. Regular exchanges in health and safety committees enable Afarak to integrate its corporate activities in such a way that the social, environmental, health and safety concerns of all stakeholders are adequately taken into account.

Afarak is actively committed to improving the working conditions of its employees by creating a safe environment and specifically addressing key health issues - particularly HIV/AIDS at its South African sites. In addition to safety, health is a top priority for Afarak. By providing comprehensive healthcare, the Group actively contributes to the long-term well-being of its employees. Continuous assessments, monitoring and controls of risks to employees are carried out at the sites.

There are various bodies and committees at all locations to protect the interests of the workforce. In Turkey, for example, there are health and safety committees, while in South Africa employee rights are represented by committees such as those for labor relations, equal opportunities and skills development. In Germany, employees have a works council and are represented by a trade union. At European level, the Group's employee representatives are also organized in an SE Works Council, which deals with Group-wide issues and employee interests.

Afarak also supports local communities through social programs such as:

- the care of orphans
- Supporting schools through a food aid program that ensures the nutritional needs of children are met
- Support for daycare centers that provide children with professional care and promote their early childhood education and development
- Support for a refuge center for abused women, which offers protection and support for families

GOV-1: The role of the administrative, management and supervisory bodies

The Group's administrative, management and supervisory bodies are crucial in the formulation, monitoring and implementation of corporate policy. The Board of Directors (BoD), which is equivalent to the Advisory Board, is ultimately responsible to monitor environmental, social and governance (ESG) strategies, while the Executive Management Team (EMT) is responsible for the implementation of corporate policy and risk management. The Audit and Risk Management Committee ensures the effectiveness of the internal control systems.

These bodies have the strategic responsibility to define the impacts, risks and opportunities (IROs) and integrate them into the corporate objectives. Their task is to approve comprehensive sustainability strategies and ensure that sufficient expertise is available in key areas. Sustainability issues are an integral part of the meetings of the relevant bodies. Care is taken to ensure that sustainability goals are integrated into the company's overall strategy. The bodies themselves have extensive expertise in the areas of risk management, ESG strategies and compliance. This enables them to effectively monitor and implement corporate policy. In addition, they call on specialized teams and experts to support them in the development and implementation of policies.

The responsibilities for monitoring the IROs and implementing the ESG strategies are structured in the following committees :[1]

[1] https://afarak.com/wp-content/uploads/2020/06/Corporate-Governance-Statement-2024.pdf

Board of Directors (BoD)

The Board of Directors (BoD) is equivalent to the Advisory Board or Executive Board and bears the highest responsibility for monitoring sustainability-related risks and ESG issues. The BoD is responsible for approving and evaluating ESG strategies and analyzing the impacts, risks and opportunities of all sustainability issues affecting the company. In this role, the BoD oversees the Executive Management Team (EMT) and the Audit Committee to ensure that policies and risk management processes are implemented appropriately. Afarak's BoD holds regular meetings at least four times a year to monitor and manage strategic, financial and operational issues. In addition, a strategy meeting is held at least once a year. This meeting is attended by the BoD, the EMT and the Corporate Management Team (CMT). The aim of this meeting is to review and agree strategic objectives and define the long-term direction of the company.

- Chairman and independent non-executive director: Thorstein Abrahamsen
- Independent non-executive director: Dr. Jelena Manojlovic
- Chief Executive Office (CEO) and Managing Director: Guy Konsbruck

Board Committees

Audit and Risk Management

Afarak's Audit and Risk Management Committee monitors the company's financial reporting, internal control system and risk management processes. It collaborates closely with external auditors, reviews their reports and ensures that the company's management complies with legal and regulatory requirements. It also supports the BoD in evaluating growth strategies and investments.

Nomination and Remuneration Committee

Afarak's Nomination and Remuneration Committee is responsible for the selection and nomination of Management Board members and executives as well as the development and monitoring of the remuneration policy. It ensures that appointments to management positions reflect the necessary expertise, diversity and experience. It also develops performance-oriented remuneration structures that are in line with the company's long-term goals.

Committee for Health, Safety and Sustainability

Afarak's Committee for Health, Safety and Sustainability monitors compliance with health and safety standards and the implementation of sustainability initiatives. It promotes projects to improve working conditions, environmental protection and cooperation with local communities. It also supports investments in sustainable technologies, such as alternative energy sources and measures to reduce environmental pollution.

Executive Management Team (EMT)

The EMT is responsible for implementing ESG strategies, monitoring IROs and risk management. Risk factors, opportunities and their impact are regularly reviewed here to ensure that appropriate management plans are implemented.

The EMT acts as a supportive and advisory body that does not make any independent decisions. However, it provides input and recommendations that are implemented either by the CEO, a responsible EMT member or the BoD. This model ensures that all decision-making processes remain under the control of the highest levels of management, in particular the CEO and the BoD. It should be emphasized that the Chief Compliance Officer (CCO) in particular monitors the legal and regulatory requirements in the area of sustainability, including compliance with the CSRD and other reporting standards. He also acts as ESG manager at Group level. The EMT meets at least once a year for a strategy meeting with the CMT and the BoD. The EMT reports on risk reviews to the BoD on a quarterly basis. In addition, the EMT submits half-yearly interim financial reports to the BoD.

The members of the EMT are as follows:

- Chief Technology Officer (CTO): Christoph Kemper
- Chief Compliance Officer (CCO): Stefano Bonati
- Chief Financial Officer (CFO): Kylie Gauci
- Chief Executive Officer (CEO): Guy Konsbruck

Corporate Management Team (CMT)

The CMT comprises the national managing directors and senior functions responsible for compliance with national laws and local ESG requirements in the respective regions in which Afarak operates. They ensure the direct implementation of the company's strategic guidelines in the operational business.

The members of the CMT are as follows:

- Seyda Caglayan
- Dr.-Ing. Christoph Kemper
- Christoph Schneider
- Dr. Kurt Maske
- Kylie Gauci
- Dr. Stefano Bonati

The CMT reports primarily to the EMT, which serves as the central interface for the coordination and monitoring of operational activities. The EMT reviews and consolidates the CMT's reports before strategically relevant issues are forwarded. The CMT meets at least once a year for a strategy meeting with the EMT and the BoD.

ESG team

Afarak's ESG team was established to meet CSRD reporting requirements and support the company's ESG objectives. Led by Dr. Stefano Bonati, CCO and ESG Manager, the team helps to ensure compliance with international ESG standards and regulatory requirements. The team reports directly and continuously to the EMT on ESG-related findings.

The team forms a central unit for the transparent communication of environmental, social and governance aspects to internal and external stakeholders. It consolidates the ESG data from all operating locations and ensures their compliance with current reporting obligations. A key focus is on developing strategies that will enable a gradual expansion of reporting in the coming years in order to meet future regulatory and market-specific requirements.

Composition and diversity of the administrative, management and supervisory bodies

The composition of Afarak's Board of Directors is as follows:

	Reporting year	Unit
Number of managing members	1	Integer
Number of non-executive members	2	Integer
Gender diversity of the Board of Directors	33.3 % F 66.6 % M	Percentage (%)
Percentage of independent members	66.6 %	Percentage (%)

Controls and procedures for IRO management

The members of the EMT and BoD regularly receive comprehensive reports to keep them informed of relevant findings and developments in IRO management (Impact, Risks, and Opportunities), which have already been listed in the previous chapter.

To ensure effective IRO management, Afarak significantly expanded its IRO management in the course of introducing CSRD reporting and systematically integrated it with the help of the double materiality assessment (Doppelte Wesentlichkeitsanalyse = DWA). While IRO management was previously less extensive and focused on basic risk aspects, it has now been embedded in Group-wide risk management. Through regular reviews, Afarak strives to ensure that IRO management is closely aligned with corporate objectives and sustainability reporting requirements.

Expertise in monitoring the IROs

Afarak's BoD and EMT take targeted measures to ensure that appropriate skills and expertise are in place at both operational and strategic levels to monitor and develop sustainability issues. The clear division of tasks between operational implementation and strategic responsibility aims to ensure that sustainability expertise is leveraged at a detailed level and also feeds into strategic decisions at management level.

1. Deployment of specialist personnel: Afarak deploys employees with in-depth expertise in environmental management, social responsibility and corporate governance in key positions. ESG officers and compliance specialists, who report directly to management, play a central role in this. The ESG team coordinates strategies in the areas of environmental, social and governance, including the assessment of risks such as carbon accounting and the development of climate strategies. Site-based HR teams promote equal opportunities and implement anti-discrimination measures, while site managers analyze operational risks in the supply chain and production sites and develop suitable risk mitigation strategies.
2. Targeted further training: The existing members of the relevant bodies regularly take part in training sessions on current sustainability topics. This training covers legal requirements such as the CSRD and the strategic ESG objectives to ensure that the company is always up to date.
3. External expertise: For specific sustainability issues, the bodies call in external consultants or organizations to assist with specific sustainability issues or with the development of new strategies.
4. Continuous development: The executive bodies regularly review existing skills and knowledge and continuously adapt their strategies in order to proactively meet future requirements and sustainably promote the company's development.

Employee representation

Afarak's locations are represented by the CMT, which includes the managers responsible for each location. This team acts as a central platform for coordination and exchange between the operating units and reports directly to the EMT. The aim of this structure is to ensure that the interests of employees at all sites are incorporated into the Group's strategic decision-making.

The representation of employees' interests has been adapted to the individual legal and organizational requirements of the respective sites. The representation of employees and workers in the bodies of Afarak is organized as follows:

German site:

At the German site, a works council represents the co-determination rights of employees, while a representative body for severely disabled employees is specifically dedicated to the interests of employees with disabilities. The employees are unionized in the IG Metall trade union. The members of the works council and the representative body for severely disabled employees work closely with the workforce and management to comply with legal and operational requirements. In addition, some unionized employees are active as shop stewards in the company in order to represent and strengthen the interests of employees directly on site.

Furthermore, regular committee meetings with employee participation are dedicated to topics such as occupational health and safety. In addition, staff meetings are held to promote communication and transparency between company management and employees. In addition to the physical notice boards, an employee app is also used for structured and open communication in all areas of activity, which promotes transparent exchange and information for the entire workforce.

South Africa:

In South Africa, employees are represented by various committees. These committees focus on topics such as labor relations, equality and skills development and offer employees a platform for co-determination and to voice their concerns.

Turkey:

In Turkey, too, health and safety councils in the mines play a central role in co-determination and dealing with safety-related issues

Afarak SE as a company:

As a European company, Afarak is subject to EU regulations on employee involvement and therefore has an SE Works Council. This is made up exclusively of employees from the EU sites and represents the interests of the European workforce in important corporate decision-making processes. The SE Works Council consists of three members of the German Works Council, one trade union representative from IG Metall and one member from the administrative location in Malta. Together, they represent the interests of the EU employees.

GOV-2: Information and sustainability aspects addressed by the company's administrative, management and supervisory bodies

Administrative, management and supervisory structures in ESG management

Afarak's management and supervisory bodies receive regular reports on the main IROs relating to sustainability, at least every six months and sometimes quarterly. Afarak uses a structured reporting system to monitor the effectiveness of implemented measures:

- The site managers, who are part of the CMT, report directly to the EMT.
- The ESG team reports to the CCO (ESG manager at Group level) on progress and measures in the field of sustainability.
- The EMT consolidates the reports from the site managers and the ESG team and forwards them to the BoD together with its own strategic assessments.

IROs are deliberately taken into account in strategy monitoring by including them in ESG and climate-related decisions. Comprehensive risk analyses are carried out before important transactions are carried out. IROs are regularly assessed and monitored as part of risk management. Trade-offs between short-term costs and long-term sustainability goals are also carefully examined.

In the 2024 reporting period, the administrative, management and supervisory bodies and their committees dealt with a number of key IROs. The following topics reflect the strategic planning priorities for 2024 and emphasize the Group's commitment to integrating sustainability both operationally and strategically:

Results of the double materiality assessment (DWA):

In the 2024 reporting period, Afarak conducted a comprehensive double materiality assessment to identify the key sustainability issues that are of strategic importance to the company and its stakeholders. The assessment takes into account both the impact of business activities on the environment and society as well as financial risks and opportunities resulting from sustainability factors.

- In the "Environment" area, the focus was on the efficient use of resources and minimizing negative effects. Particular attention was paid to water consumption, which has already been optimized at the mine sites and reduced through targeted measures for reuse. Energy consumption was also assessed as a key factor. Afarak plans to reduce costs and promote sustainability in the long term by increasing the integration of renewable energies.
- In the "Social" area, the working conditions of the company's own employees and the rights of the affected communities were examined in more detail. Afarak is committed to fair working standards, safe working environments and the promotion of employee health and safety. At the same time, responsibility towards the communities in the vicinity of the sites plays a central role. The aim is to take local needs into account and further expand social initiatives in order to achieve positive effects in the regions.

The results of the materiality assessment form the basis for concrete measures that contribute to the integration of sustainability goals into the business strategy. They illustrate Afarak's commitment to promoting sustainability in the long term, both operationally and strategically.

Development of the ESG management system:

Afarak's executive bodies have worked intensively on integrating all operating sites into a central ESG management system in order to meet the requirements of the CSRD. One focus was on integrating all sites into the Life Cycle Assessment (LCA). In addition, the first data collections for a "Climate Change Transition Plan" were started in order to develop long-term strategies, measures and targets.

In addition, ESG reporting structures have been created to ensure consistent and transparent data collection and reporting. The aim is to define clear responsibilities and establish processes that make it possible to efficiently consolidate ESG data from all operating units and report on this data in accordance with the requirements of the CSRD and other international standards. The focus here is on continuously improving data quality and creating a reliable basis for future sustainability reports.

Energy dependencies:

Uncertainties and rising energy supply costs were treated as a significant risk, with the aim of using renewable energies at all sites. The focus was on pilot projects for the use of solar energy and to improve energy efficiency.

Market fluctuations:

The ongoing price volatility of low carbon ferrochrome, particularly due to imports from Russia and India, was closely monitored.

GOV-3: Inclusion of sustainability-related performance in incentive systems

Description of the remuneration system

- Base salary: Determined by the position, skills and experience of the respective executive.
- Annual bonus plan: An incentive based on annual performance.
- Long-term share-based incentives: To promote long-term corporate goals and align the interests of management and shareholders.

The remuneration of the BoD was determined by the 2024 Annual General Meeting as follows

- Non-executive members: EUR 5,000 per month.
- Chairman of the Board: Additional EUR 1,500 per month.
- Committee members: An additional EUR 1,500 per month for work on Board committees.

Members of the Board who also hold executive roles in the company do not receive any additional remuneration for their work on the Board.

Approval of the remuneration system

The remuneration system is monitored and approved by the Nomination and Remuneration Committee:

- The committee consists of two independent board members: Thorstein Abrahamsen and Jelena Manojlovic.
- It conducts the process for Board appointments and management remuneration and makes recommendations to the BoD and the Annual General Meeting.

Sustainability-related incentives

The remuneration system does not currently contain any explicit sustainability targets or ESG-related remuneration components.

	Reporting year	**Unit**
Proportion of variable remuneration that depends on sustainability-related targets and/or impacts	0	Percentage (%)

GOV-4: Declaration on due diligence

Core elements of the duty of care	**Paragraphs in the sustainability declaration**	**Does the information refer to people and/or the environment?**
a. Integration of due diligence into governance, strategy and business model	ESRS 2 GOV-2, P. 12	People and the environment
	ESRS 2 GOV-3, P. 14	People and the environment
	ESRS 2 SBM-3, P. 26	People and the environment
	ESRS 2 SBM-3-E1, P. 26	Environment
	ESRS 2 SBM-3-E2, P. 29	Environment
	ESRS 2 SBM-3-E3, P. 30	Environment
	ESRS 2 SBM-3-E4, P. 31	Environment
	ESRS 2 SBM-3-E5, P. 31	Environment
	ESRS 2 SBM-3-S1, P. 33	Environment
	ESRS 2 SBM-3-S3, P. 36	People
	ESRS 2 SBM-3-G1, P. 38	People
b. Involvement of affected stakeholders in all key due diligence steps	ESRS 2 GOV-2, P. 12	People and the environment
	ESRS 2 SBM-2, P. 24	People and the environment
	ESRS 2 IRO-1, P. 42	People and the environment
	ESRS 2 MDR-P:	
	E1-2, P. 59	Environment

	E2-1, P. 71 E5-3, P. 83 G1-1, P. 91 G1-2, P. 98	Environment Environment People People
c. Identification and assessment of negative impacts	ESRS 2 IRO-1, P. 42 ESRS 2 SBM-3, P. 26 ESRS 2 SBM-3-E1, P. 26 ESRS 2 SBM-3-E2, P. 29 ESRS 2 SBM-3-E3, P. 30 ESRS 2 SBM-3-E4, P. 31 ESRS 2 SBM-3-E5, P. 31 ESRS 2 SBM-3-S1, P. 33 ESRS 2 SBM-3-S3, P. 36 ESRS 2 SBM-3-G1, P. 38	People and the environment People and the environment Environment Environment Environment Environment Environment People People People
d. Measures to counter these negative effects	ESRS 2 MDR-A: E1-1, P. 59 E1-3, P. 60 E2-2, P. 72 E3-2, P. 78 E5-2, P. 82	 Environment Environment Environment Environment Environment
e. Tracking the effectiveness of these efforts and communication	E1-4, P. 62 E1-5, P. 63 E1-6, P. 65 E1-8, P. 70 E2-3, P. 73 E2-4, P. 74 E3-3, P. 79 E3-4, P. 80 E5-3, P. 83 E5-4, P. 84 E5-5, P. 86	Environment Environment Environment Environment Environment Environment Environment Environment Environment Environment Environment

GOV-5: Risk management and internal controls over sustainability reporting

While currently the existing risk management system primarily covers financial and operational risks, non-financial risks, such as ESG aspects, will also be given greater consideration in the future. The topics identified in the double materiality assessment provide a valuable basis for gradual integration.

In contrast to financial reporting, which is based on standardized key figures and accounting standards, the focus of sustainability reporting is on qualitative and forward-looking aspects, such as the assessment of climate risks or social impacts. The necessary data is collected in close coordination with the operating units in order to better capture material ESG risks and opportunities.

The double materiality assessment helps us to systematically identify, assess and monitor sustainability-related risks. At the same time, it supports the gradual integration of these risks into our existing risk management process. This enables a closer integration of financial and non-financial risks with the strategic and operational management of the Group.

Scope and main features of the new risk management system

Scope

The risk management systems cover all of Afarak's locations and business units.

Main features

Risks are systematically identified and assessed using a matrix that focuses on the materiality and impact of risks and opportunities. Group-wide standardization enables uniform application, which is, however, specifically adapted to the needs of the individual locations.

Components of the risk management systems

Risk management

Risks and opportunities are identified and evaluated using standardized assessment methods and the double materiality assessment. In addition, control measures are implemented to mitigate identified risks, such as systems for monitoring environmental pollution or ensuring compliance.

Internal control

Regular reviews are carried out by internal teams. The findings that emerge from it are forwarded to the next higher authority - such as the CMT or EMT. Based on the risk assessment, action plans are then developed and reviewed on a regular basis.

Reporting

Annual planning and regular reports to the EMT and the BoD are used to monitor and manage ESG-relevant risks.

ESG initiatives

In future, the control mechanisms will integrate environmental and social factors including climate protection, resource management, and the safeguarding of labor standards.

Main responsibilities in risk management

The EMT ensures that standards are adhered to and the quality of reporting is guaranteed. The implementation of the measures is the responsibility of the local CMT members, while a central ESG team consolidates and checks the data collected in order to fulfill the reporting obligations with regard to sustainability reporting.

Approach to risk assessment

Afarak's risk assessment follows a systematic and Group-wide approach based on consistent methods. Risks and opportunities are identified, analyzed and evaluated using a matrix. This matrix is used to assess materiality. The risk assessment is carried out regularly to ensure that changes in operational and external conditions are taken into account. The process includes the following steps in detail:

- Risk classification: Each risk is categorized based on an assessment grid that represents the severity of the potential impact on Afarak's objectives and activities.
- Matrix structure: The matrix structure is used to analyze different levels of financial, operational and reputational impact; the risk assessment is then carried out in graduated stages to determine the tolerance limit.
- Integration: Afarak's risk management process is firmly integrated into the annual business planning and is managed by both the locations and the Group's central functions.

- Process description: The assessment of the likelihood of a risk occurring is carried out by the operational teams at the respective locations. The impact is assessed by analyzing potential financial and non-financial losses. Management reviews and approves the final prioritization of risks and determines suitable risk mitigation measures.

Main identified risks and mitigation strategies

Specific risks were identified in four areas: External risks, operational risks, sustainability risks and regulatory risks. The risks and the associated mitigation strategies are outlined below:

External risks

Afarak sees the volatility of product prices, currency fluctuations and uncertain macroeconomic conditions as key external risks. To counter these challenges, the company relies on a broad diversification of its business areas and geographical presence as well as hedging strategies to stabilize financial fluctuations. In addition to these economic factors, regulatory ESG requirements and changing market expectations, which can have a long-term impact on competitive conditions and business strategies, are also becoming increasingly important. Control mechanisms such as continuous market monitoring and strategic adjustments make it possible to react flexibly to volatile markets

Operational risks

Safety risks and unexpected operational incidents, including environmental risks, pose significant operational challenges for Afarak. To minimize such risks, strict safety guidelines have been introduced, employees receive regular training, and environmental standards are monitored consistently. Control mechanisms such as regular safety reviews and internal audits are implemented to ensure the highest safety standards.

Sustainability risks

Afarak considers the tangible effects of climate change and increasing demands for sustainable business practices to be key sustainability risks. To counter these, the company relies on energy-efficient technologies and makes targeted investments in renewable energies. Here, control mechanisms include the continuous monitoring of energy consumption and emissions as well as the implementation of planned projects such as the construction of solar plants.

Regulatory risks

Significant regulatory risks for Afarak are the increasing requirements resulting from restrictive environmental and occupational health and safety regulations. In response, the company relies on strict compliance with all relevant standards through internal guidelines and regular audits, both internally and externally. As a control mechanism, the CMT, which consists of the specific local site managers, ensures continuous compliance, monitoring, and adaptation of these regulations.

The results of the risk assessment are integrated into the relevant internal functions and processes by the Board Committees. Continuous reporting on the results of the risk assessment and internal controls to the administrative, management and supervisory bodies takes place at the "Board of Directors Meeting", which is held at least four times a year, and at the "Strategy Meeting", which is held at least once a year. The EMT, the CMT and the BoD take part in the latter.

SBM-1: Strategy, business model and value chain

Afarak's business model and value chains

Afarak is a globally active, vertically integrated producer and innovator of specialty alloys. The Group focuses on the production of ferrochrome (FeCr) and the mining of chrome ore. These raw materials form the basis for the production of customer-specific special alloys that are sold worldwide.

Afarak serves renowned customers from various industries including the aerospace, nuclear, oil and gas, automotive, and renewable energy industries. Thanks to this diversification, targeted investments and the highest safety and quality standards, Afarak occupies a significant position as a manufacturer of individual special alloys.

As a global company, Afarak strives to create added value along the entire value chain. The company attaches great importance to sustainable development by actively working to reconcile environmental, social and economic interests. At the same time, it ensures long-term benefits for its shareholders through healthy financial performance.

Afarak's areas of activity include:

- Extraction: Our own mines in South Africa and Turkey ensure a high-quality supply of chrome ore concentrate for further processing in Germany and trading on the global market.
- Research and development: The in-house laboratory at the German site is used for our own quality assurance. It specializes in inorganic analysis and offers precise, customer-specific solutions. State-of-the-art analysis technology is used to examine materials in order to develop and test tailor-made special alloys. The laboratory meets the highest quality standards and works according to recognized norms to ensure reliable and fast results.
- Processing: Advanced technologies and know-how are used to process the raw materials into high-quality special alloys.
- Global distribution: Afarak distributes its products worldwide with in-depth industry knowledge and maintains long-term customer relationships.
- Logistics and delivery: Efficient logistics ensure punctual deliveries in all quantities and optimize inventory management.

These areas of activity can be described in two main value chains, each of which has its own characteristics:

Mining value chain

The mining value chain is focused on the extraction and processing of chrome ore, which is extracted in the company's own mines. The chrome ore concentrate produced is sold worldwide and is a key raw material for the production of stainless steel. Close cooperation with steel manufacturers enables us to reliably meet their requirements in terms of quality and quantity. This value chain is strategically aligned to meet global demand and ensure a reliable supply. The combination of own mines, efficient processing and a strong customer focus makes Afarak an important player in the steel industry value chain.

Production value chain

Thanks to vertical integration, the company controls the entire process - from raw material procurement to processing and distribution. This ensures high flexibility and product quality. The supply of raw materials is ensured by the company's own mine value chain and close partnerships with local suppliers, while central coordination in Malta supports the efficient distribution process. The products from this value chain are distributed worldwide. Afarak cultivates long-term relationships in order to understand the needs of its customers and offer customized solutions.

According to the ESRS sector classification, Afarak generates significant sales in the following sectors:

- Mining; Mining and quarrying of metal ores subsector; NACE code 07
- Fabricated metal products; subsector Manufacture of basic metals; NACE code 24

These classifications reflect Afarak's activities in the area of chrome ore mining in Turkey and South Africa and the production of ferrochrome in Germany.

Sales by ESRS sector	Reporting year	Unit
Mining, coal and quarries	16,576,758.41	Monetary (€)
Metal processing	111,275,018.42	Monetary (€)
Total sales	**127,851,776.83**	**Monetary (€)**

Afarak employs people in Turkey, Germany, South Africa, Serbia and Malta. In addition, there are employees without a fixed geographical location, including our Board of Directors and other employees. The following table shows the number of employees in these geographical areas as well as employees not based in a specific location:

	Reporting year	Unit
Turkey	328	Integer
Germany	146	Integer
South Africa	105	Integer
Serbia	14	Integer
Malta	8	Integer
Board location-independent)	3	Integer
Other employees (independent of location)	1	Integer
Total number of employees	**605**	**Integer**

* For non-financial reporting in accordance with the materiality criteria of the ESRS standards, only the locations in Germany, Turkey and South Africa are part of the consolidated group, as only these locations have relevant economic activities in terms of sustainability reporting.

