

# Interim Financial Statements

H1 2022



A F A R A K

## FINANCIAL INTERIM RELEASE H1 2022

		H1/22	H1/21	2021
Revenue	EUR million	92.1	37.3	80.3
EBITDA	EUR million	24.5	-0.9	5.9
EBIT	EUR million	24.0	0.9	6.8
Earnings before taxes	EUR million	22.6	-0.5	2.9
Profit from continuing operations	EUR million	21.2	-0.9	0.6
Profit from discontinuing operations	EUR million	2.9	0.0	8.4
Profit	EUR million	24.1	-0.9	9.0
Earnings per share	EUR	0.10	0.00	0.04
EBITDA margin	%	26.7	-2.4	7.4
EBIT margin	%	26.1	2.4	8.5
Earnings margin	%	24.6	-1.3	3.6
Personnel (end of period)		549	608	503

### FIRST HALF 2022 HIGHLIGHTS

- Revenue increased strongly by 146.5% to EUR 92.1 (H1/2021: 37.3) million;
- Processed material sold increased by 24.2% to 15,205 (H1/2021: 12,667) tonnes supported by stronger market demand and higher prices;
- Tonnage mined decreased by 27.0% to 39,109 (H1/2021: 53,542) tonnes;
- The Group's EBITDA increased significantly to EUR 24.5 (H1/2021: -0.9) million and the EBITDA margin was 26.7% (H1/2021: -2.4%);
- EBIT was EUR 24.0 (H1/2021: 0.9) million, with the EBIT margin at 26.1% (H1/2021: 2.4%);
- Profit for the period from continuing operation totalled EUR 21.2 (H1/2021: -0.9) million;
- Cash flow from operations stood at EUR 10.1 (H1/2021: -1.9) million;
- Net interest-bearing debt after deducting liquid funds amounted to EUR 21.5 (50.3) (31 December 2021: 32.2) million;
- Cash and cash equivalents at 30 June totalled EUR 5.0 (30 June 2021: 2.9) (31 December 2021: 6.3) million.

### OUTLOOK FOR THE SECOND HALF OF 2022

In recent weeks the ferro-chromium market has shown signs of slow-down both in demand and price, which is not unusual during summer months. The present price reductions may be more sustainable, nonetheless. On the other hand, the energy prices and availability will remain the major worry of any producer in the foreseeable future, and should trigger elevated price levels also going forward.

Afarak has been for many years now the only Western producer of low carbon ferro-chrome, a critical material for stainless steel production. As such, we have experienced very challenging years, recently. Whereas our main focus has always been on specialty grades, we are now doing all possible efforts to increase our production capacities for more widely used standard grades in order to present options for our long term customers who may start to experience some reluctance to use certain non-Western origins.

It must be noted that recently Chinese and Indian LC FeCr is offered, origins which have not been seen normally in the EU and US market.

## CEO GUY KONSBRUCK

“During the first half of 2022, the company succeeded to substantially further reduce its debt. Our specialty segment showed increased activity and profits, although the ferro-chrome markets have not been directly impacted by any sanctions or tariffs. Sizeable rises in logistic cost, higher raw material cost could be partially off-set by alternative raw material mixes and favorable USD exchange rates. We foresee a reduced profitability in H2, as the market prices show some weakness, and raw materials already secured may impact on our margin. The FerroAlloys segment, with a reduced but stable mining activity in South Africa has now reached a break-even point. We expect some improvements for H2/22 in that segment.

The company also intends to resume operations in our Magnochrome refractory plant, in Serbia. Initial investments to the facilities should be launched during H2.

The commodities and stainless steel markets are generally seeing a positive trend, but we expect to see a more challenged business environment throughout the rest of the year. All will depend on the further development of the present geo-political tensions both in Europe and South-East Asia”

## OVERVIEW OF RESULTS

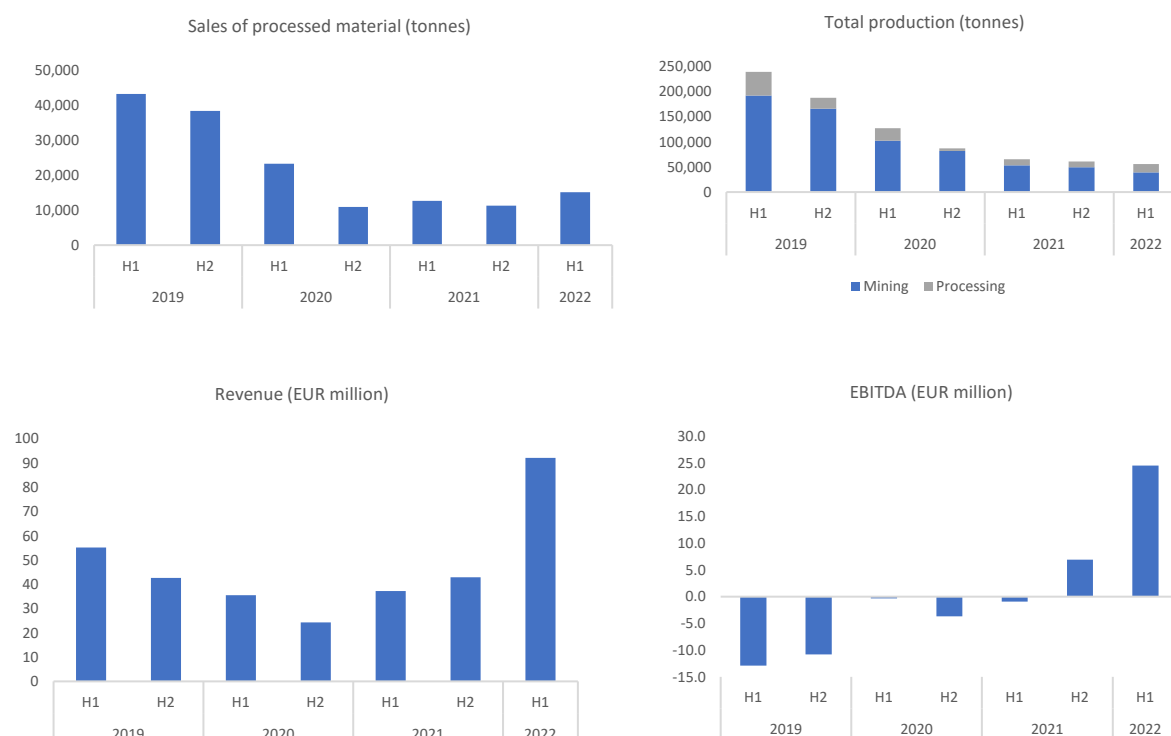
*This Interim Report is prepared in accordance with the IAS 34 standard and is unaudited. All the corresponding comparable figures of 2021 are presented in brackets, unless otherwise explicitly stated.*

### MARKET OVERVIEW

Low carbon ferrochrome prices are expected to see more fluctuations in both directions going forward. Whereas some analysts remain very bullish for the rest of the year, a certain reduction in ore prices, and the appearance of cheaper offers (with sometimes doubtful origin) causes the company to remain careful in its appreciation. Energy availability and cost will continue to present the largest impact on the price evolution of all commodities. Generally speaking, Afarak is expecting solid results for H2/2022 however.

### FIRST HALF 2022 COMPARED TO