Sustainability goals

The Group's main products are ferrochrome (FeCr) and chrome ore (Cr ore), which are primarily sold on the global metals market. Afarak extracts, processes, markets and trades chrome ore concentrate and ferrochrome specialty alloys. Its diversified customer base includes the aerospace, automotive, defense and sustainable energy technology industries. These customers expect their suppliers to maintain high standards of ethical behavior, health, safety and environmental protection. Similarly, the communities in the regions in which Afarak operates expect support in their economic development. Building on this, Afarak has set itself sustainability targets in the areas of product groups, customers, geographical areas and stakeholders. The targets in the individual categories are outlined below:

Product groups

Afarak strives for continuous process optimization in order to increase production efficiency while minimizing resource consumption and environmental impact.

Customers

In order to meet customer requirements, Afarak relies on the continuous optimization of logistics processes. Targeted, efficient transport routes and sustainable packaging should not only enable faster delivery to customers, but also reduce CO_2 emissions in supply chain management. This contributes to a more sustainable value chain and at the same time meets customers' increasing expectations for environmentally friendly delivery processes.

Geographical areas

In South Africa and Turkey, Afarak focuses on continuously increasing the efficiency of water management and on renaturation and land restoration projects due to the medium to high water stress. In addition, measures to reduce emissions, particularly in the area of energy efficiency, are being implemented at all locations.

Stakeholders and suppliers

Personal and transparent contact with those responsible at each location is intended to ensure that the interests of local communities, employees and suppliers are an integral part of the sustainability strategy.

Sustainability strategy

The sustainability aspects of Afarak's business strategy include health and safety, environmental protection (including water management, waste management, soil remediation and emissions reduction) and community engagement and support. Afarak is committed to contributing to environmental and social sustainability through its production processes. These efforts are intended to support several United Nations resolutions, such as poverty and hunger reduction and gender equality, education and access to clean water.

The creation of direct and indirect employment is Afarak's most significant impact on local communities. In addition, Afarak supports local communities in meeting their needs in the areas of education and infrastructure and also promotes social causes. The subsidiaries are working on programs to improve water and waste management and focus on reducing emissions. The introduction of data collection processes enables the company to set benchmarks and develop long-term targets to measure performance.

Responsibility

The BoD and EMT actively monitor the sustainability strategies and ensure they are in line with the company's objectives. Clear responsibilities have been established to manage sustainability-related IROs and achieve health and safety, environmental and social objectives. As Afarak operates in different national markets, operational responsibility for sustainability lies with the national managing directors. They are best placed to ensure compliance with national laws and market expectations. The BoD and EMT take a holistic approach to monitoring sustainability initiatives at national level and ensuring that they meet investor expectations.

Key inputs and their influence on the sustainability strategy

The key inputs include raw materials, technology, skilled labor, customer data, industry knowledge and logistics. Afarak strengthens its business model and value chain through a targeted combination of vertical integration, continuous research and development and strategic, long-term partnerships. Particular emphasis is placed on sustainability and the protection of intellectual property in order to promote innovation and quality in the future. These diverse approaches ensure long-term success and strengthen the company's leading position and the distribution of raw materials on global markets.

Afarak also integrates sustainable solutions and process optimization into its value chain in order to create long-term environmental, social and economic benefits:

- Energy-efficient technologies: The company uses technologies to reduce energy consumption and emissions. These include planned solar systems and energy-optimized machines.
- Water management: Recycling and closed-loop systems are used in the extraction of raw materials to minimize water consumption.
- Waste minimization: By implementing closed-loop production systems, Afarak reduces waste and increases resource efficiency. Waste is specifically converted into usable recyclable materials, such as the processing of slag into a product for road construction. In this way, Afarak contributes to the circular economy and creates additional added value.
- Process optimization: Production methods are constantly becoming more efficient in order to minimize the environmental impact in the long term.

Key outputs and their influence on the sustainability strategy

The Group's outputs, including customized special alloys, innovative solutions and the procurement and distribution of essential raw materials for the global metal processing industry, offer significant benefits for the company's customers, investors and other stakeholders. Customers benefit from high-quality, customized products and a reliable supply chain. Investors benefit from stable financial results and future-oriented innovations. Employees, partners and the environment also benefit from Afarak's sustainable practices and long-term stable business relationships. In the future, the company expects technological innovations and sustainable growth to create additional added value for all stakeholders.

SBM-2: Stakeholders' interests and positions

Afarak's key stakeholders include employees, employees in the value chain, shareholders and financial institutions, customers, the environment, local residents, society and the public as well as the supply chain. Afarak attaches great importance to including the interests and perspectives of these stakeholders in its decision-making processes. The aim is to build trusting relationships, promote the principles of sustainability and responsibility and ensure economic success through close cooperation with all interest groups. This exchange takes place in particular with the groups of employees, customers, environmental institutions, the supply chain and shareholders.

Organization of stakeholder involvement

The involvement of the interest groups is organized as follows:

Affected stakeholders

Employees: Communication with employees is organized autonomously at each Afarak site. At some sites, works councils and trade unions represent the workforce vis-à-vis the management.

Environment: At each location, there are institutions that represent country-specific environmental aspects. Afarak is always available to these institutions to develop sustainable solutions together.

Supply chain: Similar to Afarak's customers, personal contact is maintained in the supply chain in order to be able to respond to specific needs.

Users of the sustainability declaration

Customers: Afarak relies heavily on personal contact with its customers. Each customer is therefore looked after by a dedicated contact person.Shareholders: As a listed company in the legal form of an SE, Afarak's shareholders are entitled to participate in the Annual General Meeting. Votes are held on key business decisions, and shareholders are entitled to vote.

The results of this stakeholder involvement are integrated into the company's strategic planning and operational decisions. The independent organization of the locations enables direct contact with various stakeholder groups. This allows local circumstances to be taken into account flexibly and ensures rapid interaction. Feedback from interest groups such as customers, local communities and employees is recorded and evaluated directly by the site managers and incorporated into local decisions. The insights gained from this are incorporated into management decisions in order to continuously improve sustainability measures, process efficiency and social responsibility.

Afarak's Code of Conduct defines how we interact with the environment, and all site representatives are obliged to adhere to these guidelines and act accordingly. The direct exchange with stakeholders enables the sites to immediately address and evaluate their concerns and interests. A central analysis of stakeholder concerns at Group level has not yet been carried out systematically, as this task is a local responsibility. Issues that require escalation are reviewed by the CMT, which is made up of various managers and site representatives. In particularly critical cases, the matter is forwarded to the EMT, which carries out the overarching assessment and, if necessary, involves the highest authority, the BoD

Strategy changes and adjustments

The continuous adaptation and expansion of Afarak's processes is essential in order to meet the diverse interests and viewpoints of stakeholders. In 2024, the requirements of the new CSRD sustainability reporting in particular contributed to significant adjustments to the strategy. This led to the integration of all locations into the LCA and the introduction of a system for consolidated data collection. In addition, the promotion of sustainable energy was prioritized at all locations. At the same time, the continuous optimization of processes and the supply chain was continued in order to drive efficiency and sustainability in Afarak's business processes.

As part of reporting in accordance with the CSRD, dynamic adaptation and further development of internal processes is essential in order to meet the constantly changing regulatory requirements. This is intended to ensure that all data required under the ESRS in the areas of "Social" and "Environmental", which were previously only collected superficially at Group level and in detail only at local level, are recorded accurately and promptly and disclosed transparently in the annual sustainability reports. Through these measures, Afarak continues to pursue the long-term integration of social responsibility into its corporate strategy, which meets both stakeholder expectations and legal requirements.

It is foreseeable that the implementation of these steps will have a positive impact on relationships with stakeholders. Increased stakeholder involvement, combined with expanded data collection and regular reporting, will lead to greater transparency. This will enable stakeholders to better understand the company's development and strengthen confidence in the Group's strategic decisions.

Information to the administrative, management and supervisory bodies

The CSRD report is dealt with at Group level, with the EMT and BoD actively involved in discussions on materiality assessments and future implementation. Key social, environmental and economic aspects are discussed in regular meetings to ensure that stakeholder concerns are incorporated into the Group's strategic decisions. The relevant information from the individual locations is collected by a central ESG team and evaluated at Group level. The aim of this approach is to align the sustainability strategy with both the corporate objectives and the expectations of stakeholders.

SBM-3: Significant impacts, risks and opportunities and their interaction with strategy and business model

Significant effects, risks and opportunities

In the reporting year, Afarak carried out a double materiality assessment (DWA) for the first time in accordance with the requirements of the CSRD in order to identify material impacts, risks and opportunities (IROs) associated with its strategy and business model. In addition to the company's own business activities, the entire value chain was considered, i.e. both upstream and downstream activities. As this is the first report prepared in accordance with the requirements of the CSRD, there are no material changes in the IROs to report compared to the previous reporting period. Future reports will document changes and developments in IROs. In addition, no company-specific IROs were identified that go beyond the disclosure requirements of the ESRS. In the reporting year, Afarak identified 47 material IROs, out of which 33 are impacts, 6 are risks and 8 are opportunities. Accordingly, the following topic standards are material for Afarak:

- ESRS E1 Climate change

- ESRS E2 Environmental pollution
- ESRS E3 Water and marine resources
- ESRS E4 Biodiversity and ecosystems
- ESRS E5 Resource utilization & circular economy
- ESRS S1 Own staff
- ESRS S3 Communities concerned
- ESRS G1 Business behavior

Below is a description of the IROs identified as material for Afarak, broken down by the material sustainability topics based on the ESRS.

E1 Climate change

Climate protection

Categorization of the IRO	Description
Actual negative impact	**Contribution to climate change through greenhouse gas emissions (GHG emissions) from own activities (Scope 1 and 2)** The production of ferrochrome in Germany is the most energy-intensive process at Afarak. The electricity requirements for the energy-intensive smelting furnaces are covered by the German futures market and spot market, as it is currently not possible to cover the energy requirements through in-house electricity generation and there are no electricity tariffs with reduced CO_2 emissions specifically designed for industry in Germany.
Actual negative impact	**Contribution to climate change through GHG emissions from the value chain (Scope 3)** The dependence on purchased raw materials (e.g. lime and intermediate products such as silicochrome), their transportation and the transportation of the most important raw material from our own value chain, chrome ore, contribute significantly to Afarak's global Scope 3 emissions. By optimizing its supply chains and working with sustainable and local suppliers, the Group strives to keep these emissions as low as possible.
Risk	**High investment costs due to conversion to CO_2-neutrality (buildings, products and processes) - climate-related transition risk** On the one hand, the expansion of photovoltaic systems requires considerable resources in order to sustainably support the energy-intensive processes. In addition, the buildings at the production site, which is over 100 years old, need to be adapted to current energy standards. Added to this is the lack of industrial electricity in Germany, which represents another significant challenge. Furthermore, the constant review of new measures to achieve CO_2 neutrality is an important part of the long-term strategy and requires continuous investment.
Risk	**Physical climate risks in own operations**

	Physical climate risks include extreme weather events such as droughts, floods and heatwaves, which are exacerbated by climate change. These events can have a significant impact on infrastructure and operational processes.

Energy

Categorization of the IRO	Description
Actual negative impact	**Energy consumption associated with own production** The production of Afarak, especially the production of ferrochrome in Germany, is extremely energy-intensive. This is due to the thermal processes required to convert chrome ore into ferrochrome. These processes require extremely high temperatures, which can only be achieved by using large amounts of electrical energy.
Actual negative impact	**Energy consumption linked to the value chain** The extraction of the raw materials required for Afarak's products, their transportation and the worldwide transport and further processing of the ferrochrome produced by Afarak contribute significantly to global energy consumption throughout the value chain.
Opportunity	**Improved profitability through investments in energy efficiency improvements** Afarak is committed to continuously researching improvements in energy efficiency, not only to strengthen the Group's environmental sustainability, but also to promote profitability and competitiveness.
Opportunity	**Increased demand for products for the generation of clean energy technologies** There is increasing demand for critical raw materials such as chrome ore and low-carbon ferrochrome for clean energy technologies and essential applications in the energy transition, electromobility and other green technologies.
Risk	**Dependence on energy suppliers** Ferrochrome production in Germany is the most energy-intensive process in the company and requires the operation of smelting furnaces with high electricity consumption. This location is particularly dependent on German electricity market prices on the futures and spot market. Fluctuations in electricity prices can have a significant impact on production costs and profitability

E2 Environmental pollution

Soil contamination

Categorization of the IRO	Description

Actual negative impact	**Environmental damage during the extraction of minerals** The underground mining operations and the storage of tailings on the surface contribute to topographical changes in Afarak itself and through its upstream suppliers, which have a negative impact on the ecosystem and neighboring communities.
Potential negative impact	**Environmental pollution through the use of work and operating materials** The use of operating equipment such as excavators and wheel loaders harbors potential risks of environmental pollution. Oil and fuel spills or improper handling of operating fluids could lead to local soil and water contamination at the sites.

Water pollution

Categorization of the IRO	Description
Potential negative impact	**Pollution of groundwater through the storage of mining residues ("tailings")** Even without the use of chemicals by Afarak, groundwater contamination can occur due to natural components in the tailings or physical effects. The probability of such an event occurring is highly dependent on the natural composition of the residues and the storage conditions.
Potential negative impact	**Pollution of surface waters due to the extraction of raw materials** Although there are no surface waters in the immediate vicinity of the sites, these can be negatively impacted indirectly. For example, the transportation or storage of raw materials using rainwater can cause pollution in such bodies of water. It is also possible for polluted groundwater to reach the surface via geological structures.

Air pollution

Categorization of the IRO	Description
Actual negative impact	**Air pollution due to combustion of fossil fuels in transportation** The transportation of raw materials and the ferrochrome produced by truck and ship contributes to air pollution, which has a negative impact on employees, the local population and suppliers at all Afarak sites.

E3 Water and marine resources

Water

Categorization of the IRO	Description

Actual negative impact	**Consumption of water for the production process and regular business operations** As a producer of chrome ore concentrate and ferrochrome, considerable quantities of water are required, which can lead to a strain on local water supplies at the sites and in the surrounding communities. In addition, water is also used in business operations in the form of sanitary facilities and office buildings.
Actual negative impact	**Use of water for the extraction of raw materials** The use of water for the extraction of chrome ore is considerable, which can lead to a strain on local water supplies. This includes the local environment of all mine sites (Turkey, South Africa and Serbia).

E4 Biodiversity and ecosystems

Direct causes of biodiversity loss

Categorization of the IRO	Description
Actual negative impact	**Loss of habitats due to the sealing of areas (e.g. production sites, warehouses)** The sealing of surfaces causes the destruction of habitats and thus affects ecosystems. Despite many years of existence of the production site, any expansions, modernizations or changes in operating practices can lead to further land sealing.
Potential negative impact	**Disturbance of aquatic ecosystems due to the extraction of chrome ore concentrate** The tailings produced during chrome ore concentrate extraction pose a global problem, as they can be harmful to the environment and thus contaminate the surrounding soil and groundwater at the mine sites.

Effects on the extent and condition of ecosystems

Categorization of the IRO	Description
Actual negative impact	**Habitat fragmentation of ecosystems** The construction and operation of mines contribute to the fragmentation of habitats. Afarak's negative impact in this respect is limited, as the company only operates underground mines in unpopulated areas.

E5 Resource utilization and circular economy

Resource inflows including resource utilization

Categorization of the IRO	Description
Actual negative impact	**Resource consumption for production**

	The production of ferrochrome requires the use of large quantities of chrome ore, which is a finite mineral resource and cannot be regenerated. During production, a small amount of ferrochrome is generated in relation to the by-product "slag". However, Afarak processes the resulting slag so that it can be used as a recycled building material.
Actual positive impact	**Conserving resources through sustainable production processes** The needs-based optimization of Afarak's processes measurably reduces the consumption of finite resources such as chrome ore and energy.
Opportunity	**Lower material costs thanks to improved resource efficiency** A continuous increase in the efficiency of production processes leads to positive effects in the sustainability chain. Increasing efficiency can lead to a reduction in electricity consumption and optimal use of raw materials. This can result in lower material costs for Afarak.
Opportunity	**Implementation of circular economy concepts can lead to savings and new sources of income.** Promoting the circular economy is an opportunity for Afarak not only to achieve economic benefits by conserving resources and reducing costs, but also to assume its ecological responsibility. This strengthens competitiveness, fulfills regulatory requirements and creates trust among customers and stakeholders who are paying more attention to sustainability.
Risk	**Dependence on market prices** Dependence on market prices for chrome ore and ferrochrome represents a key risk. Although Afarak supplies itself with the most important raw material (chrome ore) for ferrochrome production, thereby reducing its dependence on raw material prices, the volatility of market prices for its own products (chrome ore and ferrochrome) remains crucial for profitability and competitiveness

Resource outflows in connection with products and services

Categorization of the IRO	Description
Risk	**Increasing demands (customer and regulatory) on products in terms of sustainability aspects such as recyclability require considerable investment.** The increasing sustainability requirements pose a financial risk for Afarak, as they require considerable investment and adjustments. At the same time, it is a strategic necessity to meet these requirements in order to remain competitive in the long term and take advantage of market opportunities.

Waste

Categorization of the IRO	Description
Actual negative impact	**Environmental damage caused by mining waste ("tailings")** "Tailings“ are an unavoidable by-product of the extraction of chrome ore concentrate. For sustainable further processing, it makes sense for these tailings to remain at the mine sites, while only the concentrate is transported worldwide for further processing. This reduces the amount of materials to be transported, which is both economically and ecologically beneficial. Although the tailings do not cause any direct environmental pollution, they do lead to environmental damage as they change landscapes and permanently occupy large areas of land.

S1 Own workforce

Working conditions

Categorization of the IRO	Description
Actual negative impact	**Damage to health due to the working method/circumstances** Damage to health due to working methods or circumstances can range from minor injuries such as cuts to serious, life-changing impairments or death. The risk of injury is highly dependent on the specific work activities performed at Afarak.
Actual negative impact	**Health hazards due to accidents at work and on the way to work** The health risks from work and commuting accidents vary depending on the location, with the majority of employees working in areas with a medium to high accident risk.
Actual negative impact	**Restriction of freedom of expression** The legal framework at Afarak's locations differs considerably, particularly between the EU locations and countries such as Turkey and South Africa. While the legal framework in the EU offers stronger protection for freedom of expression, Afarak strives to offer employees at all locations the opportunity to have a say in accordance with local laws and to take their concerns seriously.
Opportunity	**Higher productivity and lower fluctuation rates due to a positive working environment (fair working conditions, etc.)** A positive working environment is a significant opportunity for Afarak, as it boosts both productivity and employee loyalty. Fair working conditions, respectful interaction and development opportunities make the company more competitive and attractive in the long term - both for existing and future employees.
Opportunity	**Better access to good talent thanks to attractive working conditions and benefits** Attractive working conditions and benefits give Afarak the opportunity to attract and retain the best talent in the long term. This not only

	strengthens the company's competitiveness, but also contributes to innovation, employee satisfaction and a positive brand image. Targeted measures enable Afarak to further expand its position as an employer of choice in the industry.

Equal treatment and equal opportunities for all

Categorization of the IRO	Description
Actual negative impact	**Lack of opportunities for further development** Around half of Afarak's employees work in semi-skilled jobs that offer only limited opportunities for further development. This situation can affect the motivation and long-term loyalty of employees. Although the nature of semi-skilled jobs often requires little further training, the company is committed to creating alternative approaches in order to offer these employees prospects as well.
Actual positive impact	**Promotion of training and further education** The promotion of training and further education has a consistently positive effect on employee motivation, loyalty and professional development, despite limited development opportunities in apprenticeships (such as first aider training or the rotation model for management responsibility). It helps to strengthen operational efficiency and the company's image, while at the same time complying with the principles of the Code of Ethics. In this way, Afarak creates a sustainable and employee-oriented corporate culture.
Opportunity	**Increasing productivity and competitiveness by investing in education and training programs** Investing in education and training programs is a strategic opportunity for Afarak to increase the productivity of its workforce and ensure its competitiveness in a global market. Well-trained employees who feel up to the demands of the industry not only contribute to efficiency, but also to the Group's innovative strength and long-term resilience.

Other work-related rights

Categorization of the IRO	Description
Potential negative impact	**Violation of personal rights due to loss, i. e., loss of control over employee data** The violation of personal rights through the loss of employee data can have serious consequences for those affected, the company and society. All locations are responsible for securing their own data and are subject to local data protection regulations that are similar to the principles of the General Data Protection Regulation (GDPR).
Potential negative impact	**Employee safety due to the current mine locations**

	Geopolitical uncertainties can affect the safety of employees. Although local employees are better adapted to local conditions, the risk of being affected by global trade conflicts and energy policy remains.
Risk	**Increased recruitment/employee costs due to shortage of skilled workers and intense competition for qualified employees** The general labor shortage affects not only qualified specialists, but also workers in semi-skilled positions. This poses a significant risk for Afarak, as ensuring operational processes is dependent on both specialized specialists and sufficient trainees. The increasing shortage of labor and the rising demands of employees in terms of work-life balance and additional benefits are leading to significantly higher costs for recruitment, salaries and employee retention measures.

S3 Communities concerned

Economic, social and cultural rights of communities

Categorization of the IRO	Description
Actual negative impact	**Damage to the health of residents due to the dismantling process** The mining of chrome ore can generally be associated with health and environmental impacts such as air pollution or noise emissions. However, our sites are located in uninhabited areas and operations are subject to strict legal requirements.
Potential negative impact	**Damage to the health of residents caused by the production process** Theoretically, the production process of ferrochrome can cause damage to the health of local residents through air and noise pollution, which can lead to respiratory diseases, stress and sleep disorders. Afarak's production facility adheres to strict environmental regulations, uses modern emission control technologies and works closely with local communities to ensure the protection of local residents. In Germany, particularly high standards of environmental protection and occupational safety apply, which help to minimize health risks.
Actual negative impact	**Nuisance to residents due to noise, light, dust and odor emissions as a result of the quarrying process** The mining of chrome ore in underground mines leads to noise, light, dust and odor emissions, which cause psychosocial stress. As the mines are located in remote areas, it is mainly those workers who live on site during their shifts and only return home afterwards who are affected. Harassment depends on the type of mining. If nuisance occurs, it is almost impossible to improve the situation, as it is difficult to find an alternative mining site.
Actual negative impact	**Nuisance to residents due to noise, light, dust and odor emissions as a result of the production process** The ferrochrome production process causes noise, light, dust and odor emissions, which can lead to psychosocial stress. The effects depend on the technology used. The site works closely with the local district government to minimize nuisance. The production site and the

	surrounding region are particularly affected. The effects are long-term and difficult to reverse.
Actual negative impact	**Negative influence of the affected communities due to a change in land use** Changes in land use due to mining lead to conflicts with existing uses. As Afarak's underground mining takes place in unpopulated areas, land use change is minimal and only a small geographical area within the impact area of the mines is affected. Negative impacts of chrome ore mining are mostly unavoidable, but partially reversible if long-term and substantial efforts are made.

G1 Corporate policy

Management of relationships with suppliers, including payment practices

Categorization of the IRO	Description
Actual positive impact	**Promotion of fair operating and business practices among suppliers** Promoting fair operating and business practices among suppliers is crucial to ensure ethical standards, promote sustainability and minimize risks. The Code of Ethics and Code of Conduct for Suppliers (SCoC) sets out clear principles of conduct expected from suppliers, including compliance with recognized legal and ethical standards, respect for human rights and protection of the environment. This helps to create long-term value for the company and its stakeholders.
Opportunity	**Optimization of financial market access through transparent sustainability reporting** The production of the first CSRD-compliant sustainability report offers Afarak a significant opportunity to improve its access to financial markets. With the growing importance of ESG criteria for investors and lenders, transparency in sustainability reporting is becoming a decisive factor in the valuation of a company. At the same time, the report creates the basis for a long-term strategic focus on sustainable growth.

Political commitment

Categorization of the IRO	Description
Actual positive impact	**Supporting policymakers in the development of both user and business friendly laws and regulations** Political support in the development of user and business friendly laws and regulations is crucial for a flourishing economy and citizen satisfaction. This support is provided indirectly through Afarak's memberships in umbrella organizations such as the International Chromium Development Association (ICDA). The foregoing has a positive impact on various areas of society including the workforce, regional economic development, technological innovation, research, environmental protection, sustainability and global trade relations.

Actual positive impact	**Support and promotion of the common good** Supporting and promoting the common good helps to create a fairer, more stable and sustainable society. In South Africa, Afarak supports local communities through social and educational outreach programs and has supported their infrastructural needs in the past. In all locations, Afarak works closely with local businesses, promoting their development and, in Germany, offering a recycled by-product of ferrochrome production for local road construction.

Corporate culture

Categorization of the IRO	Description
Actual positive impact	**Well-being and mental health due to appreciative, supportive professional interaction that focuses on the employee as a person** An appreciative and supportive working environment promotes the well-being and mental health of employees, which leads to higher productivity and lower staff fluctuation. HR measures such as regular employee surveys and support with health problems including HIV/AIDS in South Africa help to ensure well-being. Afarak's goal is to implement the "Zero Harm Policy" in all companies.

Response to the main IROs in the areas of environment, social affairs and corporate governance

<u>Environment</u>

Afarak recognizes the fundamental importance of environmental protection, particularly in the raw materials sector. The subsidiaries are already intensively involved in the introduction of programs to improve water and waste management. At the same time, they are working to reduce emissions. Afarak has started to implement data collection processes that allow the Group to set benchmarks and develop realistic long-term targets to make improved performance measurable. In addition, the Group expanded the LCA in the 2024 reporting period to include other environmentally relevant factors such as water consumption, resource use and waste in addition to GHG emissions.

<u>Social</u>

Afarak pursues a zero-harm policy and strives to create a safe and healthy working environment for all employees and contractors. Regular health and safety committees coordinate the Group's activities and address social, environmental, health and safety issues. Afarak improves working conditions by providing a safe environment and addressing key health issues, such as HIV/AIDS in South Africa. In addition to safety, the health of employees is a top priority for Afarak. By providing health benefits, the company promotes the long-term well-being of its workforce. Risks to employees are assessed, monitored and controlled at the production sites. In the highly differentiated national markets in which Afarak operates, operational management and sustainability management are primarily the responsibility of the national managing directors, who are in the best position to take account of national legislation and cultural characteristics.

<u>Corporate management</u>

Afarak commits itself and its suppliers to the highest ethical standards with the "Code of Ethics" and other guidelines in order to meet the expectations of stakeholders - including employees, customers, shareholders and supervisory authorities. The company also has strict guidelines on human rights and combating bribery and corruption. Through direct contact with suppliers and decentralized supplier management at each location, Afarak can count on personal contact persons. Afarak actively promotes the interests of the industry through its membership of EUROALLIAGE (Association of European Ferro Alloy Producers) and the ICDA.

Integration of the effects into the corporate strategy

The Group's strategy aims to ensure the sustainability and resilience of the business model through improvements in environmental and social dimensions. The findings from the LCA and future scenario analyses are systematically used to continuously optimize strategic planning and specifically address the key impacts of the business model. In this way, Afarak aims to comprehensively integrate the findings into the corporate strategy in order to proactively address not only climate-related but also other environmental challenges.

Integration of ecological aspects

Afarak's strategic approach is aimed at promoting energy-intensive but resource-efficient production processes. The use of resources, particularly in chrome ore mining, has a direct impact on the availability of finite resources and can lead to water shortages and environmental problems if processes are inefficient.

Afarak is responding to this with an expanded LCA, which was carried out in the 2024 reporting period. After the first analysis was completed at the EWW smelting plant in Germany, the LCA was extended to other sites during the reporting period. This represents significant progress in assessing the environmental impact of the business model. This assessment includes not only climate protection measures, but also water consumption, raw material consumption and waste. This expands the Group's strategy to include a holistic view of environmental impact.

Integration of social aspects

In addition to the ecological impact, Afarak's corporate strategy also takes into account social aspects such as ensuring fair working conditions and occupational safety as well as the long-term retention of qualified specialists through attractive working conditions.

Resilience of the corporate strategy and business model

The resilience of Afarak's strategy and business model in the face of material impacts and risks is based on the Group's ability to proactively manage environmental and social challenges:

- Environmental resilience: By implementing LCA, Afarak can systematically record GHG emissions, water consumption and resource use and assess minimization. Investments into renewable energy and energy-efficient technologies help to adapt to regulatory requirements and climate risks while ensuring long-term profitability.
- Social resilience: The promotion of fair working conditions, strict occupational safety measures and workforce development strengthen social stability and productivity within the company. In addition, the business model is geared towards cooperation with local stakeholders at the sites, which improves the ability to effectively manage social risks such as skills shortages or conflicts with communities.

The combination of these measures ensures that the business model reacts flexibly to environmental and social changes in order to make targeted use of opportunities such as technological innovations or the development of new markets. This integrated approach strengthens Afarak's resilience to current and future challenges.

Sources of the expected impact

Afarak's own activities include the mining of chrome ore, the processing of raw materials and the manufacture of ferrochrome products. These processes have a direct impact, for example on geography, infrastructure and GHG emissions. Indirect impacts from business relationships arise both in the upstream and downstream value chain, for example in the procurement of external raw materials or the further processing of chrome ore. These impacts include high energy consumption, transportation emissions and indirect environmental impacts.

By combining its direct responsibility with strategic cooperation within the entire value chain, the Group strives to minimize its environmental and social impact in all areas. This dual approach enables a comprehensive assessment and optimization of the entire value chain.

Financial impact of the most important IROs

Afarak is using the transition period for the disclosure requirement ESRS 2 SBM-3 paragraph 48 letter e, as the necessary analyses and assessments have not yet been fully completed in the current reporting period. Future reports will include this information once the relevant assessments have been completed.

IRO-1: Description of the process for the identification and assessment of significant impacts, risks and opportunities

In May 2024, Afarak's sustainability managers and a consulting partner began the preparatory work for the sustainability report using a DWA.

The starting point was the impact assessment, which was carried out by the sustainability team together with the respective departments. Suitable impacts and sustainability topics for the Group were identified on the basis of a general internet search and then evaluated. The Afarak departments involved included the CMT, the ESG team, HR management, shipping management, purchasing management, commercial management and production management.

An attempt was made to gain as complete a picture as possible of Afarak's business activities, including business relationships along the entire value chain. The management and employees from the specialist departments were also integrated into this process. In order to take into account the perspective of the most important stakeholder groups with regard to their sustainability-related concerns, proxy stakeholders were used in accordance with the ESRS and no direct involvement of stakeholders was carried out as part of the materiality assessment. Interests and concerns that were known with regard to the stakeholder groups were included in the IRO collection. In accordance with the ESRS, the severity (extent, scope and irreversibility of positive impacts, on a rating scale of 1 to 5 (from 1 = very low/minimal/short-term to 5 = very high/absolute/irreversible)) for actual impacts and additionally the probability of occurrence (on a rating scale of 1-5 (from 1 = very unlikely to 5 = very likely) for potential impacts) were assessed.

Following the definition of those topics on which Afarak as a company has a significant influence (impact assessment), financial risks and opportunities were identified that could arise from these positive and negative impacts or from dependencies on resources (financial assessment). These sustainability-related risks and opportunities were then supplemented by risks already identified in the Board of Directors Report (BoD Report) from 2023. Identification was mainly carried out by the sustainability team. The opportunities and risks were then assessed according to their probability of occurrence (scale from 1 (highly unlikely or very low) to 10 (certain or full) and potential financial impact (scale from 1 (<€10,000 or very low) to 10 (>€50 million or full) in the short, medium and long term.

The material IROs were determined on the basis of this assessment using threshold values. The IROs were assigned to the sustainability topics anchored in the ESRS at sub-topic level (see ESRS 1 AR 16).

Finally, a comparison was made with the ESRS overall topic overview (see ESRS 1 AR16) to ensure that all ESRS-relevant sustainability aspects were considered in the assessment. Additions were placed in the double materiality assessment in accordance with the above procedure.

A sustainability topic at the level of the sub-topics in accordance with ESRS 1 AR 16 was classified as, in total, material if a material impact, a material risk or a material opportunity was identified for it.

The procedure and the results of the DWA developed by the specialist departments were presented to the ESG team in a workshop, supported by members of the Corporate Management Team. As part of this workshop, the classification of the sustainability topics into material and immaterial from a strategic perspective was reviewed and the underlying impacts, opportunities and risks were finally assessed. The sustainability topics were also checked for completeness in accordance with ESRS 1 AR 16. The result of the workshop was the final list of material sustainability topics as the basis for reporting.

As this is Afarak's first reporting under the ESRS, there have been no changes to the process for identifying, assessing and managing IROs compared to a previous reporting period. Therefore, no information is currently available on the date of the last change to the process or on future revisions to the materiality assessment

From now on, the DWA process be carried out annually, with experts from the relevant functions of Afarak exchanging information. This also includes continuous monitoring and monitoring of the actual impact on people and the environment.

In the initial process, Afarak considered all activities and business relationships without restrictions and took into account the effects of both its own business activities and business relationships.

The processes for identifying, assessing and managing impacts, risks and opportunities are not yet integrated into the general risk management process.

ESRS 2 IRO-1 - E1: Description of procedures for the identification and assessment of significant climate-related impacts, risks and opportunities

Climate-related impacts, risks and opportunities were identified and assessed as part of the general double materiality assessment process described in ESRS 2 IRO-1. Specific climate-related factors such as physical climate risks, regulatory developments, energy consumption and market and reputational risks were taken into account.

ESRS 2 IRO-1 - E2: Description of procedures for the identification and assessment of significant impacts, risks and opportunities related to environmental pollution

The identification and assessment of material impacts, risks and opportunities in connection with environmental pollution was carried out in accordance with the double materiality assessment procedure described in ESRS 2 IRO-1. This involved examining the extent to which Afarak's business activities contribute to or counteract environmental pollution. Emissions to air, water and soil were assessed.

ESRS 2 IRO-1 - E3: Description of procedures for the identification and assessment of significant impacts, risks and opportunities related to water and marine resources

The assessment of impacts on water and marine resources was also based on the general methodology of the double materiality analysis from ESRS 2 IRO-1. In particular, water consumption, potential risks from water stress and measures to reduce negative impacts were considered.

ESRS 2 IRO-1 - E5: Description of procedures for the identification and assessment of significant impacts, risks and opportunities associated with resource use and the circular economy

The analysis of resource use and the circular economy was carried out in accordance with the general procedure from ESRS 2 IRO-1 using the double materiality assessment. Key aspects were the efficient use of materials from our own value creation, local resource inflows from external value creation, resource consumption in production and the durability of our products.

IRO-2: Disclosure requirements included in the ESRS that are covered by the company's sustainability declaration

A list of the disclosure requirements covered by this sustainability report can be found at the beginning of this report on page 1.

List of data points from other EU legislation:

The table below includes all data points from ESRS 2 and from the thematic ESRSs arising from other EU legislation, including the Sustainable Finance Disclosure Regulation (SFDR), Pillar 3 (S3), Benchmark Regulation (BV) and EU Climate Law (EUKG) listed in Appendix B of ESRS 2. The list indicates where the data points can be found here in Afarak's report and which data points were classified as "not material", "no indication as use of a phase-in regulation" and "no indication as use of the transition period". The transition period refers to the temporary suspension of an entire standard, while phase-in regulations relate to individual data points within an applied standard that are introduced gradually

Mandatory disclosure	Associated data point		EU legislation	Number of pages
ESRS 2 GOV-1	21 (d)	Gender diversity in the management and supervisory bodies	SFDR/BV	p. 10
ESRS 2 GOV-1	21 (e)	Percentage of members of the management body who are independent	BV	p. 10
ESRS 2 GOV-4	30	Declaration on due diligence	SFDR	pp. 16-17
ESRS 2 SBM-1	40 (d) i	Participation in activities related to fossil fuels	SFDR/S3/BV	p. 19
ESRS 2 SBM-1	40 (d) ii	Participation in activities related to the manufacture of chemicals	SFDR/BV	p. 19
ESRS 2 SBM-1	40 (d) iii	Participation in activities related to controversial weapons	SFDR/BV	p. 19
ESRS 2 SBM-1	40 (d) iv	Participation in activities involving the cultivation and production of tobacco	BV	Not material
ESRS E1-1	14	Transition plan to achieve climate neutrality by 2050	EUKG	Not specified, as phase-in control is used
ESRS E1-1	16 (g)	Companies excluded from the Paris-aligned benchmarks	S3/BV	Not material
ESRS E1-4	34	GHG emission reduction targets	SFDR/S3/BV	Not specified, as phase-in control is used
ESRS E1-5	38	Energy consumption from fossil fuels broken down by source (only climate-intensive sectors)	SFDR	p. 63
ESRS E1-5	37	Energy consumption and energy mix	SFDR	p. 63
ESRS E1-5	40-43	Energy intensity in connection with activities in climate-intensive sectors	SFDR	p. 64

Mandatory disclosure	Associated data point		EU legislation	Number of pages
ESRS E1-6	44	Gross GHG emissions in Scope 1, 2 and 3 categories and total GHG emissions	SFDR/S3/BV	p. 65
ESRS E1-6	53-55	Intensity of gross GHG emissions	SFDR/S3/BV	p. 68
ESRS E1-7	56	Removal of greenhouse gases and CO_2 allowances	EUKG	Not material
ESRS E1-9	66	Risk position of the reference value portfolio against climate-related physical risks	BV	Not specified, as phase-in control is used
ESRS E1-9	66 (a); 66(c)	Breakdown of monetary amounts by acute and chronic physical risk; Location of significant assets with material physical risk	S3	Not specified, as phase-in control is used
ESRS E1-9	67 (c)	Breakdown of the carrying amount of its properties by energy efficiency class	S3	Not specified, as phase-in control is used
ESRS E1-9	69	Degree of exposure of the portfolio to climate-related opportunities	BV	Not specified, as phase-in control is used
ESRS E2-4	28	Quantity of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and land	SFDR	p. 74
ESRS E3-1	9	Water and marine resources	SFDR	p. 77
ESRS E3-1	13	Special concept	SFDR	Not material
ESRS E3-1	14	Sustainable oceans and seas	SFDR	Not material
ESRS E3-4	28 (c)	Total amount of water recovered and reused	SFDR	p. 81
ESRS E3-4	29	Total water consumption in m^3 per net revenue from own activities	SFDR	p. 82
ESRS 2 SBM-3 E4	16 (a) i	Activities that have a negative impact on biodiversity-sensitive areas	SFDR	Not specified, as use of the transition period
ESRS 2 SBM-3 E4	16 (b)	Land degradation, desertification or soil sealing	SFDR	Not specified, as

Mandatory disclosure	Associated data point		EU legislation	Number of pages
				use of the transition period
ESRS 2 SBM-3 E4	16 (c)	Endangered species	SFDR	Not specified, as use of the transition period
ESRS E4-2	24 (b)	Sustainable practices or concepts in the field of land use and agriculture	SFDR	Not specified, as use of the transition period
ESRS E4-2	24 (c)	Sustainable processes or concepts in the area of oceans/seas	SFDR	Not specified, as use of the transition period
ESRS E4-2	24 (d)	Concepts for combating deforestation	SFDR	Not specified, as use of the transition period
ESRS E5-5	37 (d)	Non-recycled waste	SFDR	p. 86
ESRS E5-5	39	Hazardous and radioactive waste	SFDR	p. 86
ESRS 2 SBM-3 S1	14 (f)	Risk of forced labor	SFDR	Not specified, as use of the transition period
ESRS 2 SBM-3 S1	14 (g)	Risk of child labor	SFDR	Not specified, as use of the transition period
ESRS S1-1	20	Commitments in the area of human rights policy	SFDR	Not specified, as use of the transition period
ESRS S1-1	21	Due diligence provisions relating to issues covered by fundamental conventions 1 to 8 of the International Labor Organization	BV	Not specified, as use of the

Mandatory disclosure	Associated data point		EU legislation	Number of pages
				transition period
ESRS S1-1	22	Procedures and measures to combat human trafficking	SFDR	Not specified, as use of the transition period
ESRS S1-1	23	Concept or management system for the prevention of occupational accidents	SFDR	Not specified, as use of the transition period
ESRS S1-3	32 (c)	Processing of complaints	SFDR	Not specified, as use of the transition period
ESRS S1-14	88 (b), (c)	Number of fatalities and number and rate of occupational accidents	SFDR/BV	Not specified, as use of the transition period
ESRS S1-14	88 (e)	Number of days lost due to injury, accident, death or illness	SFDR	Not specified, as use of the transition period
ESRS S1-16	97 (a)	Unadjusted gender pay gap	SFDR/BV	Not specified, as use of the transition period
ESRS S1-16	97 (b)	Excessive remuneration of members of the management bodies	SFDR	Not specified, as use of the transition period
ESRS S1-17	103 (a)	Cases of discrimination	SFDR	Not specified, as use of the transition period
ESRS S1-17	104 (a)	Non-compliance with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines	SFDR/BV	Not specified, as use of the

Mandatory disclosure	Associated data point		EU legislation	Number of pages
				transition period
ESRS 2 SBM-3 S2	11 (b)	Significant risk of child labor or forced labor in the value chain	SFDR	Not material
ESRS S2-1	17	Commitments in the area of human rights policy	SFDR	Not material
ESRS S2-1	18	Concepts related to labor in the value chain	SFDR	Not material
ESRS S2-1	19	Non-compliance with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines	SFDR/BV	Not material
ESRS S2-1	19	Due diligence provisions relating to issues covered by the International Labor Organization's fundamental conventions 1 to 8	BV	Not material
ESRS S2-4	36	Problems and incidents related to human rights within the upstream and downstream value chain	SFDR	Not material
ESRS S3-1	16	Commitments in the area of human rights	SFDR	Not specified, as use of the transition period
ESRS S3-1	17	Non-compliance with the United Nations Guiding Principles on Business and Human Rights, the ILO Principles or the OECD Guidelines	SFDR/BV	Not specified, as use of the transition period
ESRS S3-4	36	Problems and incidents in connection with human rights	SFDR	Not specified, as use of the transition period
ESRS S4-1	16	Concepts related to consumers and end users	SFDR	Not material
ESRS S4-1	17	Non-compliance with the United Nations Guiding Principles on Business and Human Rights of the OECD Guidelines	SFDR/BV	Not material
ESRS S4-4	35	Problems and incidents in connection with human rights	SFDR	Not material
ESRS G1-1	10 (b)	United Nations Convention against Corruption	SFDR	p. 91
ESRS G1-1	10 (d)	Protection of whistleblowers	SFDR	p. 92
ESRS G1-4	24 (a)	Fines for violations of corruption and bribery regulations	SFDR/BV	Not material

Mandatory disclosure	Associated data point		EU legislation	Number of pages
ESRS G1-4	24 (b)	Standards for combating corruption and bribery	SFDR	p. 98

Information in accordance with Article 8 of Regulation 2020/852 (Taxonomy Regulation)

EU Taxonomy

The EU taxonomy is a classification system that defines environmentally sustainable business activities. Companies required to report non-financial information must disclose the extent to which their operations align with the EU's sustainability objectives.

For industrial companies like Afarak, this means assessing the share of revenue, capital expenditure (CapEx), and restricted operating expenditure (OpEx) associated with activities that qualify under the EU Taxonomy Regulation (2020/852).

Under the regulation, activities are categorized as:

- Eligible: Activities that fall within the scope of the taxonomy.
- Aligned: Eligible activities that make a substantial contribution to at least one environmental objective while avoiding significant harm to others and complying with minimum safeguards on human and labor rights.

In 2024, the European Commission introduced additional technical screening criteria covering water management, circular economy, pollution prevention, and biodiversity (EU 2023/2486) and revised existing climate-related regulations (EU 2023/2485).

Afarak has evaluated its operations against EU taxonomy criteria and has determined that neither ferrochrome processing nor chrome ore mining qualifies as an eligible activity under the current framework.

Assessment of Afarak´s Business Activities

Non-Eligible Activities

Afarak's core business operations—ferrochrome production and chrome ore mining—are classified as non-eligible under EU taxonomy, meaning they do not contribute to the EU's defined sustainability objectives.

- Ferrochrome Production:
  - The high-energy smelting process used to produce ferrochrome does not meet the EU taxonomy's criteria for sustainability.
  - Emissions-intensive processes, such as carbon-based reduction in smelting, are not classified as sustainable activities.
- Chrome Ore Mining & Processing:
  - The extraction, beneficiation, and refining of chrome ore are not recognized as environmentally sustainable under the current EU taxonomy framework.
  - While responsible mining practices are followed, ore extraction remains non-eligible under the EU's defined environmental objectives.
- Energy Procurement:

- Although Afarak secures electricity for its furnaces, the company does not own renewable energy assets that could contribute to taxonomy-aligned sustainability targets.

Key Performance Indicators (KPI´s) for 2024

2024	Total EURM	Eligible & Aligned (%)	Eligible & Non-Aligned (%)	Non-Eligible (%)
Sales (Turnover)	128.6	0	0	100
Capital Expenditure	1.3	0	0	100
Restricted operating expenditure	0.0	0	0	100

Do No Significant Harm (DNSH) Criteria

Even though Afarak's activities are non-eligible, the company has taken measures to align with sustainability best practices, including:

- Climate Change Adaptation:
    - Physical risks to production sites have been assessed and integrated into the company's risk management strategy.
- Water & Biodiversity Protection:
    - All production sites comply with environmental regulations and operate under approved water management and biodiversity protection plans.
- Pollution Prevention & Control:
    - Emission control technologies are in place, and Afarak continues to evaluate methods for reducing environmental impact.

The company does not use prohibited substances, and where chemicals of concern are used, they are either:

1. Essential (recognized as Best Available Technology in EU industrial guidelines).
2. Insignificant in terms of total business operations.

Capital & Operating Expenditure Classification

Capital Expenditure (CapEx)

Taxonomy-reported capital expenditure is measured on a cash basis and includes:

- Purchases of property, plant, and equipment.
- Investment in production efficiency improvements.

As both ferrochrome processing and chrome ore mining are non-eligible, nearly all CapEx is classified as non-eligible. However, certain energy-efficiency upgrades and emission-reduction projects may be reassessed in the future for potential eligibility.

Restricted Operating Expenditure (OpEx)

Operating expenditure under the taxonomy includes:

- Maintenance and servicing costs for production assets.
- Research & development (R&D) costs related to process improvements.

Since Afarak's core activities remain non-eligible, the majority of associated OpEx also falls outside the EU taxonomy framework.

Research & Development Initiatives

Afarak's R&D efforts focus on process improvements that could reduce environmental impact. In 2024, Afarak's total R&D expenditure amounted to EUR 148,000, representing 0.1% of annual revenue.

Sustainability-Driven Initiatives

Although Afarak's core activities are non-eligible, the company remains committed to improving sustainability performance through:

- Energy Efficiency Investments: Exploring waste heat recovery and improved furnace technology.
- Circular Economy Strategies: Investigating slag reuse and by-product recycling to minimize waste.
- Carbon Reduction Initiatives: Researching bio-based reductants to replace fossil coke in ferrochrome smelting.
- Water Management Innovations: Strengthening recycling systems to reduce freshwater intake at production sites.

Conclusion & Outlook

As ferrochrome processing and chrome ore mining remain non-eligible activities, Afarak will continue to focus on sustainable operational improvements while monitoring regulatory updates. The company remains committed to adopting best practices that align with global environmental standards and will explore potential investments that could contribute to long-term sustainability objectives.

Afarak's EU taxonomy disclosure will evolve as new technical criteria emerge, ensuring compliance with the latest industry regulations.

Turnover

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total turnover, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Manufacture of ferroalloy	*c24.10*	*EUR (Millions)*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**y**			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0,00**	**0%**																
Total (A.1+A.2)		**0,00**	**0%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**128,6**	**100%**																
Total (A+B)		**128,6**	**100%**																

CapEx

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total CapEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Manufacture of ferroalloy	*c24.10*	*EUR (Millions)*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**y**			
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0,00**	**0%**																
Total (A.1+A.2)		**0,00**	**0%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		**1,25**	**100%**																
Total (A+B)		**1,25**	**100%**																

OpEx

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total OpEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Manufacture of ferroalloy	*c24.10*	*EUR (Millions)*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**y**			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0,00**	**0%**																
Total (A.1+A.2)		**0,00**	**0%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**0,00**	**100%**																
Total (A+B)		**0,00**	**100%**																

ESRS E1: Climate Change

E1-1: Transition plan for climate protection

Afarak demonstrates a strong commitment to environmental responsibility and sustainability and is actively seeking to reduce CO_2 emissions and integrate environmentally sustainable innovations into its production processes. In the reporting period, there is no transition plan for climate protection within the Group that meets the specific requirements of ESRS E1. However, a transition plan is now being developed across the Group in order to meet the requirements of the ESRS in the future. The individual Afarak sites will act independently to implement measures. This decentralized approach ensures compliance with the applicable national environmental laws and regulatory requirements. In future, the site-specific measures are to be systematically recorded and documented in a bundled form in the Climate Change Transition Plan at Group level - with responsibility for planning and implementation remaining with the respective sites.

The future transition plan, the "Climate Change Transition Plan", is intended to present the orientation and measures of the individual locations with regard to the challenges of climate change. It is to be implemented in 2025, or 2026 at the latest. It will serve as future documentation for the climate protection initiatives of the individual sites and ensure that they independently implement the necessary measures to achieve the defined environmental targets. This transition plan will thus strengthen the company's existing environmental and sustainability commitments.

ESRS 2 SBM-3 - E1: Significant impacts, risks and opportunities and their interaction with strategy and business model

Afarak has not yet carried out a resilience analysis of its strategy and business model in relation to climate change. However, such an analysis is planned as part of the Climate Change Transition Plan, which is intended to cover the extended, mandatory regulatory reporting. The plan is scheduled for completion by the end of 2026.

E1-2: Concepts related to climate change mitigation and adaptation

To date, Afarak has not adopted any independent concepts with regard to climate change, as the company follows the guidelines of the umbrella organizations ICDA and EUROALLIAGES. Both organizations pursue goals that are geared towards sustainability, market development and the representation of their members' interests. In addition, Afarak takes into account the specific local guidelines and requirements at its sites in Germany, Turkey and South Africa in order to design measures in line with national requirements.

Afarak is currently in the process of developing its own concept at Group level, the Climate Change Transition Plan. With this "Climate Change Transition Plan", which is expected to be adopted in 2025 and 2026, the Group aims to intensify its climate protection efforts and develop a clear strategic direction, which will be implemented in the years 2025 and 2026. The national and regional legal requirements and regulatory requirements that form the basis for the climate-related measures include in:

- Germany: Implementation of the Federal Climate Protection Act and the EU Emissions Directives, which stipulate emission limits and energy-efficient production methods.
- Turkey: Following the ratification of the Paris Green Deal, Turkey is pursuing national targets for reducing emissions, including industrial energy efficiency and minimizing CO_2 emissions.
- South Africa: Implementation of the National Environmental Management Act together with other climate targets that require a reduction in GHG emissions.

E1-3: Measures and resources in connection with the climate concepts

Afarak has not yet adopted any specific measures in connection with overarching climate concepts, but has implemented some operational measures that make an indirect contribution to climate protection. These measures prepare for future concepts and reporting, but are not currently embedded in an overarching climate strategy. A comprehensive "Climate Change Transition Plan" is in progress and is to be introduced by 2025/2026 in order to bundle climate protection measures and ensure the achievement of environmental targets.

Afarak's measures are designed to make various aspects of the company's operations more sustainable and minimize its environmental impact. The initiatives implemented include the expansion of renewable energies and the optimization of processes to conserve resources and comply with local regulations:

Emission reduction and environmental management

This includes initiatives and optimizations of production processes to improve energy management and reduce CO_2 emissions and energy consumption with the aim of minimizing the ecological footprint. In addition, work began this year at the German site to reform the existing energy management system in accordance with ISO 50001:2018, which aims, among other things, to raise employee awareness of this issue and promote proactive, energy-conscious action. The introduction of the LCA process at all key locations supports these measures by systematically analysing environmental impacts and identifying data-based optimization potential.

Use of renewable energies

Projects that promote the use of renewable energies are supported at the various sites in order to ensure more sustainable operations. This year, investments were again made in the expansion of photovoltaic systems, accompanied by an examination of further expansion potential.

ESG integration and control

This includes the implementation of internal audits and risk management systems that take ESG aspects into account and thus monitor compliance with environmental targets. In addition, an ESG team was established this year, which is responsible for preparing reports, consolidating ESG-related data from all locations and further developing the ESG strategy. The implementation of the LCA process provides a valuable data basis for ESG reporting and supports the continuous monitoring and improvement of environmental performance at all key locations.

Strategic development

The work on a "Climate Change Transition Plan" aims to coordinate and standardize all climate protection measures across the Group in order to achieve long-term environmental goals more efficiently.

Afarak also works closely with these organizations as a member of the umbrella associations and EUROALLIAGES. Both associations promote dialog with political institutions and member companies in order to advance goals regarding sustainability, climate protection, energy efficiency and responsible production. The guidelines and insights offered by ICDA and EUROALLIAGES support companies in complying with international standards and further developing their ESG strategies.

Contributions from the associations

- Promoting sustainability: The ICDA advises its members on sustainability issues by providing guidelines and scientific findings that promote the development of sustainable production processes. It supports the exchange between members and thus contributes to compliance with international environmental standards.
- Regulatory monitoring: Both organizations advise members on international regulations such as the REACH Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals) and play an active role in shaping the regulatory framework.
- Energy efficiency and climate neutrality: EUROALLIAGES promotes the reduction of energy consumption in production and develops strategies to integrate the industry into the EU climate targets, including the switch to renewable energies and low-emission technologies.
- Scientific research and innovation: ICDA and EUROALLIAGES fund studies on the safe and efficient use of chromium and on increasing production efficiency.
- Stakeholder dialogue: Both associations organize conferences and seminars to promote exchange between members and relevant stakeholders.
- Market promotion: The ICDA is working to open up new markets for chrome products and support existing applications.

Time horizons

The time horizons for implementing Afarak's key climate protection measures can only be communicated once the strategic development of the "Climate Change Transition Plan" has been completed. This plan will include a roadmap setting out the time horizons for the implementation and completion of the individual measures. Until then, Afarak will continue to work on individual environmental measures and improving the sustainability of its processes.

Mitigation measures for actual significant impacts

Afarak will not be able to disclose information on mitigation measures for material impacts, related results and progress, capital and operating expenditures, and any decarbonization levers until the development of the Climate Change Transition Plan and associated data collection is complete.

E1-4: Goals related to climate protection and adaptation to climate change

Afarak has not yet adopted any specific measurable and results-oriented targets in connection with climate change. Nevertheless, the Group intends to develop such targets as part of the planned Climate Change Transition Plan. Once the transition plan has been finalized, specific measurable targets will also be defined and evaluated using relevant key figures. The exact reference period from which progress will be measured systematically and using specific indicators will also be defined. Until then, the assessment will be based on existing general ESG practices and internal monitoring processes.

Although no formal targets have been set to date, Afarak nevertheless addresses the effectiveness of the strategies and measures with regard to the material impacts, risks and opportunities in the context of climate change. Qualitative indicators are currently used to assess progress, such as internal audits and ESG reports that monitor the effectiveness of the measures. Quantitative indicators such as emissions data and energy consumption metrics are also part of the data collection to set benchmarks and support long-term performance targets. In the manner described below, Afarak ensures that, despite the lack of specifically defined targets, the effectiveness of environmental measures is always kept in view and continuously adjusted:

Risk management and ESG integration

In future, Afarak's risk management system will be expanded to include ESG aspects by incorporating the double materiality assessment. This will enable the structured identification of environmental and climate risks and their targeted management through appropriate measures.

Internal audits and controls

Regular internal audit processes are used to check compliance with and the effectiveness of measures to reduce emissions and promote sustainable practices. The audits are reported to the BoD and the Audit Committee. In addition, the ESG team monitors the entire ESG management and reports regularly to the BoD. The BoD also has ultimate oversight of compliance with and the effectiveness of the climate strategies.

Key figures and metrics

Although specific climate-related targets are still being developed, Afarak uses existing indicators to assess energy consumption, emissions and resource use. These metrics are used to monitor progress and identify opportunities for improvement. With regard to data collection, processes have been implemented to monitor and adjust environmental performance.

The foregoing is also supported by the gradual implementation of the LCA at all sites. The process began with coverage of the most energy-intensive site in Germany and has been extended to all other key sites since 2024. This ensures consistent and comprehensive recording and analysis of key figures and metrics.

E1-5: Energy consumption and energy mix

Climate-intensive sectors

Climate-intensive sectors are used to determine energy intensity. At Afarak, these include the mining sites, in particular the mining of chrome ore, the extraction of chrome ore concentrate and the processing industry, which includes the processing of the extracted raw material for the production of ferrochrome.

Net revenue from the climate-intensive sectors

Both of the above sectors are climate intensive and require significant energy resources. Close monitoring and management of these activities is critical to minimizing environmental impacts and achieving sustainability goals. The two energy-intensive sectors are described in more detail below and the net revenues from these areas are presented:

FerroAlloys (South Africa)

This division comprises the Vlakpoort, Zeerust and Mecklenburg mines in South Africa. The main activity is the extraction of chrome ore, which is produced for sale on the global markets. The mining and processing of chrome ore are processes that require a great deal of energy. Although this area only accounts for a small proportion of the Group's total sales, it remains a key aspect of Afarak's raw material sourcing and marketing strategy.

Specialty Alloys (Turkey & Germany)

This section focuses on the production of ferrochrome-based specialty products from high-grade chrome ore. Mining takes place in Turkey, while the processing plant is located in Germany. These highly specialized products are supplied to leading companies in the aerospace, medical steel production and automotive industries. Energy-intensive production plays a central role in the international markets for high-quality alloys. This area is also Afarak's strongest in terms of sales and plays a key role in the company's value chain. The following table provides a breakdown of revenue from these climate-intensive sectors:

	Reporting year	**Unit**
Revenue from activities in climate-intensive sectors used to calculate energy intensity (FerroAlloys)	16,576,758.41	Monetary (€)
Sales from activities in climate-intensive sectors used to calculate energy intensity (specialty alloys)	111,275,018.42	Monetary (€)
Total sales in climate-intensive sectors (conclusion)	**127,851,776.83**	**Monetary (€)**

The following energy intensity can be calculated from these sales:

	Reporting year	**Unit**
Total energy consumption from activities in climate-intensive sectors / turnover from activities in climate-intensive sectors	**922**	**(Energy in MWh/Monetary (€ million)**

Afarak's energy consumption and energy mix are made up as follows:

Calculation according to the current energy mix of the IEA (as of 06.02.2025: DEU = 2023, ZAF = 2022, TUR = 2023)	**Reporting year**	**Unit**
Fuel consumption from coal and coal products	0	Energy (MWh)

Fuel consumption from crude oil and petroleum products	19,519	Energy (MWh)
Fuel consumption from natural gas	4,318	Energy (MWh)
Fuel consumption from other fossil sources	0	Energy (MWh)
Consumption from purchased or received electricity, heat, steam and cooling and from fossil sources (Scope 2)	44,308	Energy (MWh)
Total consumption of fossil energy	**68,145**	**Energy (MWh)**
Share of fossil sources in total energy consumption	57.83	Percentage (%)
Consumption from nuclear power sources	121	Energy (MWh)
Share of consumption from nuclear sources in total energy consumption	0.10	Percentage (%)
Fuel consumption for renewable sources, including biomass (also industrial and municipal waste of biological origin, biogas, hydrogen from renewable sources, etc.)	0	Energy (MWh)
Consumption from purchased or received electricity, heat, steam and cooling and from renewable sources	49,576	Energy (MWh)
Consumption of self-generated renewable energy that is not fuel	0	Energy (MWh)
Total consumption of renewable energy	**49,576**	**Energy (MWh)**
Share of renewable sources in total energy consumption	42,07	Percentage (%)
Total energy consumption	**117,842**	**Energy (MWh)**

* Reference to the OWN company and not supply chain

E1-6: Gross GHG emissions in Scope 1, 2 and 3 categories and total GHG emissions

Gross GHG emissions

The 2024 reporting year is the first year in which Afarak publishes a CSRD report detailing its corporate carbon footprint (CCF). Accordingly, 2024 is the base year for future calculations

Gross GHG emissions

The total GHG emissions are recorded. Different emissions are generated in Scope 1, Scope 2 and Scope 3. The emissions are broken down in detail below.

Gross GHG emissions		
	Reporting year	**Unit**
Scope 1 GHG emissions		
Scope-1 GHG gross emissions	29,721	GHG emissions (tCO_2e)
Percentage of Scope 1 GHG emissions from regulated emissions trading schemes	5	Percentage (%)

Scope 2 GHG emissions		
Site-related Scope 2 GHG gross emissions	43,037	GHG emissions (tCO_2e)
Market-related Scope 2 GHG gross emissions * Calculation using the residual mix	29,878	GHG emissions (tCO_2e)
Scope 3 GHG emissions		
Total indirect (Scope 3) gross GHG emissions	**71,320**	**GHG emissions (tCO_2e)**
Purchased goods and services	62,345	GHG emissions (tCO2e)
Activities related to fuels and energy (not included in Scope 1 or Scope 2)	1,879	GHG emissions (tCO2e)
Upstream transportation and distribution	6,918	GHG emissions (tCO2e)
Waste generation in companies	178	GHG emissions (tCO2e)
Total GHG emissions		
Total GHG emissions (location-based)	**144,078**	**GHG emissions (tCO_2e)**
Total GHG emissions (market-related)	**130,919**	**GHG emissions (tCO_2e)**

GHG emissions from Afarak - composition and analysis of scopes

Afarak's GHG emissions are made up of the three standardized scopes of the Greenhouse Gas (GHG) Protocol: Scope 1, Scope 2 and Scope 3. These cover all major sources of emissions along the value chain.

Scope 1: Direct emissions on site

Scope 1 comprises all direct emissions resulting from operational activities on site, such as the combustion of fossil fuels in production facilities or vehicles. This area accounts for the smallest share of the Group's total GHG footprint.

Scope 2: Emissions from purchased electricity

Scope 2 takes into account the indirect emissions caused by the purchase of electricity, heat or steam. These emissions depend heavily on the energy sources of the respective locations. They play an important role at Afarak, particularly at energy-intensive locations such as Germany.

Scope 3: Indirect emissions along the value chain

Scope 3 accounts for by far the largest share of Afarak's emissions. Various categories along the upstream and downstream value chain are taken into account here, including:

- Category 1: Purchased goods and services consumed in the reporting year.
- Category 3: Fuel and energy-related activities that do not fall under Scope 1 or 2.
- Category 4: Upstream transportation and distribution.
- Category 5: Waste generated during operation.

Summary of the distribution

The analysis of the distribution of emissions shows that the largest share of GHG emissions at Afarak, more than half of the total footprint, is attributable to Scope 3. Scope 2 follows with a significant but much smaller contribution, while Scope 1 accounts for the smallest share of emissions.

The reduction of emissions in Scope 1 and Scope 2 is largely within Afarak's direct control, as emissions can be reduced through targeted measures. These measures include, for example, process optimization, energy efficiency programs, the purchase of electricity from renewable sources instead of fossil fuels or grid electricity and the in-house production of electricity, for example from solar energy.

On the other hand, Scope 3 can only be influenced by direct measures to a limited extent, as these emissions occur along the upstream and downstream value chain and are heavily dependent on external factors such as suppliers, transport partners and end consumers. Nevertheless, the reduction of Scope 3 emissions remains a central starting point for the Group's long-term sustainability strategy, as it has the greatest impact on the carbon footprint.

Biogenic emissions

The biogenic emissions of CO_2 caused by Afarak are disclosed in the following table:

	Reporting year	**Unit**
Biogenic CO_2 emissions from the combustion or biodegradation of biomass that are not reported in Scope 1+ Scope 2 GHG emissions* *Calculation with biomass wood factor	**175.7**	GHG emissions (tCO_2e)
Biogenic CO_2 emissions from the combustion or biodegradation of biomass that occur in the upstream and downstream value chain and are not reported in the Scope 3 gross GHG emissions**	N/A	GHG emissions (tCO_2e)

*Emissions of other types of greenhouse gases (in particular CH_4 and N_2O) are included in Scope 1 GHG emissions and Scope 2 GHG emissions respectively.
**Emissions of other types of greenhouse gases (in particular CH_4 and N_2O) and CO_2 emissions that occur within the life cycle of biomass other than from combustion or biodegradation (for example, GHG emissions from the processing or transportation of biomass) are included in the calculation of Scope 3 GHG emissions.

Greenhouse gas intensity

The greenhouse gas intensity (GHG intensity) is calculated from Afarak's total turnover. The turnover used for the calculation is shown in the table below:

	Reporting year	**Unit**
Turnover (from climate-intensive sectors)	127,851,777	Monetary (€)
Other sales (from non-climate-intensive sectors)	789,227	Monetary (€)
Total sales (in the financial statements)	**128,641,004**	**Monetary (€)**

Afarak's total emissions amounted to 144,078 tCO_2e in the reporting year. They were applied to the total turnover in order to calculate the GHG intensity. The calculation results in a GHG intensity of around 1,120 tCO_2e per million euros in sales.

	Reporting year	Unit
Total GHG emissions (location-based) per turnover	**1,120**	**GHG emissions in tCO_2e / monetary (€ million)**
Total GHG emissions (market-related) per turnover	**1.018**	**GHG emissions in tCO_2e / monetary (€ million)**

Calculation method and emission factors

Afarak calculates the CCF, which includes the GHG emissions of the sites in Germany, Turkey and South Africa, with the support of *Sphera software*. This software is based on the specifications of the GHG Protocol, which is recognized by the ESRS as the authoritative standard. The calculation includes the following methods, assumptions and emission factors:

Areas covered

- Scope 1: Direct emissions from the sites, such as from the combustion of fossil fuels.
- Scope 2: Indirect emissions as a result of purchased energy.
- Partial Scope 3: Includes categories 1 (goods and services purchased and consumed), 3 (energy-related activities), 4 (upstream transportation and distribution) and 5 (operational waste).

Areas not covered

Certain categories are not included in Scope 3 at Afarak, including:

- Category 1: Goods not consumed but purchased. (Afarak avoids inventories as much as possible and purchased goods are largely consumed just-in-time. In this way, Afarak not only helps to conserve resources, but also minimizes potential emissions from unused materials, making this category negligible for the Group).
- Category 2: Capital goods. (Afarak's capital goods have a comparatively long useful life and their proportionate annual emissions are negligible in relation to total emissions).
- Category 6 to 15: Business travel, employee commuting, downstream transportation, end-of-life (EoL) treatment of products sold and other categories such as franchise agreements and investments. (These categories do not exist or are so marginal that they have been classified as negligible. Their emissions make up too small a proportion of Afarak's total emissions compared to the material categories such as energy consumption and raw material production).

Application of methods

The calculation of emissions is based on energy consumption and material flow data from the production site in Germany, the chrome ore mines in South Africa and Turkey. The data is multiplied by specific emission factors taken from reliable international sources such as the International Energy Agency (IEA) and national databases.

Life cycle analysis (LCA)

Although LCAs are mainly product-related, Afarak uses this methodology to partially capture Scope 3 emissions and ultimately integrate them into the CCF. These analyses are based on the ISO 14040 and 14044 standards.

Calculation tools

For the CCF calculations, Afarak uses specialized LCA software from *Sphera*, which ensures a comprehensive database and precise modelling. This is based on the ecoinvent database, which is one of the world's leading sources for environmental and life cycle analyses and is regularly updated. *Sphera* is one of the world's largest and regularly updated databases, specially optimized for the metals and raw materials industry. This process enables a transparent and systematic presentation of climate-relevant corporate activities. The current CCF data is based on the extraction of chrome ore, chrome concentrate and the production of low carbon ferrochrome (LC FeCr) at the key sites mentioned above.

Justification of the methods

Afarak uses the LCA method and the *Sphera* software, as these make it possible to analyze the environmental impact of Afarak's processes and products in detail. The LCA process provides a structured and standardized method that is directly compatible with the requirements of international standards such as the GHG Protocol and ISO 14040/44.

The use of *Sphera* ensures that:

- Data quality and consistency are guaranteed by access to comprehensive databases such as ecoinvent.
- precise calculations of emissions and environmental impacts, taking into account specific site conditions.
- transparency and traceability for reporting in accordance with ESRS standards.

This combination means that Afarak not only fulfills regulatory requirements, but also creates a sound basis for strategic decisions on emissions reduction and sustainability.

E1-8: Internal CO_2 pricing

Afarak does not currently have an internal carbon pricing system. Instead, the Group focuses on direct measures to reduce emissions, such as optimizing processes and promoting renewable energies as well as the sustainable optimization of business activities. However, Afarak will regularly evaluate whether such a measure can contribute to supporting its sustainability goals in the future.

E1-9: Expected financial effects of significant physical and transition risks and potential climate-related opportunities

For this disclosure requirement, Afarak makes use of the transition period in accordance with ESRS E1-9. The disclosure requirements on the expected financial effects of significant physical risks, transition risks and potential climate-related opportunities that were not fulfilled in the reporting period are addressed exclusively in qualitative terms in this first reporting year, as it is not currently feasible to prepare quantitative disclosures. In future, this information will form part of the planned "Climate Change Transition Plan", which is expected to be completed in 2025/2026. Quantitative information will be provided as soon as the necessary data and analyses are available.

ESRS E2: Pollution

E2-1: Concepts related to environmental pollution

Afarak has not yet adopted any formalized pollution reduction concepts that meet the specific requirements of ESRS E2. Nevertheless, the company has long been active in implementing site-specific measures aimed at minimizing environmental impact. These activities include the optimization of production processes, the promotion of the circular economy and the use of low-emission technologies. They are based on the guidelines of the umbrella organizations ICDA and EUROALLIAGES as well as local legal requirements.

The "Climate Change Transition Plan" planned until 2025/2026 will transform these existing initiatives into a comprehensive Group-wide concept in order to meet the requirements of ESRS E2. Until then, the focus will be on the continuation and further development of current measures to address environmental pollution in a targeted and effective manner at the respective locations.

The following sections provide an overview of Afarak's activities in this area to date.

1. Adoption of guidelines from umbrella organizations

Afarak is guided by the environmental guidelines of the umbrella organizations ICDA and EUROALLIAGES, which serve as a standardized and industry-specific framework for sustainable processes. These guidelines are implemented on a site-specific basis in order to meet local conditions and legal requirements.

Joint measures and priorities

Both umbrella organizations emphasize the importance of sustainable pollution reduction practices, which are integrated into Afarak's processes as follows:

- **Emission control:** Afarak uses modern filter technologies at its production sites to reduce emissions and significantly improve air quality.
- **Waste management:** The company continuously optimizes its production processes in order to minimize waste volumes. For example, slag is processed and used for local purposes such as road construction, which helps to promote the circular economy.
- **Cooperation with authorities:** All sites work closely with local authorities to comply with strict environmental standards. This ensures that compliance with local regulations and international best practices is always prioritized.

Specific contributions from ICDA and EUROALLIAGES

- **ICDA:** The ICDA promotes the circular economy by recycling and reusing chrome products. At the same time, it supports its members in the introduction of technologies that minimize air and waste pollution in chrome production. The ICDA also works closely with international authorities to shape global environmental standards, which Afarak implements in its processes.
- **EUROALLIAGES:** EUROALLIAGES places particular emphasis on the reduction of pollutant emissions and waste management. This includes the promotion of low-emission technologies and energy-efficient processes. The association's strategic guidelines support Afarak in optimizing its operations and developing sustainable production practices.

2. Site-specific requirements

Responsibility for environmental measures lies with the respective locations in Germany, Turkey and South Africa. These locations act independently to meet the legal requirements and environmental targets of the respective countries. Due to local differences, it is currently difficult to implement a uniform strategy at Group level.

3. Climate Change Transition Plan in progress

Afarak is currently working on a Group-wide "Climate Change Transition Plan". This plan is intended to coordinate the existing site-specific environmental targets and measures and create a Group-wide framework structure. This will ensure that key issues such as reducing pollution, resource efficiency and compliance with environmental standards are included in the planning.

Afarak is committed to ensuring that this plan is consistent with the requirements of ESRS E2 (Pollution) and other relevant standards. In future reports, the progress documentation of this plan will be presented transparently in order to meet stakeholder expectations and ensure consistent reporting

E2-2: Measures and resources related to environmental pollution

Afarak has not yet implemented any uniform measures to combat environmental pollution. Instead, responsibility for implementing and enforcing environmental protection measures lies with the individual sites in Germany, Turkey and South Africa. These sites carry out locally adapted measures to reduce environmental pollution in the areas of air, water and soil in accordance with the legal requirements of the respective countries. In addition to optimizing production processes to minimize waste and emissions, this also includes the use of sustainable technologies and processes at the sites to reduce air, water and soil pollution. Continuous monitoring ensures that all processes comply with local and international environmental standards.

Local measures

Germany (Elektrowerk Weisweiler GmbH)

- Air filter systems to reduce emissions during production processes.
- Water treatment plants to minimize discharges into local waters.
- Rainwater collection basins that reduce the consumption of fresh water.

Turkey and South Africa (mining sites)

- Water treatment plants for the recycling of process water.
- Access to well water as a measure to reduce drinking water consumption.
- No chemical agents are used in the extraction of chrome ore concentrates.

In addition to these measures, the local sites comply with country-specific environmental regulations with regard to emission limits and waste management. This also includes regular monitoring and reporting on environmental impacts in accordance with the requirements of the local authorities.

With the development of a new "Climate Change Transition Plan" in the period 2025/2026, Afarak intends to establish an overarching corporate strategy that coordinates the specific environmental targets and measures of the various sites across the Group. The targets will continue to be adapted to the respective local requirements, as each country formulates different requirements and objectives.

E2-3: Targets related to environmental pollution

There are currently no specific, measurable and results-oriented pollution reduction targets. As part of the development of the Climate Change Transition Plan, Afarak will consider whether measurable pollution reduction targets can be set. The plan will also define the reference period that could be used to measure progress in pollution reduction.

Despite the lack of formal targets, Afarak tracks the effectiveness of its strategies and measures with regard to significant impacts, risks and opportunities related to pollution. These measures aim to ensure that pollution reduction strategies are systematically evaluated, monitored and adapted to new requirements as needed:

Risk management and ESG integration

A comprehensive risk management system that integrates ESG aspects enables the identification, analysis and assessment of environmental pollution risks, including potential pollution of air, water and soil.

Internal audits and controls

Regular internal audit processes check compliance with and the effectiveness of measures to reduce air, water and soil pollution and identify areas that need to be optimized. The results are presented to the BoD and the Audit Committee. In addition, the ESG team continuously monitors the further development of regulatory requirements in accordance with the ESRS standards in the areas of environment, social affairs and corporate governance and regularly informs the BoD of the findings and any necessary measures. The BoD is responsible for the ultimate supervision of ensuring the effectiveness of and compliance with measures to reduce environmental pollution and regularly reviews progress and confirms any necessary adjustments.

Key figures and metrics

Although specific, measurable targets are still being developed, current metrics are used to monitor emissions, waste management and resource use. This data supports the evaluation of progress and promotes continuous improvement.

E2-4: Air, water and soil pollution

Ferrochrome production and chrome ore extraction at Afarak generate emissions that (potentially) pollute the air, water and soil.

Afarak is not only committed to complying with legal requirements, but also pursues the goal of making its production processes as environmentally friendly as possible. Here, the focus is on continuously reducing emissions and environmental impact in order to ensure sustainable production.

Nevertheless, environmental pollution cannot be completely avoided in industrial processes. Afarak therefore focuses on keeping unavoidable pollution to a minimum and actively implementing measures to further optimize environmental impact. This basic attitude forms the basis for the use of modern environmental technologies and the responsible use of natural resources at all sites.

The following table shows the pollution of air, water and soil in our own operations:

	Reporting year	Unit
Air pollution		
Chromium and its compounds	234	Mass (in kg)
Pollution of the water		
Nitrogen (discharge into receiving water)	17	Mass (in kg)

Air pollution

Ferrochrome production is an energy-intensive process that can release pollutants into the air in addition to GHG emissions. During the reporting period, air pollutants were emitted during production, in particular chromium and its compounds. These emissions mainly arise during the thermal processes in the smelting furnaces, where chrome ore is processed into ferrochrome at high temperatures.

Afarak meets the legal requirements by using modern filter and exhaust gas purification systems that are specially designed to minimize emissions of chromium and its compounds. Compliance with the limit values is ensured by continuous emission monitoring and regular inspections by the authorities.

Although the reported chromium emissions comply with current legal requirements, Afarak is committed to continuous improvement. The company is continuously testing and implementing advanced technologies to further reduce emissions and minimize environmental impact.

Pollution of the water

Afarak's production processes generate a small amount of water pollution, which is largely minimized by operating its own wastewater treatment plant. The remaining small amount of nitrogen discharged into a receiving watercourse cannot yet be completely avoided. This discharge complies with current legal requirements and is within the limits set by the relevant authorities.

Compliance with these requirements is monitored through strict and regular inspections by the authorities responsible for approving and inspecting wastewater discharges. Afarak works closely with these authorities to ensure that all water legislation requirements are met.

In addition to self-monitoring by Afarak's in-house laboratory, which carries out regular analyses and submits the results to the authorities, random samples are also taken by the authorities. These unannounced samplings by the responsible authorities ensure that all specifications are continuously adhered to and that there are no violations.

Afarak remains committed to further optimizing its wastewater processes in order to continue to reduce water pollution and meet the highest environmental standards.

Contamination of the soil

Chrome ore is extracted at Afarak completely without the use of chemicals. This applies both to the activities in the underground mines in Turkey and to the extraction of the chrome ore concentrate. As a result, there is no chemical contamination of the soil, which is why the issue of soil pollution does not directly apply to Afarak's processes.

Nevertheless, residues are produced during processing in the form of tailings, which are stored on the surface. Although these residues do not constitute direct soil pollution, Afarak considers the issue of soil to be essential, as physical and indirect environmental impacts such as erosion or sediment displacement could occur. In order to avoid any adverse effects and actively contribute to the preservation of healthy soils, the Group therefore attaches great importance to the responsible storage of tailings.

Afarak relies on sustainable and environmentally friendly extraction processes that ensure both soil quality and the long-term conservation of resources.

Monitoring of pollutant emissions

Afarak uses a variety of measurement methods to monitor pollutant emissions to ensure that the company keeps an eye on its emissions and meets all legal requirements:

Cooperation with official measuring institutes

Afarak cooperates with external, officially recognized measuring institutes that carry out regular and independent investigations of emission sources. This partnership not only ensures compliance with legal requirements, but also provides an objective assessment of the ecological impact.

Own chemical laboratory

With its in-house chemical laboratory, Afarak is able to continuously take samples and analyze pollutant concentrations in air and water directly on site. This capability enables the prompt and precise identification of irregularities, ensuring consistently high quality control of emissions.

Dust-tight measuring method

To monitor air emissions, Afarak uses dust-tight measurement technologies that record the concentration of particles in the air. These measures ensure compliance with defined limit values for dust and fine particles.

Analysis of wastewater volumes

Afarak's wastewater is routinely monitored and analyzed, whereby both the concentration of pollutants and the total volume of wastewater are monitored on the basis of the specified discharge guidelines. This makes it possible to precisely control the total load discharged into the water and to comply with the legal regulations on wastewater disposal.

Data collection for environmental accounting

For environmental accounting and reporting, Afarak collects comprehensive data on emissions, waste and resource consumption from various internal and external sources. This data is consolidated using the LCA process to provide standardized and structured information from all sites. This ensures coordinated further processing of the data, which forms a sound basis for analysis and reporting. The central processes and sources of information are listed below:

- Air and water emissions: The continuous monitoring methods and sampling for air and water emissions include data from official measuring institutes as well as from the in-house chemical laboratory. This data includes the concentrations of pollutants and the quantities of waste water.
- Emissions: Afarak's emissions are not measured directly, but are based on standardized calculations using specific emission factors. This methodology is preferred as direct emission measurements at all sites are currently not technically feasible, economically viable or regulatory necessary. The calculations are based on internationally recognized sources, in particular those of the IEA, to ensure a precise and consistent evaluation.

- Waste and recycling data: Internal reports and records of the disposal processes provide detailed information on the waste generated and the proportion of recycling.
- Energy and water use: Production reports and consumption data from the systems provide a comprehensive view of the resources used and play a decisive role in the environmental balance.

E2-6: Expected financial effects of impacts, risks and opportunities related to pollution

Afarak is making use of the transition period in accordance with ESRS E3-5 and is not disclosing the relevant information. This information will be part of the future "Climate Change Transition Plan", which is currently being developed and is expected to be finalized in 2025/2026. Quantitative information will be provided as soon as the necessary data and analyses are available.

ESRS E3: Water and Marine Resources

E3-1: Concepts related to water and marine resources

Afarak has not yet adopted any formalized concepts for the use and conservation of water and marine resources that meet the specific requirements of ESRS E3. Nevertheless, the company has long been implementing site-specific measures aimed at optimizing water consumption and minimizing the impact on water resources. These activities include the use of modern water recycling systems, the introduction of efficient wastewater treatment processes and the reduction of water pollution.

The planned "Climate Change Transition Plan" will transform these existing initiatives into a comprehensive Group-wide document in order to meet the requirements of ESRS E3. Until then, the focus will be on the continuation and further development of current measures to promote the sustainable use and protection of water resources in a targeted and effective manner at the respective locations.

The following sections provide an overview of Afarak's activities in this area to date.

1. Adoption of general guidelines of the organizations

Afarak follows the general strategic guidelines of the ICDA and EUROALLIAGES to promote sustainable processes. These guidelines are implemented through technologies for the reuse and recycling of process water. At Afarak's sites, this is achieved through closed-loop water systems, which significantly reduce both fresh water consumption and wastewater discharges.

Afarak also attaches great importance to minimizing water pollution. The company's own wastewater treatment plants and optimized wastewater treatment processes significantly reduce the discharge of pollutants into water resources. The company recycles up to 95% of the process water at the mine sites, which makes a significant contribution to conserving resources.

In the spirit of promoting innovative solutions, Afarak uses alternative water sources such as rainwater and well water to further reduce dependence on fresh water resources - an important factor, especially for mine sites in water-scarce regions.

2. Site-specific requirements

Responsibility for the use of water and marine resources lies with the Group's sites in Germany, Turkey and South Africa. These operate independently in order to take account of the varying legal conditions and environmental protection requirements in the individual countries. In view of these differences, it is currently difficult to implement a uniform strategy at Group level.

3. Climate Change Transition Plan currently being planned

Afarak is currently developing a "Climate Change Transition Plan" with the aim of coordinating the existing environmental protection targets and measures across the Group and establishing a structured framework. The plan is intended to ensure that key issues such as the sustainable use of water resources, wastewater management and compliance with relevant water standards are given appropriate consideration.

Afarak is committed to meeting the requirements of ESRS E3 (Water and Marine Resources) and other relevant standards with this plan. Future reports will transparently document progress in implementing this plan to meet stakeholder expectations and ensure consistent reporting.

E3-2: Measures and resources related to water and marine resources

In the reporting period, Afarak did not introduce any specific measures with regard to water and marine resources. However, Afarak has a large number of ongoing and already implemented measures that have been successfully contributing to the sustainable use and conservation of water resources for years.

Location-oriented personal responsibility

At the locations in Germany, Turkey and South Africa, individually adapted water management measures are implemented independently. This approach has proven to be sufficient to meet all applicable legal requirements and standards in the area of water resources.

- Ongoing measures: The activities implemented include water conservation, recycling and the protection of local water sources, which have been operating successfully for years.
- Optimizations: These systems are regularly reviewed and improved in order to further increase efficiency and meet local environmental requirements.

Sector-specific requirements of the umbrella organizations

As described above, Afarak follows the environmental guidelines of the ICDA and EUROALLIAGES. Although these organizations set general environmental guidelines for the industry, they do not include specific regulations regarding water and marine resources. Nevertheless, Afarak also follows the general guidelines of the umbrella organizations in the area of water use to integrate environmentally friendly processes and promote the minimization of environmental impacts. These guidelines are integrated into the existing water management systems.

Future strategic orientation

As part of the planned "Climate Change Transition Plan", Afarak will document the existing, already well-functioning water management measures by continuously reviewing the existing measures in order to ensure their effectiveness and identify any potential for improvement. The aim is to maintain Afarak's high standards and to further expand them in a targeted manner in order to ensure the long-term and sustainable use of water resources at all sites. The autonomy of the sites with regard to local requirements will continue to be taken into account.

E3-3: Goals related to water and marine resources

At present, Afarak has not set any specific, measurable or results-oriented targets or quantitative or qualitative indicators to assess progress in the area of water and environmental protection. This is due to the fact that the company already has well-functioning water management measures in place that do not currently require any significant changes.

As part of the planned "Climate Change Transition Plan", the focus in this area will be on continuously reviewing the efficiency of existing processes. The aim is to ensure that these measures meet Afarak's high standards and are optimized where necessary. Measurable and results-oriented targets and specific indicators can be defined in this context if required.

Through this approach, Afarak ensures the systematic and sustainable further development of water management without unnecessarily changing the already established and functioning processes.

The main responsibility for monitoring environmental measures lies with the management of the respective sites. This ensures compliance with all local requirements and standards, including the regular review and adaptation of measures to current environmental conditions. The sites report regularly on the progress and status of their environmental initiatives to the Group's EMT. Afarak itself assumes an overarching control function to ensure comprehensive compliance with local requirements. This enables consistent monitoring and coordination of measures at all sites and allows any necessary corrections or additional support to be initiated in a targeted manner.

E3-4: Water Consumption

Total water consumption and water intensity

The total water consumption of Afarak amounts to 5,659,047 m³ and is made up of the following sources:

	Reporting year	Unit
Total water consumption	5,659,047	Volume (m³)
Total water consumption in water-prone areas, including areas with high water stress	5,476,195	Volume (m³)
Total amount of water recovered and reused	127,087 Rainwater 5,142,000 95% of the process water	Volume (m³)
Total stored water	5,000	Volume (m³)
Changes in water storage	0	Volume (m³)
Water intensity	**43,991**	Volume (m³) / total turnover (€ million)

Water recycling and reuse

A total of 5,269,087 m³ of water consumption was successfully recycled and reused.

Water quality and water catchment areas

The water quality and the specific catchment areas are regularly monitored at each site. Drinking water is sourced from local suppliers and meets the regionally defined drinking water standards. Rainwater and well water are adapted to the conditions at the individual sites and are regularly checked for compliance with local quality standards. There is a high level of water stress at the mine sites in South Africa and Turkey, as these regions are characterized by limited water availability. This requires particularly efficient use of water in order to minimize the impact on local water resources. Measures for water conservation and sustainable use, such as the reuse of process water and the optimization of water consumption in operating processes, are therefore an integral part of the operational water strategy.

Data collection and methodology

The water consumption data is based on direct measurements and regular records, using industry-specific factors to categorize consumption from different sources. Standardized measuring devices and regional legal standards such as local environmental regulations and ISO standards (where applicable) are used for data collection and documentation.

Calculation basis

The data on total consumption and individual categories is based on annual records and monthly consumption reports that have been carefully calculated and analyzed. Measures to reuse and recycle water are based on internal efficiency programs to conserve resources, which are continuously updated.

E3-5: Expected financial effects of impacts, risks and opportunities related to water and marine resources

Afarak is making use of the transition period in accordance with ESRS E3-5 and is not disclosing the relevant information. This information will be part of the future "Climate Change Transition Plan", which is currently being developed and is expected to be finalized in 2025/2026. Quantitative information will be provided as soon as the necessary data and analyses are available.

ESRS E5: Resource Use and Circular Economy

E5-1: Concepts related to resource use and the circular economy

Afarak has not yet adopted any formalized resource use and circular economy concepts that meet the specific requirements of ESRS E5. Nevertheless, the company has long been implementing site-specific measures aimed at using resources efficiently and integrating material cycles into its processes. These activities include the introduction and expansion of LCA to all major sites, the continuous investigation and implementation of optimization opportunities in production processes and the reuse of by-products.

The LCA, which was extended to all major locations in the reporting year, analyzes and evaluates resource consumption along the entire value chain. These results create a solid data basis for identifying targeted measures to improve the use of resources and integrate material cycles.

As part of the development of the "Climate Change Transition Plan", Afarak will use the knowledge gained from the LCA process to enable in-depth analyses of resource use and the circular economy. The data collected will be used to identify potential for more sustainable resource use and the integration of material cycles. Based on these findings, it will be examined whether and to what extent specific measures or strategic goals can be included in the "Climate Change Transition Plan".

The focus here is on collecting and evaluating data in order to improve the efficiency of existing processes and make targeted adjustments where necessary. The planned timeframe for the review and further development of these approaches is set for 2025/2026.

E5-2: Measures and means related to resource use and circular economy

In the reporting year, Afarak implemented an important measure in the area of resource use and the circular economy by expanding the LCA to all major sites. This complements the already integrated site in Germany and now also includes the sites in Turkey and South Africa. The aim of this measure was to create uniform and comparable data collection for all environmental areas in order to be able to report on resource consumption in a well-founded manner.

The LCA provides detailed findings on resource use, energy efficiency and potential environmental impacts along the entire value chain. This data forms the basis for future strategies and measures to promote the circular economy and the sustainable use of resources

Future strategic orientation

Afarak is also working on the creation of a "Climate Change Transition Plan", which is to be introduced in the period 2025/2026. This plan will use the knowledge gained from the LCA to develop, optimize and implement structured strategies and, if necessary, specific measures for resource use and the circular economy.

E5-3: Goals related to resource use and circular economy

Currently, Afarak has not established specific measurable and result-oriented targets and qualitative or quantitative indicators in relation to resource use and circular economy. However, the Group is in a dynamic development process that is driving forward the implementation and expansion of the LCA at the sites in order to obtain sound data. This data serves as the basis for analyses and makes it possible to identify potential and challenges in the area of resource use and the circular economy. With the planned completion of the "Climate Change Transition Plan" by 2025/2026, it will be examined whether and to what extent it is necessary to set measurable and results-oriented targets. This will build on the findings of the LCA processes to ensure that any targets are formulated in a well-founded and needs-based manner.

Although there are currently no specific targets, Afarak continuously measures the effectiveness of its resource use and circular economy strategies and initiatives. This is done through ongoing data collection as part of the LCA process and forms the basis for well-founded analyses and the evaluation of the effectiveness of implemented measures.

Afarak pursues various approaches to systematically monitor and optimize the effectiveness of its resource use and circular economy strategies:

1. ***Life Cycle Assessment (LCA)***

The German site was already integrated into the LCA. In the reporting year, the sites in Turkey and South Africa were also included. The data on water consumption, waste management and resource use recorded in the LCA enables the environmental impact along the entire value chain to be assessed. These findings make it possible to identify trends and make well-founded decisions to optimize the use of resources.

2. ***Internal audits and reviews***

Regular internal audits ensure compliance with Afarak's standards and evaluate the effectiveness of the measures implemented. These reviews help to identify potential areas for improvement.

3. ***Reporting and communication***

Transparent reporting on progress and challenges is important to Afarak. This includes communicating with stakeholders and publishing information on environmental impacts and measures.

4. ***Adjustments and improvements***

Based on the data collected and the results of audits, strategies and measures are continuously adapted to increase their effectiveness and meet new challenges.

E5-4: Resource Inflows

The following resources form the basis of Afarak's production processes and are integrated into Afarak's value chain with a strong focus on efficiency and reuse. No material from by-products or waste streams is used in the production processes. The main resource inputs in the upstream value chain include

1. ***Raw materials***

Chrome ore concentrate: This critical raw material for the production of ferrochrome is extracted directly from Afarak's own mines in Turkey and is of crucial importance for Afarak's ferrochrome production.

Lime: Lime is an important component in the ferrochrome production process and is sourced from local suppliers.

Silicochrome: This raw material is an intermediate product and is also sourced from local suppliers. Silicochrome is used as a starting material in the ferrochrome production process to achieve the desired chemical composition.

2. ***Water***

The extraction of chrome ore concentrate from the chrome ore rock requires the use of considerable amounts of water. Afarak focuses on recycling and reusing the process water in order to reduce the consumption of natural resources.

3. ***Energy***

Ferrochrome production requires a significant amount of energy in the form of electricity.

4. *Property, plant and equipment and machinery*

The use of large construction machinery is essential for chrome ore extraction at all operating sites. These heavy machines are of central importance for operations and represent a significant inflow of resources.

5. *Transportation*

The raw materials are transported to the production site both by truck and by ship, where they are processed into ferrochrome.

6. *Packaging*

To ship the ferrochrome, Afarak uses steel drums and single trip big bags, which are known for their durability. From the Group's perspective, these types of packaging are currently the most environmentally friendly options available, as they can be reused by customers or recycled worldwide, thus reducing the need for new packaging materials.

	Reporting year	**Unit**
Total weight of products and technical and biological materials used during the reporting period	81,758	Mass (in t.)
Percentage of biological materials (and biofuels used for non-energy purposes) (incl. packaging)	0	Percentage (%)
The absolute weight of reused or recycled secondary components, products and materials (including packaging) used in the manufacture of the company's products and services	0	Mass (in t or kg)
Percentage of reused or recycled secondary components, products and materials used	0	Percentage (%)

Data collection and methodology

The methods and assumptions used to calculate the products and materials used are explained below:

Data collection

Raw material data is recorded through regular and systematic documentation of consumption at the production sites. This important information is obtained from the internal production reports and the warehouse management systems.

Accounting

Balancing involves a comparison of quantities supplied and consumed. This process makes it possible to precisely determine raw material consumption over defined periods of time.

Standardized conversion

In order to standardize analysis and reporting, standardized conversion factors are used for certain raw materials, whereby input variables are converted into consistent units.

Assumptions

- Stability of sources of supply: It is assumed that the sources of supply for materials such as lime, silicochrome and chrome ore remain unchanged and that the raw materials supplied are of the specified quality.
- Production capacity: The assumption of stable production capacity supports the prediction of future raw material requirements.

- Market developments: To facilitate long-term planning, it is assumed that market prices and the availability of raw materials remain constant over the entire period under consideration.

E5-5: Resource Outflows

Afarak's ferrochrome is characterized by its longevity, corrosion resistance and high durability, making it a key component in numerous end products such as stainless steel and special alloys. Ferrochrome also retains its material properties in the end products. This enables an extended use cycle, as ferrochrome can be reintegrated into industrial applications by recycling at the end of the end product's use.

Chrome ore concentrate, on the other hand, is used as a raw material for the manufacture of products such as ferrochrome and is fully integrated into the production process. While the chromium from the concentrate is reused in durable and recyclable materials, the direct use cycle of the concentrate ends with further processing.

Afarak focuses on minimizing waste through sustainable production processes and generating by-products that can be reused in other industries, such as road construction. These approaches promote resource-conserving use.

Thanks to the special material properties of ferrochrome and the targeted use of chrome ore concentrate in industrial processes, Afarak actively contributes to the promotion of the circular economy and the reduction of resource discharges.

Relevant waste streams

In the Afarak sector, the relevant waste stream is the EWC code "C0809" of the European Waste Catalog (EWC), which refers to "slag and other waste from the metalworking industry". This waste stream includes materials generated during ferrochrome production and managed as part of waste management practices. Afarak's waste under this EWC code consists exclusively of slag. Afarak makes every effort to minimize this waste and convert it into by-products whenever possible. These in turn can be used in other sectors of the economy, such as road construction. This promotes the circular economy and contributes to the sustainable use of resources.

Breakdown of waste

The following tables provide a more detailed breakdown of what Afarak's waste is made up of and how it is disposed of.

Waste diverted from disposal:

A total of 31,412 tons of waste - 100% of which was non-hazardous - was diverted from disposal in the reporting year.

	Reporting year	Unit
Non-hazardous waste diverted from disposal by preparation for reuse	18,725	Mass (in t.)
Non-hazardous waste diverted from disposal through recycling	29	Mass (in t.)
Non-hazardous waste diverted from disposal by other recovery operations	12,658	Mass (in t.)
Total quantity of waste diverted for disposal	**31,412**	**Mass (in t.)**

For the disposal of certain waste:

A total of 0 tons of waste - 100% of which was non-hazardous - was forwarded for disposal by Afarak in the reporting year:

	Reporting year	Unit
Non-hazardous waste destined for disposal by incineration	0	Mass (in t or kg)
Non-hazardous waste destined for disposal by landfill	0	Mass (in t or kg)

Non-hazardous waste destined for disposal by other disposal operations	0	Mass (in t or kg)
Total quantity of waste destined for disposal	**0**	**Mass (in t or kg)**

Hazardous waste:

Afarak produces neither hazardous nor radioactive waste. For this reason, the quantities are not listed in a table.

Total amount of waste generated:

The total amount of waste generated in the reporting year was 31,412 tons.

The total amount of non-recycled waste is 0 tons, which corresponds to 0%.

Data collection and methodology

The following methods and assumptions were used to calculate data on waste (especially slag) and its classification:

Data collection

The quantities of slag are collected by continuously recording and documenting the waste streams in the production facilities. This is done with the help of internal production reports and waste management systems.

Waste accounting

The slag is balanced by regularly weighing and recording the slag produced during the production process. This method enables precise recording and tracking of waste streams over precisely defined periods of time.

Standardized classification

Slags are classified according to the European Waste Catalog (EWC), whereby the slags are specifically assigned to the EWC code "C0809", which stands specifically for slags from the metalworking industry.

Assumptions

- Quality of the raw materials: It is assumed that the quality of the raw materials used remains constant, which influences the composition of the resulting slag.
- Production conditions: The assumption of stable production conditions supports the Group's ability to forecast slag volumes over time.
- Market developments: Afarak assumes that the demand for slag as a by-product in application areas such as road construction will remain constant.

Recyclability of products and packaging

The following table shows that Afarak's products and packaging have a high degree of recyclability

	Reporting year	Unit
Quotas of recyclable content of products*	> 90	Percentage (%)
Quotas of recyclable content in product packaging**	> 85	Percentage (%)

The figures are based on estimates and approximate values that were determined taking into account available industry standards and the following sources:

* Source: Worldstainless (https://www.worldstainless.org/about-stainless/environment/stainless-steels-and-co2-industry-emissions-and-related-data/)

** Source: World Steel Association (https://worldsteel.org/about-steel/facts/steelfacts/) and Uniplast

Recyclability of the products (ferrochrome)

Ferrochrome is an essential component of stainless steel and has an exceptionally high recyclability. Stainless steel products, which are the main area of application for ferrochrome, have a recycling rate of more than 90%, based on established global recycling cycles. Within the recycling process, the majority of the ferrochrome contained is retained and can be almost completely reused without any loss of quality. The recovery rate of chromium in the smelting process is typically 95 to 98%. The recycling rate takes into account closed material cycles and efficient collection of stainless steel scrap, where low losses due to oxidation and impurities occur.

Recyclability of product packaging

The steel drums used have a recycling rate of over 85%. Steel is a material that can be recycled almost indefinitely without any loss of quality. The rate is based on the global steel recycling infrastructure and takes into account possible losses due to improper disposal.

The single-trip big bags are made of polypropylene, a plastic with a theoretical recyclability of almost 100%. Under real conditions, they achieve a recyclability of more than 85% with clean disposal and an efficient recycling infrastructure. The rate is based on the assumption that the single-trip big bags enter the local recycling cycle and are not affected by contamination or improper disposal.

The recyclability values stated represent average values and may vary depending on the regional infrastructure and collection processes. They are based on optimized recycling conditions in which material purity and efficient cycles are guaranteed. The figures are intended to emphasize the sustainability of the materials and packaging concepts used

Flexibility for customers:

Afarak offers customers the option of choosing between steel drums and single-trip big bags, depending on their needs and logistics requirements. This flexibility ensures that the type of packaging meets the customer's specific requirements without compromising the recyclability of the materials.

Circular economy as a focus:

Due to the global nature of transportation, Afarak specifically uses packaging materials that can be recycled internationally. This ensures that packaging - regardless of its destination - can be disposed of properly and returned to the material cycle. This approach supports the principles of the circular economy, reduces waste and conserves resources along the entire supply chain.

Shelf life of the products

Products such as ferrochrome and chrome ore are characterized by their exceptional shelf life. Although they serve as intermediate products in the supply chain and are not considered end products, they retain their quality for an almost unlimited period of time if stored properly. Ferrochrome remains stable under normal conditions and retains its alloying properties, while chrome ore offers a long shelf life due to its chemical resistance. These properties ensure that our products can be used reliably for decades in long-life applications such as stainless steel, making a significant contribution to sustainability in the supply chain.

1. **Ferrochrome (FeCr):**

Ferrochrome is characterized by exceptional durability and is used in long-lasting products such as stainless steel. Products containing ferrochrome have a service life of several decades. The durability of stainless steel made with ferrochrome therefore contributes significantly to the conservation of resources, as these products can be used over long periods of time without having to be replaced. The chemical stability of ferrochrome also ensures that it retains its properties throughout its service life. At the end of their useful life, materials containing ferrochrome can be returned to the cycle almost indefinitely worldwide without any loss of quality.

2. **Chrome ore:**

Chrome ore concentrate is a raw material that is used directly in further processing, such as the production of ferrochrome. Although its service life technically ends with further processing, it is used in durable products such as stainless steel. The chemical stability of chromium ore makes it an indispensable raw material in the metal industry. Even when stored, it remains unchanged over long periods of time and retains its quality, meaning it can continue to be used without restriction.

3. **Big bags:**

The single-trip big bags are made of polypropylene and are designed for single use (single trip). This type of packaging is common practice in the industry, as the return of single-trip big bags is often considered less sustainable. Polypropylene also offers the advantage that it can be easily recycled worldwide

4. **Steel drums:**

Steel drums are made from robust and durable material that is ideal for the transportation and storage of our products. Their durability allows them to be used safely for many years, making them a reliable choice for storage or onward transportation. The properties of steel ensure that the drums retain their stability and safety even during intensive use. In addition, steel offers the advantage that it can be easily and efficiently returned to the cycle worldwide, promoting sustainable use of the material.

E5-6: Expected financial effects of impacts, risks and opportunities related to resource use and the circular economy

Afarak is making use of the transition period in accordance with ESRS E5-6 and is not disclosing the relevant information. This information will be part of the future "Climate Change Transition Plan", which is currently being developed and is expected to be finalized in 2025/2026. Quantitative information will be provided as soon as the necessary data and analyses are available.

ESRS G1: Business Conduct

G1-1: Corporate culture and concepts for corporate management

Corporate culture at Afarak

Afarak is a globally active, vertically integrated company that operates its own mines in South Africa and Turkey to secure the supply of raw materials for its own ferrochrome production in Germany, among other things. Afarak's corporate culture is based on the company's core values: integrity, environmental responsibility, and social commitment. These values are defined by central corporate guidelines, which are described in the following chapters. Afarak attaches great importance to the individual responsibility of each site. This makes it possible to effectively meet local needs and to build and maintain close relationships with the local communities.

Afarak's values are promoted through targeted initiatives, regular meetings, company assemblies and the active involvement of employees in decision-making processes, as well as evaluated through ongoing feedback and audits. This holistic approach aims to ensure that the culture is not only part of the corporate strategy, but is actively filled with life. Among other things, the corporate culture is promoted through the following measures:

- Programs and initiatives: Afarak invests in health and safety programs, environmental management and social engagement, such as education, infrastructure and job creation in local communities.
- Communication: Internal communication channels such as notices, the employee app (available in Germany) and regular dialogue with committees and managers serve to promote the corporate culture.
- Corporate culture assessment: Compliance with Afarak's values is monitored through internal audits and reports that provide analysis on the strength of Afarak's corporate culture. Regular reviews of indicators such as employee satisfaction, workplace safety and community engagement help to evaluate the success of Afarak's cultural measures.

Concepts for corporate management and corporate culture

Afarak does not pursue a uniform company-wide "overall policy", but relies on a number of specialized guidelines, each of which covers specific aspects of company policy. These individual policies address areas such as risk management, ethical behavior, compliance and governance. In addition, Afarak develops country-specific codes of conduct that take into account local legal requirements and cultural characteristics. Each policy supports Afarak's corporate goals and values and is part of an overarching governance structure aimed at managing the company responsibly.

A central component of Afarak's strategy is the promotion of integrity, ethical behavior and a sense of responsibility. Key aspects are:

- Risk management to ensure long-term stability
- Transparency and compliance (in particular through the "Code of Ethics", "Code of Conduct" and future local codes of conduct)
- Whistleblower protection for the secure reporting of breaches
- Promoting social responsibility in dealing with employees and the environment

This central content strengthens trust, legal compliance and sustainable growth within the company and is reflected in several of the Group's central guidelines:

Risk management and compliance

The Risk Management Policy serves to systematically identify and manage risks in order to safeguard the corporate strategy in the long term and to optimally support the achievement of objectives in all business areas. It places particular emphasis on promoting a corporate culture based on risk awareness and compliance with both legal requirements and internal guidelines.

The matrix is regularly reviewed and updated to implement this policy. Risks are divided into categories such as financial, operational, legal and environmental aspects. The local management teams and central compliance teams report annually to the BoD on the risks identified. An escalation structure ensures that critical risks are identified and addressed at an early stage.

Internal audits ("Internal Audit Charter") are also used to ensure the effectiveness of risk management. These independent audits are coordinated by the central internal audit department in order to review the efficiency of risk management processes and the implementation of measures to eliminate weaknesses. The results of the audits are presented to the BoD's Audit Committee.

"Code of Conduct" and "Code of Ethics"

The "Code of Conduct" and the "Code of Ethics" serve as ethical guidelines for employees as well as for partners and suppliers and are aligned with the corporate values. The codes are committed to integrity and transparency and thus promote responsible behavior in day-to-day business.

"Whistleblowing policy"

Afarak's whistleblowing policy is a central component of the compliance strategy and aims to promote transparency and ethics within the organization and to effectively identify and address illegal behavior such as insider trading, market manipulation, violations of accounting standards or other compliance issues. It regulates how complaints and concerns from employees and external persons are received, documented, investigated and processed. The policy and its mechanisms enable employees and external stakeholders (e.g. business partners) to report concerns or potential violations safely and without fear of reprisals. The reporting process takes place via defined channels such as written reports or e-mail. All relevant contact details for reporting and the policy are publicly available on the Afarak website. For those without online access, they are available in written form at each location of the organization. These mechanisms promote a secure reporting process through strict confidentiality protocols.

Scope of the concepts

Afarak's corporate policy and corporate culture concepts are far-reaching and encompass employees, customers, suppliers and business partners. While employees and suppliers are directly involved through specific guidelines or contractual conditions, customers and business partners are primarily subject to contractual obligations that ensure core values such as compliance and transparency.

Employees: All internal guidelines such as the "Code of Conduct", the "Code of Ethics" and the whistleblowing policy are binding for employees. These cover aspects such as ethical behavior, compliance and transparency

Customers: By signing the sales orders, customers undertake to comply with the legal provisions contained therein ("Legals"). These provisions include provisions on compliance with statutory and contractual regulations as well as important clauses, such as those on dispute resolution and force majeure.

Suppliers: Suppliers must accept and sign the "Code of Conduct for Suppliers" at the start of the business relationship. These requirements include guidelines on human rights, anti-corruption and compliance.

Business partners: The "Code of Ethics" formulates clear expectations towards business partners with regard to compliance with ethical and legal standards. However, it is not generally mandatory to sign it.

Limitations of the concepts

Although the concepts of corporate policy and corporate culture are very comprehensive, implementation is subject to a number of limitations. They arise due to local legislation, cultural differences and the complexity of policy coordination. Afarak continuously reviews and develops its concepts to ensure consistent adherence to the core values and corporate objectives in all markets.

Local legislation: In some countries, specific adjustments are necessary to meet regulatory requirements.

Cultural differences: The perception and acceptance of policies such as the whistleblowing policy can depend heavily on the regional culture. In certain countries, employees or partners may be reluctant to raise concerns, even if anonymous channels are available.

Practical implementation: The large number of guidelines (e.g. "Code of Ethics", "Whistleblowing Policy", "Risk Management Policy") requires coordinated implementation in order to avoid redundancies and overlaps.

Ownership of the locations: The various locations are responsible for adapting and implementing the global corporate strategy to the specific needs and conditions of their respective local environment. This enables targeted and flexible implementation that takes regional differences into account.

Responsibilities

Afarak's BoD is responsible for implementing the corporate strategy at Group level. It defines the strategic direction and monitors key areas such as risk management, compliance and ethical standards. The BoD also ensures that all necessary resources and structures are provided to achieve the strategic goals and uphold the corporate values. The Audit and Risk Committee is a central body that supports the BoD in monitoring key strategic areas. This includes risk management, adherence to compliance requirements and internal control. The committee also supports the implementation and management of whistleblowing mechanisms, including the documentation and investigation of incoming reports.

In addition to the BoD and the Audit and Risk Committee, there are other supporting teams, such as the EMT, which consists of the CEO, CTO, CFO and CCO. This ensures that strategic objectives are effectively implemented both centrally and locally.

Local committees at the locations

In addition to the central committees, there are local operational and support committees that deal with local issues. They include, for example, the works council and committees for labor relations, safety and equality. They ensure compliance with local laws and internal standards, particularly in the areas of health, safety, equal opportunities and labor relations. At some locations, stakeholder engagement coordinators assume the role of interface to local communities and interest groups, for example in dialogue with neighbouring communities.

ESG team

The central ESG team is responsible for implementing the sustainability strategy throughout the Group. It collects and bundles ESG data from all locations that is required for reporting in accordance with the CSRD Directive. It also coordinates the development of future ESG strategies in order to meet long-term requirements.

Executive Management Team (EMT)

The EMT, consisting of the CEO, CTO, CCO and CFO, assumes a supporting role at Group level and is responsible for the operational implementation of strategic guidelines and assessments. The EMT's core tasks include risk management, compliance with ESG standards and the monitoring of operational processes. The EMT acts as a link between the company's strategic objectives and their practical implementation at the locations. It ensures the uniform application of the guidelines and supports the locations in implementing the specified strategies. In addition, the EMT reports regularly to the BoD and the relevant committees in order to create transparency and monitor the company's strategic direction.

Inclusion of international standards

Afarak complies with various international standards from third-party organizations when implementing its strategy. These standards ensure that Afarak operates in accordance with globally recognized principles for sustainable and ethical business practices. Such practices include the following guidelines and standards:

- UN Global Compact: The ten principles of the United Nations Global Compact cover key areas such as human rights, labor standards, the environment and anti-corruption.
- OECD Guidelines for Multinational Enterprises: These guidelines promote ethical behavior and social responsibility in the international business environment.
- ILO Declaration of Principles: The Declaration of the International Labor Organization contains fundamental principles and rights at work, including labor and social standards.
- Rio Declaration on Environment and Development: These standards promote the sustainable use of resources.
- UN Guiding Principles on Business and Human Rights: These guidelines ensure the respect and promotion of human rights in business.

Consideration of the stakeholders

Afarak systematically integrates the interests of the most important stakeholders into the corporate strategy, the foregoing being ensured by defined processes and committee structures. As an SE (Societas Europaea), the company is subject to European regulations on co-determination and employee participation. In addition, other mechanisms are used to ensure that the interests of stakeholders are incorporated into strategic decisions. Through these processes, Afarak ensures that strategic decisions are not only economically sustainable, but also take into account the social, ethical and legal expectations of key stakeholders. The following overview shows how this is taken into account:

Employee participation and co-determination

As an SE, Afarak has integrated bodies such as the works council and employee representatives at European level. They are involved in strategic decision-making processes in an advisory capacity. Employee representatives have information rights, consultation rights and/or co-determination rights in strategic matters, particularly in discussions in the BoD and in committees. This ensures that work-related issues are taken into account at an early stage.

Governance by the Board of Directors (BoD)

The Charter of the Board stipulates that the BoD includes the interests of all key stakeholder groups, i. e., shareholders, employees, customers and suppliers, in its strategic planning and takes them into account in decisions that affect the company's values. Regular meetings and strategic discussions with stakeholders ensure their concerns are recognized at an early stage and integrated into the corporate strategy.

Specialized committees and reporting structures

Specific committees, such as the Audit and Risk Committee, monitor compliance with standards and stakeholder requirements. These committees receive regular reports from a combination of internal departments, such as the ESG team, and external sources. These reporting structures ensure that both regulatory requirements and social and ethical standards are met in the interests of stakeholders.

Access to the strategy for stakeholders

Afarak makes its strategy available to its stakeholders via various communication channels, thus ensuring that the corporate strategy is communicated to stakeholders in a transparent and easily accessible manner:

Publications and reports

The strategic directions, including important corporate guidelines such as the Code of Conduct and the strategies for risk management and sustainability, are set out in detail in annual and ESG reports. These reports are available on the company website, making it easier for shareholders, customers, suppliers and the general public to access relevant information.

Company website

Via its company website, Afarak makes key documents, including the Code of Ethics and the Whistleblowing Policy, as well as other guidelines available to its stakeholders, particularly business partners and suppliers. The website also provides a clear insight into the current strategic guidelines and corporate values.

Complaints mechanisms

Afarak has established a comprehensive system of policies and procedures to identify, report and investigate concerns regarding unlawful acts or violations of the Code of Conduct and/or the Code of Ethics. The whistleblowing policy is the main mechanism for serious violations, supplemented by alternative reporting channels and structures. This ensures that all relevant concerns are effectively considered and dealt with according to their urgency.

To promote the use of these complaints mechanisms, Afarak provides basic information about their availability and use. This is done via various communication channels such as written notices, emails, staff meetings, staff representatives or an app. The distribution of information is organized independently at each location to ensure that all employees are informed in an equal fashion, regardless of their type of employment. These measures are intended to raise awareness of the reporting channels and ensure they are used effectively.

The main reporting processes are described in the following paragraphs:

Reporting serious violations via the whistleblowing system

Employees, external business partners and other internal and external stakeholders can report possible serious violations or unethical behavior anonymously or confidentially. Reports can be made either by e-mail to **compliance@afarak.com** or by mail to the following address:

General Counsel / Complaint
Afarak SE
Unioninkatu 20-22
00130 Helsinki
Finland

Incoming complaints can be addressed in writing to the CCO or directly to the Chairman of the Audit Committee. All reports will be treated in strict confidence, ensuring that the identity of whistleblowers is protected and no reprisals are taken against those who raise concerns in good faith.

After receiving a report, the CCO assesses whether it is a whistleblowing complaint. If this is confirmed, a formal investigation is conducted in which all relevant information is systematically collected and analyzed. Afarak will involve external auditors or consultants as required to bring additional expertise and a neutral perspective to investigations.

Alternative reporting channels

In addition to the whistleblowing system, Afarak employees have a variety of other reporting channels for minor or personal complaints, including direct reporting to line managers or communication with internal bodies such as the Works Council in Germany or the SE Works Council at European level. Specific internal committees, such as local labor relations committees or health and safety committees, also offer platforms for expressing concerns and support in resolving them.

Reporting and escalation

Complaints reported via alternative channels, such as line managers or works councils, can be forwarded to the whistleblowing channel or the CCO depending on their severity. All cases reported via the whistleblowing channel are documented in a dossier ("docket") and reviewed by the CCO or directly by the Audit Committee. If a complaint concerns the CCO directly, the Audit Committee itself takes over the investigation in order to ensure independence and transparency. Depending on the case and the outcome of the investigation, Afarak may be obliged to forward relevant information to external supervisory authorities or regulatory bodies. The foregoing applies in particular when it comes to unlawful behavior that requires external intervention.

Protection against retaliation

Retaliation against anyone who makes a whistleblowing complaint or cooperates with an investigation in good faith is strictly prohibited under company policy. This also applies to immediate family members if they are employed by the Group. Those affected can report possible retaliation directly to the CEO.

The protection does not apply in the case of personal misconduct, unless this was ordered by a manager. Deliberately false complaints can result in disciplinary action, including dismissal.

Concepts and strategies for internal organizational training on business conduct

Similarly, there are currently no systematic concepts for internal organizational training on the subject of "business conduct".

Corruption and bribery

At Afarak, the "Purchasing", "Sales", "Distribution" and "Business Development" functions are particularly susceptible to corruption and bribery risks. In Purchasing and Sales, the risk exists above all when awarding major contracts to external suppliers, as bribes could be used at this stage to obtain preferential treatment. In sales and business development, employees who are involved in the acquisition of major contracts or in international contract negotiations are at risk. They could become the target of bribery attempts in order to secure orders or new business opportunities.

G1-2: Management of relationships with suppliers

Strategies for preventing late payments

Afarak implements measures to avoid late payment, especially for small and medium-sized enterprises (SMEs):

1. Efficient liquidity planning: Afarak pays particular attention to forward-looking liquidity planning. Regular cash flow analyses enable the company to identify potential bottlenecks at an early stage and take appropriate countermeasures.

2. Clearly defined payment terms and negotiations: At the beginning of each business relationship, realistic payment terms are defined that are in line with both the company's liquidity situation and the needs of the suppliers.
3. Communication and partnership with suppliers: An open and proactive approach to communication is of key importance to Afarak. If there are signs of late payment, suppliers are informed at an early stage in order to work together on solutions such as payment deadline extensions. This practice strengthens trust and promotes long-term partnerships.
4. Contract management and prioritization: Payments to strategically important suppliers, especially for critical raw materials or services, are treated as a priority. Efficient contract management ensures clear agreements in order to meet payment obligations on time. Particular attention is paid to SMEs, which tend to be more dependent on timely payments.
5. Avoidance of over-ordering: To avoid unnecessary financial burdens, Afarak takes care to avoid over-ordering and to focus on actual demand. This minimizes unnecessary costs and bottlenecks and ensures that liquidity is not tied up in excess stock.

Supplier relationship

Afarak relies on long-term and trusting partnerships with its suppliers. Suppliers are carefully selected according to criteria such as quality, reliability and sustainability. They must also demonstrate that they apply sustainable business practices. Afarak recognizes the risks that can arise from dependence on suppliers, particularly in the event of potential supply shortages or disruptions due to natural disasters, political instability or economic uncertainty. To mitigate risks, Afarak gives preference to local suppliers and maintains open communication to identify and mitigate risks at an early stage. In addition, the Group relies on its own upstream value chain to obtain the most important raw materials for production.

Integration of social and ecological criteria in supplier selection

Sustainability is a central component of the Group's supplier strategy, and it is important to the Group that suppliers comply with both environmental and social standards and criteria. The social criteria are set out in the "Code of Conduct for Suppliers". They include requirements on ethics, fair competition, the prevention of corruption, money laundering and conflicts of interest, the use of information and intellectual property, respect for human and labor rights, a healthy and safe working environment and the protection of personal data.

Ecological criteria include, in particular, environmental protection with the aim of minimizing the impact of activities, products and services on the environment. Such criteria are, among others, the efficient use of natural resources, the use of renewable energies, proper waste disposal, control of GHG emissions and the reduction of impacts on biodiversity and ecosystems.

In addition, Afarak suppliers must comply with the OECD Guidelines and ensure the traceability of their supply chains. Suppliers must allow Afarak to verify compliance with this Code of Conduct at any time.

G1-5: Political influence and lobbying activities

As a member of the ICDA and EUROALLIAGES, Afarak is involved in lobbying activities to influence political decisions and thus promote both corporate and social objectives. Afarak mainly addresses the following topics:

- Environmental and climate policy: Regulation of CO_2 emissions and environmental regulations for the ferroalloy industry.
- Trade policy and market access: access to international markets and removal of trade barriers.
- Raw material security and availability: Sustainable use and responsible procurement of essential raw materials.
- Labor and social standards: Regulation of working conditions and social standards in the metal industry.
- Research and development: Promotion of innovation and technological progress in the field of ferroalloy production.

	Reporting year	Unit
Financial political contributions made	0	Monetary (€)
Political contributions made in the form of contributions in kind	0	Monetary (€)
Level of internal and external lobbying expenditure	0	Monetary (€)
Amounts paid for membership of lobby associations	EUROALLIAGE: 23,901 ICDA: 8,782	Monetary (€)

G1-6: Payment practices

Below, Afarak provides a detailed overview of the company's payment terms according to the main supplier categories.

The standard payment terms are categorized as follows:

- Raw material suppliers: 14 to 30 days
- Service provider: 0 to 60 days
- Transportation and logistics suppliers: 0 to 7 days
- Energy suppliers: 0 to 15 days

In addition, the average payment periods for Afarak's most important supplier groups were determined based on the agreed payment terms. The payment terms are: 22 days for raw material suppliers, 30 days for service providers, 3.5 days for transportation and logistics and 7.5 days for energy suppliers. These values result in an average payment period of 15.75 days - calculated as the sum of the payment terms divided by the number of categories.

	Reporting year	Unit
Average number of days required by the company to settle an invoice from the start of the contractual or statutory payment period	15,75	days
Percentage of payments that meet the standard payment terms	90	Percentage (%)
Number of outstanding court proceedings due to late payment	0	Integer

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.

2024 Market overview

The stainless steel industry faced significant challenges in 2024, and signals are indicating that 2025 could become another challenging year. Throughout 2024, demand for stainless steel remained weak, particularly in Germany, with the entire European market remained subdued.

In the third quarter, and especially in the fourth Cr Ore prices saw an unexpected and substantial decline, driven by economic weakness in China. However, since mid-January, this trend has reversed, and market signals for Cr Ore have turned more positive.

Market sentiment for Q1/2025

Output of LC FeCr is expected to increase in 2025. The low market prices show signs of bottoming out. We continue our efforts to lower our COP and dilute the fix cost via increased production of standard grades. Output of chrome ore is expected to remain at the same level. The market prices have recently begun to improve again.

GROUP OPERATIONAL REVIEW

Operationally, 2024 presented higher sales and higher production for the Group.

Sales

The Group sales of processed material increased by 5.1% and stood at 21,759 (2023: 20,709) tonnes.

Group mining

Group mining activity increased by 8.7% to 365,929 (2023: 336,601) tonnes during the year under review.

Annual mining levels in the Speciality Alloys segment decreased by 1.1% to 64,945 (2023: 65,655) tonnes. Production within the FerroAlloys segment increased significantly as the output increased in South African mines to 300,985 (2023: 270,946) tonnes.

Group processing

Group processing for 2024 increased by 8.4% to 22,963 (2023: 21,179) tonnes on account of higher demand.

Human resources

At the end of the year 2024, Afarak had 602 (596) employees. The average number of employees during the year 2024 was 594 (599).

GROUP FINANCIAL PERFORMANCE

2024 performance

The Group revenue was lower compared to prior year EUR 128.6 (153.7) million mainly to a decline in prices. Speciality Alloys Processed material sold increased by 2.7%, to 21,759 (FY/2023: 20,709) tonnes.

The mining operation increased by 8.7%, to 365,929 (FY/2023: 336,601) tonnes.

Loss for the year totalled EUR -7.2 (FY/2023 profit: 10.0) million and EBITDA during the year decreased to EUR 2.6 (FY/2023: 16.6) million. EBIT stood at EUR -0.1 (FY/2023: 15.0) million.

A hyperinflation adjustment of 1.9 million is included in the financial expenses with respect to the Turkish entities.

EUR million	**H1 2024**	**H2 2024**	**FY 2024**	**FY 2023**
Revenue	71.4	57.2	128.6	153.7
EBITDA	4.2	-1.6	2.6	16.6
EBIT	3.1	-3.2	-0.1	15.0
Profit for the period	0.5	-7.8	-7.2	10.0
EBITDA margin	5.9%	-2.9%	2%	10.8%
EBIT margin	4.3%	-5.6%	-0.1%	9.8%

Balance Sheet, Cash Flow and Financing

The Group's total assets on 31 December 2024 stood at EUR 161.6 (2023:162.2) million and net assets totalled EUR 112.1 (2023:105.8) million. During the second half, the translation differences on conversion of foreign denominated subsidiaries was adjusted by EUR 4.6 million. The Group's cash and cash equivalents, as at 31 December 2024, totalled EUR 4.0 (2023:18.0) million. Operating cash flow stood at EUR -6.3 (2023: 9.6) million. The equity ratio stood at 69.3% (2023:65.1%). Afarak's gearing at the end of the year was –1.2% (2023: -14.1%), as the company kept low interest-bearing debt of EUR 2.6 (2023:3.1) million.

Investments, Acquisitions and Divestments

Capital expenditure for the full year of 2024 totalled EUR 5.8 (3.0) 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.

2024 in Review

Revenue for the year under review decreased by 20.7% to EUR 111.3 (2023:140.3) million, driven by a substantial decrease in market prices.

Nevertheless, processing levels by increased by 11.1% when compared to last year. The decrease in revenue resulted in a lower EBITDA for the year to EUR 1.7 (2023:17.5) million, and EBIT of EUR -0.4 (2023:16.3) million.

Revenue €111.3mln (2023: €140.3mln)	EBITDA €1.7mln (2023: €17.5mln)	EBIT €-0.4mln (2023: €16.3mln)
Mining production 64,945mt (2023: 65,655mt)	Processing production 22,963mt (2023: 21,179mt)	Sales of processed material 21,759mt (2023: 20,709mt)
Personnel 479 (2023: 468)		

Production

Total production levels during 2024 increased by 1.2% to 87,907(2023: 86,834) tonnes. The mining operations at TMS remained consistent, leading to a slight 1.1% decrease when compared to same period last year. Processing levels at the EWW plant in Germany was 8.4% higher than same period last year.

Sales

Speciality Alloys Processed material sold increased by 5.1%, to 21,759 (2023: 20,709) tonnes.

Financial performance

The declining sales resulted in a lower EBITDA for the year to EUR 17.5 (2023:17.5) million, and EBIT of EUR 16.3 (2023:16.3) million.

EUR million	**H1 2024**	**H2 2024**	**FY 2024**	**FY 2023**
Revenue	62.8	48.5	**111.3**	140.3
EBITDA	3.4	-1.6	**1.7**	17.5
EBIT	2.4	-2.9	**-0.4**	16.3
EBITDA margin	5.4%	-3.4%	**1.5%**	12.4%
EBIT margin	3.9%	-5.9%	**-0.4%**	11.6%

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.

2024 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 4.3 (2023:3.0) million, an increase of 43.3% over last year

Revenue €16.6mln (2023: €13.2mln)	EBITDA €4.3 mln (2023: €3mln)	EBIT €3.9mln (2023: €2.7mln)
Mining production 300,985mt (2023: 270,946mt)	Processing production 0mt (2023: 0mt)	Sales of processed material 0mt (2023: 26mt)
Personnel 105 (2023: 111)		

Production

Operationally, the segment registered an increase of 11.1% with total production reaching 300,985 (2023: 270,946) 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 by 25.8% in 2023 to EUR 16.6 million when compared to 2023 (EUR 13.2) million.

Financial performance

EUR million	**H1/24**	**H2/24**	**FY24**	**FY23**
Revenue	8.3	8.3	**16.6**	13.2
EBITDA	2.5	1.8	**4.3**	3.0
EBIT	2.3	1.6	**3.9**	2.7
EBITDA margin	30.2%	21.5%	**25.9%**	22.9%
EBIT margin	27.7%	19%	**23.4%**	20.6%

Production within the FerroAlloys segment increased significantly as the output increased resulting in a positive EBITDA increase to EUR 4.3 (2023: 3.0) 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.

2025 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 2024, the registered number of Afarak Group SE shares was 277,041,814 (267,041,814) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2024, the Company had 16,041,514 (6,541,514) own shares in treasury, which was equivalent to 5.79% (2.45%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2024, was 261,000,300 (260,500,300).

Flagging notifications

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.

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 2023, the Company's share price was EUR 0.40 on NASDAQ Helsinki and GBP 0.20 on the London Stock Exchange. At the end of the review period as at December 2024, the share price was EUR 0.29 and GBP 0.20 respectively. During the second half of 2024, the Company's share price on NASDAQ Helsinki ranged from EUR 0.22 to 0.35 per share and the market capitalisation, as at 31 December 2024, was EUR 80.34 (1 January 2024: 107.88) million. For the same period on the London Stock Exchange, the share remained at GBP 0.20 per share and the market capitalisation was GBP 55.41 (1 January 2023: 53.41) million, as at 31 December 2024.

Shareholders

On 31 December 2024, the Company had a total of 8,340 shareholders (8,387 shareholders on 31 December 2023), of which nine were nominee-registered. The registered number of shares on 31 December 2024 was 277,041,814 (2023: 267,041,814).

LARGEST SHAREHOLDERS ON 31 DECEMBER 2024

	Shareholder	Shares	%
1	Skandinaviska Enskilda Banken AB	153,217,819	55.31
2	Hino Resources Co. Ltd	36,991,903	13.35
3	Afarak Group Plc	16,041,514	5.79
4	Hanwa Company Limited	9,000,000	3.25
5	4capes Oy	5,440,000	1.96
6	Joensuun Kauppa ja Kone Oy	5,160,683	1.86
7	Nieminen Jorma Juhani	3,477,470	1.26
8	Osuusasunnot Oy	2,900,000	1.05
9	PM Ruukki Oy	2,299,934	0.83
10	Hukkanen Esa Veikko	1,639,296	0.59
	Total	236,168,619	**85.25**
	Other Shareholders	40,873,195	**14.75**
	Total shares registered	**277,041,814**	**100.00**

Afarak Group SE's Board members and Chief Executive Officer owned in total 2,450,000 (2023: 1,950,000) Afarak Group SE shares on 31 December 2024, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.9% (2023: 0.7 %) of the total number of registered shares on 31 December 2024.

SHAREHOLDERS BY CATEGORY 31 DECEMBER 2024

Number of shares	Number of shareholders	% share of shareholder	Number of shares held	% of shares held
1 - 100	2,423	28.70	100,647	0.04
101 - 1000	3,100	36.71	1,447,801	0.52
1001 - 10000	2,254	26.69	8,249,629	2.98
10001 - 100000	585	6.93	16,520,375	5.96
100001 - 1000000	63	0.75	13,342,301	4.82
1000001 - 1000000	8	0.10	31,071,161	11.22
10000001 & above	3	0.04	206,309,900	74.47
Total	**8,436**	**100%**	**277,041,814**	**100.00**
of which nominee-registered	8	0.10%	**154,364,189**	**55.72**
Total outstanding			**261,000,300**	**94.21**

SHAREHOLDERS BY SHAREHOLDER TYPE ON 31 DECEMBER 2024

	% of share
Finnish shareholders	27.63
of which:	
Non-financial corporations and housing corporations	7.07
Financial and insurance corporations	6.13
Households	14.44
Non-profit institutions serving households	0.00
Foreign shareholders	72.37
Total	100.00
of which nominee-registered	55.72

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

Afarak Group SE's Annual General Meeting was held in Helsinki on 31 May 2024.

The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2023. The AGM resolved that no dividend would be paid for 2023. The AGM also adopted the Remuneration Report and Remuneration Policy for the Company's governing bodies.

THE BOARD OF DIRECTORS

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

The AGM resolved that the Non-executive Board Members shall be paid EUR 5,000 per month and the Chairman of the board shall be paid an additional EUR 1,500 per month. Non-Executive Board Members who serve on the Board's Committees shall be paid an additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership. Board Members shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work in accordance with the company's travel rules.

THE AUDITOR

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

ONE-OFF RETROACTIVE ADDITIONAL COMPENSATION TO NON-EXECUTIVE BOARD MEMBERS

The AGM resolved that the Non-Executive Board Members Thorstein Abrahamsen and Dr Jelena Manojlovic shall be paid EUR 25,000 each as a one-off retroactive additional compensation for during the last year having continued to take on substantial more work on a 24/7 availability basis, to facilitate operating through difficult times with challenged market conditions during the year and with further changes in the Company organization and a slimmed management team and continued recovery and improvement of the Company to one of the best financial result in 2023.

AUTHORIZATION TO THE BOARD OF DIRECTORS TO DECIDE UPON SHARE ISSUE AND UPON ISSUING OTHER SPECIAL RIGHTS THAT ENTITLE TO SHARES

The AGM resolved to authorize the Board of Directors to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 250,000,000 new shares or shares owned by the Company. This equates to approximately 90.24 % of the Company's currently registered shares. The authorization may be used among other things to raise additional finance and enabling corporate and business acquisitions or other arrangements and investments of business activity or for employee incentive and commitment schemes. By virtue of the authorization, the Board of Directors can decide both on share issues against payment and on share issues without payment. The payment of the subscription price can also be made with consideration other than money. The authorization contains the right to decide on derogating from shareholders' pre-emptive right to share subscriptions provided that the conditions set in the Finnish Companies' Act are fulfilled. The authorization replaces all previous authorizations granted in the Annual General Meeting in 2023 and is valid two (2) years from the decision of the Annual General Meeting.

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

		2024	2023	2022
Revenue	EUR '000	128,641	153,655	198,691
EBITDA	EUR '000	2,607	16,594	53,747
% of revenue		2.0%	10.8%	27.1%
Operating profit (EBIT)	EUR '000	-146	15,032	52,293
% of revenue		-0.1%	9.8%	26.3%
Profit before taxes	EUR '000	-5,297	11,965	49,187
% of revenue		-4.1%	7.8%	24.8%
Return on equity		-6.6%	9.5%	60.3%
Return on capital employed		2.6%	18.8%	59.9%
Equity ratio		69.3%	65.1%	65.6%
Gearing		-1.2%	-14.1%	-14.1%
Personnel at the end of the accounting period		602	595	595

SHARE-RELATED KEY INDICATORS

		2024	2023	2022
Earnings per share, basic	EUR	-0.03	0.04	0.19
Earnings per share, diluted	EUR	-0.03	0.04	0.19
Equity per share	EUR	0.43	0.41	0.41
Price to earnings	EUR	-10.58	11.02	1.84
Average number of shares	1,000	260,972	260,478	251,310
Average number of shares, diluted	1,000	261,472	260,978	251,846
Number of shares at the end of the period	1,000	277,042	267,042	267,042
Share price information (NASDAQ Helsinki)				
Average share price	EUR	0.31	0.52	0.42
Lowest share price	EUR	0.22	0.35	0.12
Highest share price	EUR	0.42	0.69	0.98
Market capitalisation	EUR '000	80,342	107,885	94,266
Share turnover	EUR '000	7,494	42,513	62,146
Share turnover	%	8.53	30.70	55.90
Share price information (London Stock Exchange)				
Average share price	EUR	0.24	0.23	0.23
	GBP	0.20	0.20	0.19
Lowest share price	EUR	0.24	0.24	0.23
	GBP	0.20	0.20	0.20
Highest share price	EUR	0.24	0.23	0.23
	GBP	0.20	0.20	0.20
Market capitalisation	EUR '000	66,823	61,456	60,217
	GBP '000	55,408	53,408	53,408
Share turnover	EUR '000	212	34	2,125
Share turnover	GBP '000	176	29	1,812
Share turnover	%	0.00	0.02	2.30

The company did not distribute capital redemption from financial years 2024 and 2023. The company will follow the new dividend policy and the board intends to decide about the actual dividend allocation at a later stage.

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 21 February 2025, the Board of Directors issued a profit warning regarding the decrease of turnover and EBITDA for the financial year 2024.

Flagging notification after the reporting period

There were no flagging notifications after the reporting period

ANNUAL FINANCIAL STATEMENTS

1 January-31 December 2024

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR '000	Note	1.1.-31.12.2024	1.1.-31.12.2023
Revenue	1	**128,641**	**153,655**
Other operating income	2	5,405	5,722
Materials and supplies		-100,205	-110,170
Employee benefits expense	3	-24,344	-22,272
Depreciation and amortisation	4	-2,753	-1,562
Impairment	4	0	0
Other operating expenses	5	-6,890	-10,341
Operating loss/profit		**-146**	**15,032**
Finance income	6	3,049	5,267
Finance expense	6	-8,200	-8,334
Profit before taxes		**-5,297**	**11,965**
Income taxes	7	-1,921	-1,966
Profit for the year		**-7,218**	**9,999**
Profit attributable to:			
Owners of the parent		-7,572	9,450
Non-controlling interests		354	549
		-7,218	**9,999**
Earnings per share (counted from profit attributable to owners of the parent):	8		
basic (EUR), Group total		-0.03	0.04
diluted (EUR), Group total		-0.03	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.-31.12.2024	1.1.-31.12.2023
Loss/Profit for the year		**-7,218**	**9,999**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit pension plans		1,166	-1,241
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations - Group		4,587	-6,394
Other comprehensive income/(loss), net of tax		**5,753**	**-7,635**
Total comprehensive income for the year		**-1,465**	**2,365**
Total comprehensive income attributable to:			
Owners of the parent		-1,796	1,751
Non-controlling interests		331	614
		-1,465	**2,365**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2024	31.12.2023
ASSETS			
Non-current assets			
Property, plant and equipment	9	46,925	37,497
Goodwill	10	49,779	46,997
Other intangible assets	10	4,942	4,643
Other financial assets	12	1,679	1,201
Deferred tax assets	18	478	1,044
		103,803	**91,382**
Current assets			
Inventories	13	28,829	29,583
Trade and other receivables	14	25,016	23,345
Cash and cash equivalents	15	3,954	18,032
		57,799	**70,960**
Total assets		**161,602**	**162,342**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

EUR '000	Note	31.12.2024	31.12.2023
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	16	23,642	23,642
Share premium reserve		25,364	25,223
Legal Reserve		-47	18
Paid-up unrestricted equity fund		215,556	215,359
Translation reserve		-38,073	-42,683
Retained Earnings		-114,397	-115,512
		112,045	**106,047**
Non-controlling interests		23	-306
Total equity		**112,068**	**105,741**
Non-current liabilities			
Deferred tax liabilities	18	8,283	8,051
Interest-bearing debt	12	335	321
Pension liabilities	20	11,249	12,838
Other non-current debt	21	22	22
Provisions	19	11,776	11,400
		31,665	**32,632**
Current liabilities			
Trade and other payables	21	14,925	16,670
Provisions	19	167	96
Tax liabilities	21	516	4,437
Interest-bearing debt	12	2,260	2,766
		17,869	**23,969**
Total liabilities		**49,534**	**56,601**
Total equity and liabilities		**161,602**	**162,342**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	1.1.-31.12.2024	1.1.-31.12.2023
Operating activities			
(Loss) / profit from continuing operation		-7,218	9,999
Adjustments to net profit:			
Non-cash items			
Depreciation, amortisation and impairment	4	2,753	1,562
Finance income and cost	6	5,718	3,250
Income taxes	7	1,354	1,966
Share-based payments	17	241	242
Proceeds from non-current assets		-479	-1,098
Working capital changes:			
Change in trade receivables and other receivables		-412	2,191
Change in inventories		1,996	-6,717
Change in trade payables and other debt		-1,355	2,103
Change in provisions		-169	427
Interests paid		-1,130	-1,266
Interests received		702	653
Other financing items		-5,228	-2,100
Income taxes paid		-3,068	-1,633
Net cash from operating activities		**-6,295**	**9,579**
Investing activities			
Capital expenditure on non-current assets, net		-5,687	-3,216
Other investments, net		-15	-19
Repayments of loan receivables and loans given net		-1,495	-200
Net cash used in investing activities		**-7,197**	**-3,435**
Financing activities			
Proceeds from borrowings		3	61
Repayments of borrowings		-49	-20
Payment of principal portion of lease liabilities		0	-95
Movement in short term financing activities		-602	1,122
Net cash used in financing activities		**-648**	**1,068**
Change in cash and cash equivalents		**-14,140**	**7,212**
Cash at beginning of period		18,032	12,418
Exchange rate differences		62	-1,598
Cash at end of period		3,954	18,032
Change in the statement of financial position	16	**-14,140**	**7,212**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY,

EUR '000

A = Share capital
B = Share premium reserve
C = Paid-up unrestricted equity reserve
D = Translation reserve
E = Retained earnings
F = Legal reserve
G = Equity attributable to owners of the parent, total
H = Non-controlling interests
I = Total equity

		Attributable to owners of the parent								
EUR '000	**Notes**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Equity at 31.12.2022		**23,642**	**25,223**	**209,798**	**-38,292**	**-176,170**	**39**	**44,240**	**-801**	**43,439**
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**
Profit for the period 1-12/2024 + comprehensive income						-7572		-7,572	353	-7,218
Other Comprehensive Income					4,610	1,166		5,776	-23	5,753
Total comprehensive income					4,610	-6,406		-1,796	330	-1,465
Share-based payments				197				197		197
Acquisition of non-controlling interest						-9		-9	-99	-108
Hyperinflation adjustment (Turkish entities)			141			7,534		7,675	98	7,773
Other changes in equity						-4	-65	-69		-69
Equity at 31.12.2024		**23,642**	**25,364**	**215,556**	**-38,073**	**-114,397**	**-47**	**112,045**	**23**	**112,068**

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 audited.

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 2024. 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 28 March 2025 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 2024 financial year, testing took place on 30 June 2024 for the Speciality Alloys business and the South African minerals processing business and on 31 December 2024 for all cash generating units. Impairment testing and the methods used are discussed in more detail in section 1.5 in the 'Impairment testing'.

Financial income and expense

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

Borrowing costs

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

Income taxes

Tax expenses in the statement of comprehensive income consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous years. Maltese companies' income taxes are recognised by applying the nominal income tax rate which is 35%. Six sevenths of this tax is credited to the shareholder. The Maltese companies forms a fiscal unit and consequently the effective tax rate is 5%. Taxes arising from items recognised directly in equity are presented as income tax relating to other comprehensive income.

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

Tangible assets

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

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

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

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

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

Mines and mineral assets

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

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

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

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

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

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

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

Mine establishment costs

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

Impairment

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

Goodwill and intangible assets identified at acquisition

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

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

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

Research and development costs

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

Other intangible assets

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

Inventories

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

Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. See note 13, in section 1.8. Notes to the Statement Of Financial Position, for tabular presentation of financial instruments.

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

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

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

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories: 1.Financial assets at amortised cost (debt instruments);
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
4. Financial assets at fair value through profit or loss.
There have been no transfers of financial assets between fair value categories during the financial period. Afarak has not changed its recognition or fair valuation methods during the financial period.

1. Financial assets at amortised cost (debt instruments)
This category financial assets are measured at amortised cost if both of the following conditions are met:

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

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

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

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

2. Financial assets at fair value through OCI (debt instruments)
This category of debt instruments is measured at fair value through OCI if both of the following conditions are met:

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

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

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

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

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

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

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

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

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

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

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

Derecognition

A financial asset is primarily derecognised when:

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

Treasury shares

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

Financial liabilities

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

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

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

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

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

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

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

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

Loans and borrowings
This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 13, in 1.8 Notes to the Consolidated Statement of Financial Position.

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

Offsetting of financial instruments

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

Provisions

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

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

Non-current assets held for sale and discontinued operations

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

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

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

Accounting policies requiring management discretion and key uncertainty factors for estimates

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

The scope of the financial statements

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

Allocation of the cost of a business combination

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

Impairment testing

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

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

Tangible and intangible assets

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

Measurement of mineral resources and ore reserves

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

Rehabilitation provisions

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

Standards and interpretations effective and adopted in the current year.

The Group applied, for the first time, certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2024. 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 2024. 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 2024, 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 2024, 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 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 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 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.

The above changes did not have an impact on the 2024 consolidated financial statements.

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.

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.

Other Standards

-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.

-Amendments to IFRS 7: Financial Instruments- Amendments regarding the classification and measurement of financial instruments.

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 2024

Afarak acquired shares of non-controlling interest of 1.23% in Türk Maadin Sirketi.

1.4.2 Financial Year 2023

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

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 2024. 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 2024.

During 2024, 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 2024

During the financial year 2024, the total goodwill of the Group increased by EUR 2.8 million to a total of EUR 49.8 million. The increase was attributable to an exchange rate movement of EUR 2.8 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 1.1.2024	46,996	0	46,996
Exchange rate movement	2,783	0	2,783
Goodwill 31.12.2024	**49,779**	**0**	**49,779**

The changes in goodwill during 2023 are presented 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**

Goodwill as a ratio of the Group’s equity on 31 December 2024 and 31 December 2023 was as follows:

EUR '000	31.12.2024	31.12.2023
Goodwill	49,779	46,996
Equity	112,068	105,741
Goodwill/Equity, %	44.4%	44.4%

Impairment on long term assets

In 2024, 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 4.4% 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 2024.

The information used in the 31 December 2024 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 2024 impairment testing were the following:

Cash Generating Unit	**Pre-tax discount rate**	
	2024	**2023**
Speciality Alloys	17.6%	16.4%
South African mine - Mecklenburg mine	20.0%	24.3%

The key reasons for the changes in the discount rates compared to 2024 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 2024

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	49.8	49.8	76.5	Clearly above
South African Mines				
- Mecklenburg	0.0	0.0	16.4	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: 30,000 t/a; from 2025 to 2029 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 131,000t in 2026; and is planned to increase to an average of 486,000t/a as from 2026 to 2035	SA Concentrate & SA Lumpy prices are based on forecasted prices	The costs for underground are based on past experiences of our mining team in underground operations adjusted for inflation rate. The cost over the life of mine excluding inflation is estimated to be ZAR 735 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 18.49 for the year 2024.

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 2024 are given below:

Cash generating unit	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average EBITDA margin
Speciality Alloys	1.4% - points	-8.3%	-0.7% - points
South African mining business:			
- Mecklenburg mine	-43.7% - points	-63.7%	-37.0% - 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 2024

Year ended 31.12.2024 EUR '000	Speciality Alloys	Ferro Alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	1,919	1,919	0	0	1,919
Sale of goods	111,275	14,658	125,933	789	0	126,722
Total external revenue	111,275	16,577	127,852	789	0	128,641
Inter-segment revenue				2,494	-2,494 [1]	-
Total revenue	**111,275**	**16,577**	**127,852**	**3,283**	**-2,494**	**128,641**
Segment EBITDA	**1,715**	**4,289**	**6,004**	**-3,398**	**0**	**2,607**
Depreciation and amortisation	-2,163	-417	-2,580	-173	0	-2,753
Impairment						
Segment operating profit / (loss)	**-448**	**3,872**	**3,424**	**-3,571**	**0**	**-146**
Finance income						3,049
Finance cost						-8,199
Income taxes						-1,921
Profit for the period						**-7,218**
Segment's assets [2]	**154,750**	**49,429**	**204,179**	**4,630**	**-47,207**	**161,602**
Segment's liabilities [2]	**42,270**	**42,478**	**84,748**	**21,034**	**-56,249**	**49,534**
Other disclosures						
Capital expenditure [3]	4,523	101	4,624	101	-4,726	0
Provisions [4]	2,576	9,368	11,944	0	-447	11,497

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.

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						**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.

Geographical information

Revenues from external customers

EUR '000	2024	2023
Other EU countries	55,447	60,562
United States	47,988	64,876
China	11,238	4,867
Africa	5,341	8,068
Finland	0	0
Other countries	8,627	15,282
Total revenue	**128,641**	**153,655**

Revenue figures are based on the location of the customers.

The largest customer of the Group is in the Speciality Alloys business segment and represents approximately 6.88% (7.27%) of the Group's revenue in 2024.

Non-current assets

EUR '000	2024	2023
Africa	30,672	29,154
Other EU countries	11,997	9,969
Other countries	9,197	3,017
Total	**51,866**	**42,140**

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	2024	2023
Sale of goods	126,722	152,242
Rendering of services	1,919	1,413
Total	**128,641**	**153,655**

2. Other operating income

EUR '000	2024	2023
Gain/(loss) on disposal of tangible and intangible assets	55	104
Rental income	280	229
Other	5,070	5,389
Total	**5,405**	**5,722**

3. Employee benefits

EUR '000	2024	2023
Salaries and wages	-21,015	-19,152
Share-based payments	-197	-242
Pensions costs	-878	-821
Other employee related costs	-2,254	-2,057
Total	**-24,344**	**-22,272**

Average personnel during the accounting period	2024	2023
Speciality Alloys business	471	475
FerroAlloys business	105	107
Group Management	3	2
Other operations *	15	15
Total	**594**	**599**

Personnel at the end of the accounting period	2024	2023
Speciality Alloys business	479	468
FerroAlloys business	105	111
Group Management	3	3
Other operations *	15	14
Total	**602**	**596**

* Other operations mainly relate to Magnohrom doo Kraljevo, in Serbia

4. Depreciation, amortisation and impairment

EUR '000	2024	2023
Depreciation / amortisation by asset category		
Intangible assets		
Other intangible assets	-105	-102
Total	**-105**	**-102**
Property, plant and equipment		
Buildings and constructions	-297	-106
Machinery and equipment	-1,518	-970
Other tangible assets	-833	-384
Total	**-2,648**	**-1,460**
Impairment by asset category		
Machinery and equipment	0	0
Total	**0**	**0**

5. Other operating expenses

EUR '000	2024	2023
Rental costs	-356	-217
External services[1]	-3,717	-3,792
Travel expenses	-757	-614
Other operating expenses	-2,060	-5,676
Total	**-6,890**	**-10,299**

1. Audit fees paid to Tietotili totalled EUR 342 (2023: EUR 457) thousand in the financial year. The fees for non-audit services totalled EUR 98 (2023: EUR 29) thousand.

6. Financial income and expense

EUR '000	2024	2023
Finance income		
Interest income on loans and trade receivables	450	588
Foreign exchange gains	2,512	4,617
Other finance income	87	62
Total	**3,049**	**5,267**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-10	-175
Impairment losses on receivables	10	25
Foreign exchange losses	-2,474	-4,484
Hyperinflation adjustment	-1,917	0
Unwinding of discount, provisions	-1,120	-668
Other finance expenses	-2,689	-3,033
Total	**-8,200**	**-8,335**

Net finance expense	**-5,151**	**-3,068**

Hyperinflation

Türkiye has been identified as a hyperinflationary economy to which accounting in accordance with IAS 29 shall be applied. The amounts recognized in the 2024 income statement and balance sheet have been restated using the general price index. As a result of the restatement, an amount of €7.8 million was recognised in equity. The revaluations have been made using the Türkiye consumer price index.

7. Income taxes

EUR '000	**2024**	**2023**
Income tax for the period	-1,385	-2,174
Income tax for previous years	0	-40
Deferred taxes	-536	248
Total	**-1,921**	**-1,966**

EUR '000	**2024**	**2023**
Profit before taxes	**-5,297**	**11,965**
Income tax calculated at parent company income tax rate	**1,059**	**-2,393**
Difference between domestic and foreign tax rates	-2,012	-4,400
Tax credit	0	5,006
Items recognised only for taxation purposes	259	202
Income tax for previous years	0	-40
Impairment losses	0	0
Deferred tax asset write-offs	0	0
Tax losses not recognised as deferred tax assets	-5,354	-2,210
Non-tax deductible expenses	2,773	-284
Previously unrecognised tax losses now recognised	1,354	2,153
Total adjustments	**-2,980**	**427**
Income tax recognised	**-1,921**	**-1,966**

On 31 December 2024 the Group companies had unused tax losses totalling EUR 26.2 (2023: 18.3) million for which the Group has not recognised deferred tax assets.

8. Earnings per share

	2024	**2023**
Profit attributable to owners of the parent company (EUR '000)	-7,572	9,451
Weighted average number of shares, basic (1 000)	260,972	260,478
Basic earnings per share (EUR) total	**-0.03**	**0.04**

	2024	2023
Profit attributable to owners of the parent company (EUR '000)	-7,572	9,451
Weighted average number of shares, basic (1 000)	260,972	260,478
Effect of share options on issue (1 000)	500	500
Weighted average number of shares, diluted (1 000)	261,472	260,978
Diluted earnings per share (EUR) total	**-0.03**	**0.04**

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

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

1.8 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9. 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 1.1.2024	1,830	3,560	13,361	46,258	3,531	68,540
Additions	0	154	4,463	835	120	5,572
Disposals	0	0	-85	0	-27	-113
Reclass between items	0	0	0	0	501	501
Effect of movements in exchange rates	39	-38	464	1,317	7	1,789
Hyperinflation adjustment (Turkish entities)	3	2,163	5,431	786	0	8,384
Balance at 31.12.2024	**1,872**	**5,839**	**23,634**	**49,197**	**4,131**	**84,673**
Accumulated depreciation and impairment 1.1.2024	0	**-3,047**	**-5,491**	**-22,378**	**-127**	**-31,043**
Depreciation	0	-296	-1,518	-807	-27	-2,648
Impairment	0	0	0	0	0	0
Disposals	0	0	13	0	27	40
Effect of movements in exchange rates	0	25	-3,573	-542	-7	-4,097
Accumulated depreciation and impairment at 31.12.2024	**0**	**-3,318**	**-10,569**	**-23,726**	**-134**	**-37,748**
Carrying amount at 1.1.2024	**1,830**	**513**	**7,870**	**23,880**	**3,404**	**37,497**
Carrying amount at 31.12.2024	**1,872**	**2,521**	**13,065**	**25,469**	**3,998**	**46,925**
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**

Machinery and equipment include the prepayments made for them.
Property, plant and equipment include right of use asset EUR 0.08 (2023: 0.2) and a depreciation of EUR 0.07(2023: 0.1) million.

10. Intangible assets

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2024	**46,997**	**74,585**	**5,408**	**1,254**	**128,244**
Additions	0	0	261	0	261
Disposals	0	0	-79	-18	-97
Reclass between items	0	0	391	0	391
Hyperinflation adjustment (Turkish entities)	0	0	74	-18	56
Effect of movements in exchange rates	2,783	4,392	104	40	7,319
Balance at 31.12.2024	**49,780**	**78,977**	**6,159**	**1,258**	**136,174**
Accumulated amortisation and impairment at 1.1.2024	0	**-74,585**	**-1,880**	**-140**	**-76,605**
Amortisation	0	0	-85	-20	-105
Disposals	0	0	4	0	4
Effect of movements in exchange rates	0	-4,392	-350	-5	-4,747
Accumulated amortisation and impairment at 31.12.2024	**0**	**-78,977**	**-2,311**	**-165**	**-81,453**
Carrying amount at 1.1.2024	**46,997**	**0**	**3,528**	**1,114**	**51,639**
Carrying amount at 31.12.2024	**49,780**	**0**	**3,848**	**1,093**	**54,721**
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**

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.

11. Investments in associates

Afarak has an investment of 5.99% (2023: 5.99%) in Valtimo Components Oyj.

During the financial year 2024 and 2023, Afarak did not acquire or dispose holdings in associates.

12. Financial assets and liabilities

31.12.2024, 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			83	83	83
Trade and other receivables *			1,596	1,596	1,596
Current financial assets					
Trade and other receivables *			19,804	19,804	19,804
Other financial assets			2,054	2,054	2,054
Cash and cash equivalents			3,954	3,954	3,954
Total financial assets			**27,491**	**27,491**	**27,491**
Non-current financial liabilities					
Non-current interest-bearing liabilities			333	333	333
Other non-current liabilities			22	22	22
Current financial liabilities					
Current interest-bearing liabilities			2,260	2,260	2,260
Trade and other payables *			0	0	0
Total financial liabilities			**2,615**	**2,615**	**2,615**

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

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.

Interest-bearing debt

EUR '000	**2024**	**2023**
Non-current		
Bank loans	1	1
Acquisition of NCI liability	0	0
Finance lease liabilities	333	319
Other interest-bearing liabilities	0	0
Total	**334**	**320**
Current		
Bank loans	2,260	2,766
Finance lease liabilities	0	0
Other interest-bearing liabilities (*)	0	0
Total	**2,260**	**2,766**

EUR '000	2024	2023
Finance lease liabilities, minimum lease payments		
No later than 1 year	0	0
Later than 1 year and not later than 5 years	333	320
	333	**320**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	0	0
Later than 1 year and not later than 5 years	333	320
	333	**320**
Future finance charges	**0**	**0**
Total minimum lease payments	**333**	**320**

* 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 2024	Cash flows	Foreign exchange movement	Other	31 December 2024
Current borrowings	2,766	-349	-156	-	2,260
Lease liabilities	320	13	0	-	333
Total liabilities from financing activities	**3,086**	**-336**	**-156**	**-**	**2,594**

EUR '000	1 January 2023	Cash flows	Foreign exchange movement	Other	31 December 2023
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**

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 2024

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 2024 closing date:

On 31 December 2024, 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 USD 4.0 million during 2022 and the Group has given a corporate guarantee amounting to USD 4.0 as collateral. The Maltese subsidiary utilized USD 2.1 million as at the end of 2024. During 2024, an additional trade finance loan facility without recourse amounting to USD 2.0 million has been granted. The Maltese subsidiary utilized USD 0.2 million as at the end of 2024.

Interest-bearing debt 31 December 2024

- Floating rate loans from financial institutions total EUR 2.3 (2023: 2.7) million. Fixed rate loans total EUR 0.0 (2023: 0.0) million.
- The interest rate of the Maltese bank loan facility is at the rate of 3.75% per annum margin above the Bank's Lending Base Rate. The interest rate on 31 December 2024, based Bank's Lending Base Rate at that date, was 5.0%.

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 69.3% (2023: 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:

31.12.2024 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	2,260	-2,260	-2,260	0	0	0	0
Finance lease liabilities	333	-333	-54	-54	-46	-180	0
Trade and other payables	22	-22	0	0	-22	0	0
Total	**2,616**	**-2,616**	**-2,314**	**-54**	**-68**	**-180**	**0**

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**

(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.

31.12.2024, EUR '000	EUR exchange rate	1	1.0389	0.82918	36.7372	19.6188	0.941	116.79
		EUR	USD	GBP	TRY	ZAR	CHF	RSD
Cash and cash equivalents (EUR)		1,485	1,292	10	599	446	0	117
Trade and other receivables (EUR)		1,624	5,570	0	0	12,991	0	1,505
Loans and other financial assets (EUR)		1,539	0	0	86	54	0	0
Trade and other current payables (EUR)		-2,706	-3,843	-1,980	-626	-596	0	-6
Loans and other liabilities (EUR)		-333	-2,260	0	-1	-22	0	0
Currency exposure, net (EUR)		1,608	759	-1,970	57	12,873	0	1,616

Currency exposure, net in currency ('000)		1,608	788	-1,633	2,086	252,558	0	188,753
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

The effect on the 31 December 2024 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 2024

		USD	GBP	TRY	ZAR	CHF	RSD
20%	strengthening	190	-492	14	3,218	0	404
15%	strengthening	134	-348	10	2,272	0	285
10%	strengthening	84	-219	6	1,430	0	180
5%	strengthening	40	-104	3	678	0	85
0%	no change	0	0	0	0	0	0
-5%	weakening	-36	94	-3	-613	0	-77
-10%	weakening	-69	179	-5	-1,170	0	-147
-15%	weakening	-99	257	-7	-1,679	0	-211
-20%	weakening	-126	328	-9	-2,146	0	-269

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

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 2024 and 31 December 2023 was as follows:

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

Fixed rate instruments	**31.12.2024**	**31.12.2023**
Financial assets	0	0
Financial liabilities	0	0
Fixed rate instruments, net	**0**	**0**
Variable rate instruments		
Financial assets	83	78
Financial liabilities	-2,260	-2,766
Variable rate instruments, net	-2,177	-2,688
Interest-bearing net debt	**-2,177**	**-2,688**

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 2024, and if there were no changes in exchange rates.

31 December 2024

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-2	45	44
-1.50%	-1	34	33
-1.00%	-1	23	22
-0.50%	0	11	11
0.00%	0	0	0
0.50%	0	-11	-11
1.00%	1	-23	-22
1.50%	1	-34	-33
2.00%	2	-45	-44

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

(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 2024 (2023: 7.5). The Group did not record any loss allowance on trade receivables during 2024 and during 2023. The portion of prepaid revenues or portion under trade financing amounts to EUR 2.3 million on 31 December 2024 (2023: 2.7). The prepaid portion of the trade receivables does not include any potential losses.

The loan receivables amounted to EUR 2.0 million on 31 December 2024 (2023: 0.5). The total potential credit risk for the loan receivables is higher than for the trade receivables as the potential risk of default is more concentrated with only few lenders. The group estimates the potential credit risk in relation to the loan receivables frequently and reports any changes at each reporting period and estimates the possibility for default on a per lender basis.

In 2024 and in 2023, 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 31.12.2024 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**	**31.12.2024**	**31.12.2023**
Interest-bearing		
Cash and cash equivalents	3,954	18,032
Other interest bearing receivables	83	78
Interest-bearing, total	**4,037**	**18,110**
Interest-free		
Trade receivables	7,502	7,467
Other short-term receivables	14,356	13,140
Long-term receivables	1,596	1,124
Interest-free, total	**23,454**	**21,731**
Total	**27,491**	**39,841**

(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.

Sensitivity Analysis - Speciality Alloys business

The effect of changes in the sales price of special grade ferrochrome, produced by the Group's Speciality Alloys business, to the Group's operating profit and equity is illustrated below, assuming that the EUR/USD rate were constant. The analysis is based on December 2024 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 2024 production of 22,963 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 2024

Change in Sales price (USD / lb Cr)		**Change in Operating Profit**	**Change in Group's Equity**
		EUR 000's	**EUR 000's**
2.71	20%	15,384	14,615
2.59	15%	11,538	10,961
2.48	10%	7,692	7,307
2.37	5%	3,846	3,654
2.26	0%	0	0
2.14	-5%	-3,846	-3,654
2.03	-10%	-7,692	-7,307
1.92	-15%	-11,538	-10,961
1.80	-20%	-15,384	-14,615

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

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 166,029 t/a, and December 2024 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 2024

Change in Sales price (USD/t)		Change in Operating Profit	Change in Group's Equity
231.00	20%	6,392	4,602
221.38	15%	4,794	3,452
211.75	10%	3,196	2,301
202.13	5%	1,598	1,151
192.50	0%	0	0
182.88	-5%	-1,598	-1,151
173.25	-10%	-3,196	-2,301
163.63	-15%	-4,794	-3,452
154.00	-20%	-6,392	-4,602

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

13. Inventories

EUR '000	2024	2023
Goods and supplies	11,050	16,636
Unfinished products	387	129
Unfinished construction projects	0	283
Finished products	17,159	12,399
Prepayments	233	136
Total	**28,829**	**29,583**

14. Trade and other current receivables

EUR '000	2024	2023
Trade receivables	7,502	7,467
Loan receivables	2,054	546
Prepaid expenses and accrued income	2,949	2,615
Income tax receivables	210	123
Other receivables	12,301	12,594
Total	**25,016**	**23,345**

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	2024	2023
Not past due	3,527	4,698
Past due 0-30 days	2,940	1,184
Past due 31-60 days	272	678
Past due 61-90 days	341	37
Past due more than 90 days	422	870
Trade receivables total	**7,502**	**7,467**

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.

15. Cash and cash equivalents

EUR '000	2024	2023
Cash and bank balances	**3,864**	**16,252**

Cash and cash equivalents in the consolidated cash flow statement:

EUR '000	2024	2023
Cash and bank balances	3,864	16,252
Short-term money market investments	90	1,780
Total	**3,954**	**18,032**

16. Notes to equity

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
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**
Share based payments (CEO)		500,000	
31.12.2024	**277,041,814**	**261,000,300**	**23,642**

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

The equity reserves are described below:

Share premium reserve

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

Paid-up unrestricted equity reserve

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

Translation reserve

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

Treasury shares

On 31 December 2024, the Company had 16,041,514 (6,541,514) 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 2024, was 261,000,300 (260,500,300).

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 31 May 2024, 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 90.24 % of the Company's currently registered shares.

The authorization may be used among other things to raise additional finance and enabling corporate and business acquisitions or other arrangements and investments of business activity or for employee incentive and commitment schemes. By virtue of the authorization, the Board of Directors can decide both on share issues against payment and on share issues without payment. The payment of the subscription price can also be made with consideration other than money. The authorization contains the right to decide on derogating from shareholders' pre-emptive right to share subscriptions provided that the conditions set in the Finnish Companies'

Act are fulfilled. The authorization replaces all previous authorizations granted in the Annual General Meeting in 2023 and is valid two (2) years from the decision of the Annual General Meeting.

17. Share-based payments

As part of the remuneration package under the CEO agreement, the CEO received 500,000 Company shares on 17 January 2023 and 500,000 Company shares on 22 January 2024. On January 2024, the Group extended the CEO's contract for another year and approved the granting of Company shares as an incentive based on overall performance KPIs. For the year 2024, 400,000 company shares are to be transferred after reporting period.

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 0.39 per share. The expense recognized in the income statement during the year was EUR 197,260 (2023: EUR 242,397).

18. Deferred tax assets and liabilities

Movements in deferred taxes in 2024

EUR '000	01.01.2024	Exchange rate differences	Recognised in income statement	31.12.2024
Deferred tax assets:				
Unrealised expenses	557	1	-551	7
Pension liabilities	13	0	56	69
From translation difference	-69	0	0	-69
Group eliminations	543	26	-98	472
Total	**1,044**	**27**	**-593**	**478**
Deferred tax liabilities:				
Assets at fair value in acquisitions	7,710	64	-64	7,710
Translation difference	80	0	0	80
Other timing differences	262	224	8	493
Total	**8,051**	**288**	**-57**	**8,283**

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**

19. Provisions

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2024	10,107	1,389	11,496
Additions	351	1,476	1,827
Releases and reversals	-2,477	-273	-2,750
Unwinding of discount	1,131	0	1,131
Exchange differences	357	-118	239
Balance at 31.12.2024	**9,469**	**2,474**	**11,943**
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**

EUR '000	2024	2023
Long-term provisions	11,776	11,400
Short-term provisions	167	96
Total	**11,943**	**11,496**

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.

20. Pension liabilities

Defined benefit pension plans
The majority of the Group's pension plans are defined contribution plans for which a total expense of EUR 0.6 (2023: 0.7) million has been recognised on the 2024 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 11.2 (2023: 12.8) million on 31 December 2024. 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	2024	2023
Present value of funded obligation	20,397	21,147
Fair value of plan assets	-9,148	-8,308
Net liability	**11,249**	**12,839**

Movements in defined benefit obligation

EUR '000	2024	2023
Defined benefit obligations at 1.1.	21,147	19,973

Benefits paid	-752	-774
Current service costs	243	241
Interest expense	655	728
Assumption changes	-600	0
Actuarial losses / (gains)	-296	979
Closing balance at 31.12.	**20,397**	**21,147**

Movements in the fair value of the plan assets EUR '000	**2024**	**2023**
Fair value of the plan assets at 1.1.	8,308	7,985
Expected return on plan assets	266	306
Benefits paid by the plan	-227	-217
Return on plan assets greater/(less) than discount rate	270	-262
Contributions paid into the plan	531	496
Closing balance at 31.12.	**9,148**	**8,308**

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	**2024**	**2023**
Current service cost	-243	-241
Net interest on net defined benefit liability/(asset)	-389	-422
	-632	**-663**

Expense recognised in other comprehensive income (OCI) EUR '000	**2024**	**2023**
Actuarial (gains)/losses due to liability experience	-296	-479
Return on plan assets (greater)/less than discount rate	-270	262
Actuarial (gains)/losses – financial assumptions	-600	1,457
	-1,166	**1,240**

Actual return on plan assets totalled EUR -0.26 (2023: 0.26) million in 2024.

Principal actuarial assumptions	**2024**	**2023**
Discount rate	3.41%	3.17%
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 2024, the employee severance indemnity recognised in accordance with IAS 19 totalled EUR 2.1 (2023: 1.0) million.

21. Trade payables and other interest-free liabilities

EUR '000	**2024**	**2023**
Non-current		
Other liabilities	22	22
Total non-current	**22**	**22**
Current		
Current liabilities to related parties	6	6
Trade payables	7,075	10,863
Accrued expenses and deferred income	5,16	5,171
Current advances received	4	4
Income tax liability	516	4,437
Other liabilities	2,673	626
Total current	**15,441**	**21,107**

1.9 RELATED PARTY DISCLOSURES

1.9.1 Group structure on 31 December 2024

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	99.98	0.00
ZCM Holdco One (Pty) Ltd	South Africa	74.00	23.00
Zeerust Chrome Mine Ltd	South Africa	74.00	0.00

In December 2024, 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. Rekylator Oy is in liquidation.

On 20 February 2024, Afarak Group SE transferred the interest holding in Türk Maadin Sirketi A.S. to Afarak Holdings Limited.

On 9 July 2024 Afarak Holdings Limited acquitted an additional 1.23% holding from non-controlling interest.

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

		2024			2023		
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	84	420	197	14	535	242
Board members							
Abrahamsen Thorstein	Board member 23.5.2017 onwards, Chairman11.11.2019 onwards		121			137	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 23.5.2017 – 25.6.2019		103			125	
Total		**84**	**644**	**197**	**14**	**797**	**242**

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 2024 were EUR 360,000, a salary of EUR 84,000 and a Company bonus of EUR 60,000.

As part of the remuneration package under the CEO agreement, the CEO received 500,000 Company shares on 17 January 2023 and 500,000 Company shares on 22 January 2024. On January 2024, the Group extended the CEO's contract for another year and approved the granting of Company shares as an incentive based on overall performance KPIs. For the year 2024, 400,000 company shares are to be transferred after reporting period.

Management remuneration

EUR '000	2024	2023
Fixed salaries and fees	673	553
Total	**673**	**553**

The table includes the Executive Management Team remuneration excluding the CEO for the year 2024. The CEO and Board members compensation has been presented separately.

Other related party transactions

No dividends were received from associated companies during 2024 and 2023.

1.10 COMMITMENTS AND CONTINGENT LIABILITIES

1.10.1 Mortgages and guarantees pledged as security

On 31 December 2024 the Group had loans from financial institutions totalling EUR 2.3 (2023: 2.8) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 2.3 (2023: 2.7) million. Moreover, the Group companies have given cash deposits totalling EUR 0.3 (2023: 0.3) million as security for their commitments. The value of other collaterals totalled EUR 5.6 (2023: 3.8) million as at 31 December 2024.

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 of USD 4.0 million from a Maltese bank in 2023. As at year end 2024 the balance was USD 2.1 (EUR 2) million. An additional trade finance loan facility without recourse amounting to USD 2.0 million was utilised during the year. As at year end 2024, the balance was USD 0.2 (EUR 0.18) million EUR. 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 0.4 (2023: 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 2024.

1.11 EVENTS AFTER THE REPORTING PERIOD

Stock Exchange Releases

On **21 February 2025**, the Board of Directors issued a profit warning regarding the decrease of turnover and EBITDA for the financial year 2024.

Flagging notification after the reporting period

There are no flagging notifications to report.

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.2024 - 31.12.2024	1.1.2023 - 31.12.2023
Revenue	1	**2,495**	**2,468**
Personnel expenses			
Salaries and wages		-258	-327
Pension expenses		0	0
Social security expenses total		0	0
Personnel expenses total		**-258**	**-327**
Depreciation, amortisation and impairment	2		
Impairment of investment in subsidiaries		-0	0
Depreciation, amortisation and impairment total		-0	0
Other operating expenses	3	-2,176	-2,545
OPERATING PROFIT		**61**	**-404**
Financial income and expenses:	4		
Impairment of non-current investments		9,651	0
Other financial income		8,601	0
From Group companies		0	151
From others		156	1,109
Interests and other financial expenses		21	0
To Group companies		0	-2,014
To others		-1,644	-40
Impairment of intra-group receivable		-699	0
Financial income and expenses total		**16,086**	**-794**
PROFIT BEFORE TAXES		**16,147**	**-1,198**
Income taxes	5	0	0
PROFIT FOR THE PERIOD		**16,147**	**-1,198**

STATEMENT OF FINANCIAL POSITION (FAS)

EUR '000	Note	31/12/2024	31/12/2023
ASSETS			
NON-CURRENT ASSETS			
Investments	6		
Shares in Group companies		64,488	65,832
Total investments		**64,488**	**65,832**
Non-current receivables	7		
Receivables from Group companies		5,252	5,257
Total non-current receivables		**5,252**	**5,257**
Total non-current assets		**69,740**	**71,089**
CURRENT ASSETS			
Current receivables	7		
Trade receivables		15	0
Receivables from Group companies		1,626	4,973
Other non interest-bearing receivables		28	35
Prepaid expenses and accrued income		38	39
Total current receivables		**1,707**	**5,047**
Cash and cash equivalents		**1**	**0**
Total current assets		**1,708**	**5,047**
TOTAL ASSETS		**71,488**	**76,136**

STATEMENT OF FINANCIAL POSITION (FAS) (CONT.)

EUR '000	Note	31/12/2024	31/12/2023
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		-229,894	-228,696
Profit for the period		16,147	-1,198
Total shareholders' equity		**54,169**	**38,022**
LIABILITIES	9		
Non-current liabilities			
Liabilities to Group companies		11,428	26,464
Provisions		0	0
Total non-current liabilities		**11,428**	**26,464**
Current liabilities			
Liabilities to Group companies		0	220
Liabilities to others		0	0
Accounts payable		127	167
Accounts payable to Group companies		5,278	10,591
Other liabilities		6	6
Accrued expenses and deferred income		440	666
Total current liabilities		**5,851**	**11,650**
Total liabilities		**17,279**	**38,114**
TOTAL EQUITY AND LIABILITIES		**71,448**	**76,136**

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.-31.12.2024	1.1.-31.12.2023
Operating activities		
(Loss) / profit for the period	16,147	-1,198
Adjustments for:		
Gain on disposal of investment	-9,651	0
Unrealised foreign exchange gains and losses	-112	-1,039
Financial revenue and expense excluding impairment	-6,078	1,833
Other adjustments	-442	87
Cash flow before working capital changes	-136	-317
Working capital changes:		
Change in current trade receivables	3,752	2,021
Change in current trade payables	2,661	1,769
Change in Provisions	0	0
Cash flow before financing items and taxes	6,277	3,472
Interests received from Group companies	-11	-1
Interests received and other financing items	-791	30
Interests paid and other financing items	-1,644	-2,014
Net cash used in operating activities	**3,831**	**1,487**
Investing activities		
Proceeds from sale of tangible and intangible assets	0	0
Net cash from investing activities	**0**	**0**
Financing activities		
Proceeds from sale of investment	9,651	0
Disposal of	1,386	0
Non-current loans from Group companies	5	-3,401
Repayments of current loan receivables	0	1,911
Proceeds from current borrowings	-9,007	0
Repayment of current borrowings	-5,865	0
Net cash from financing activities	**3,830**	**-1,490**
Change in cash and cash equivalents	**1**	**-3**
Cash at beginning of period	0	3
Cash at end of period	1	0
Change in the statement of financial position	**1**	**-3**

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

	2024	2023
By business line:		
Services	2,495	2,468
Total	**2,495**	**2,468**
By geography:		
Finland	0	1
EU countries	1,722	1,614
Other countries	773	853
Total	**2,495**	**2,468**

2. Depreciation, amortisation and impairment

EUR '000

	2024	2023
Impairment		
Impairment on investment in subsidiaries	0	0
Total	**0**	**0**

3. Other operating expenses

EUR '000

	2024	2023
Premise expenses	-17	-15
Machinery and equipment expenses	-43	-93
Travelling expenses	-29	-77
Administration expenses	-1,060	-1,534
Other operating expenses	-1,027	-826
Total	**-2,176**	**-2,545**

4. Financial income and expense

EUR '000

	2024	2023
Other financial income		
From Group companies	156	151
From others	21	1,109
Other financial expense		
To Group companies	-1,644	-2,014
To others	-699	-40
Impairment on Intra-group receivables	0	0
Total	**-2,166**	**-794**

5. Income taxes

EUR '000	2024	2023
Profit before taxes	16,147	-1,198
Profit for the period	**16,147**	**-1,198**

2.3 Notes to assets

6. Investments

	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	0	0	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	0	0	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**

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2024	324,194	8,153	17,614	349,961
Addition of investment	42	0	0	42
Sale of Investment	-1,386	0	0	-1,386
Acquisition cost 31.12.2024	322,850	8,153	17,614	348,617
Accumulated depreciation and impairment 1.1.2024	-258,362	-8,153	-17,614	-284,129
Impairment of investment in subsidiaries	0	0	0	0
Accumulated depreciation and impairment 31.12.2024	-258,362	-8,153	-17,614	-284,129
Book value 31.12.2024	**64,488**	**0**	**0**	**64,488**

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	99.98	0.00
ZCM Holdco One (Pty) Ltd	South Africa	74.00	23.00
Zeerust Chrome Mine Ltd	South Africa	74.00	0.00

In December 2024, 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. Rekylator Oy is in liquidation.

On 20 February 2024, Afarak Group SE transferred the holding interest in Türk Maadin Sirketi A.S. to Afarak Holdings Limited.

On 9 July 2024, Afarak Holdings Limited acquired an additional 1.23% holding in Türk Maadin Sirketi A.S. from non-controlling interest.

7. Receivables

EUR '000	2024	2023
Non-current		
Loan and other receivables	5,252	5,257
Total	**5,252**	**5,257**
Current		
Loan receivables	0	0
Trade receivables	1,250	3,910
Interest receivables	376	209

Prepayments and accrued income	0	854
Total	**1,626**	**4,973**

Other interest-bearing receivables

EUR '000	2024	2023
Current		
VAT receivable	11	18
Total	**11**	**18**

Other interest-free receivables

EUR '000	2024	2023
Current		
Trade receivables	15	0
Other receivables	17	17
Total	**32**	**17**

Prepaid expenses and accrued income	2024	2023
Other prepaid expenses and accrued income	38	39
Total	**38**	**39**

2.4 Notes to equity and liabilities

8. Shareholders' equity

EUR '000

Share capital	2024	2023
Share capital 1.1.	23,642	23,642
Share capital 31.12.	**23,642**	**23,642**

Share premium reserve	2024	2023
Share premium reserve 1.1.	25,223	25,223
Share premium reserve 31.12.	**25,223**	**25,223**

Paid-up unrestricted equity reserve	2024	2023
Paid-up unrestricted equity reserve 1.1.	219,051	219,051

Issue of shares	0	0
Paid-up unrestricted equity reserve 31.12.	**219,051**	**219,051**

Retained earnings	**2024**	**2023**
Retained earnings 1.1.	-228,696	-225,241
Profit for the period	-1,198	-3,482
Retained earnings 31.12.	**-229,894**	**-228,696**
Profit for the period	16,147	-1,198
Total shareholders' equity	**54,169**	**38,022**

Distributable funds	**2024**	**2023**
Retained earnings 1.1.	-229,894	-228,696
(Loss) / profit for the period	16,147	-1,198
Retained earnings 31.12.	**-213,747**	**-229,894**
Paid-up unrestricted equity reserve	219,051	219,051
Distributable funds 31.12.	**5,304**	**0**

9. Liabilities

Non-current liabilities

EUR '000

Non-current interest bearing debt	**2024**	**2023**
Loans from Group companies	11,428	26,464
Total	**11,428**	**26,464**

Non-current interest-free debt	**2024**	**2023**
Capital loans	0	0
Total	**0**	**0**

Current liabilities

EUR '000

Current interest bearing debt	**2024**	**2023**
Other debt to Group companies	0	0
Total	**0**	**0**

Current interest-free debt	2024	2023
Accounts payable	127	167
Payables to Group companies	5,278	10,591
Other debt	6	6
Other debt to Group companies	0	220
Accrued expenses and deferred income	440	666
Total	**5,851**	**11,650**

2.5 Pledges and contingent liabilities

The company did not have any pledges and contingent liabilities as at year end

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)	2024	2023
Employees	1	1

Management remuneration (EUR '000)	2024	2023
Chief Executive Officer	420	535
Board members	224	262

The CEO fees for his service during 2024 were EUR 420,000.

As part of the remuneration package under the CEO agreement, the CEO received 500,000 Company shares on 17 January 2023 and 500,000 Company shares on 22 January 2024. On January 2024, the Group extended the CEO's contract for another year and approved the granting of Company shares as an incentive based on overall performance KPIs. For the year 2024, 400,000 company shares are to be transferred after reporting period.

Information on shares and shareholders

Changes in the number of shares and share capital

On 31 December 2024, the registered number of Afarak Group SE shares was 277,041,814 (267,041,814) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2024, the Company had 16,041,514 (6,541,514) own shares in treasury, which was equivalent to 5.79% (2.45%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2024, was 261,000,300 (260,500,300).

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

Information obligated to a Group company

The Company is the Group's parent company.

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

Board members' and Chief Executive Officer's ownership

Afarak Group SE's Board members and Chief Executive Officer owned in total 2,450,000 (2023: 1,950,000) Afarak Group SE shares on 31 December 2024 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.9% (2023: 0.7%) of all outstanding shares that were registered in the Trade Register on 31 December 2024.

31.12.2024		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	2,300,000	0
Board and CEO total		**2,450,000**	**0**
All shares outstanding		277,041,814	
Proportion of all shares		0.9%	

On 31 December 2024 the total number of registered shares was 277,041,814 and the Board and CEO's ownership corresponded to 0.9% of the total number of registered shares.

Auditor's fees

EUR '000	**2024**	**2023**
Tietotili Audit Oy		
audit	343	225
other services	98	29
Total	441	254

Board's dividend proposal

The company will follow the new dividend policy and the board intends to decide about the actual dividend allocation at a later stage.

SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

Helsinki 28 March 2025

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.

Vantaa 28 March 2025

Tietotili Audit Oy
Authorised Public Accountants

Urpo Salo
Authorised Public Accountant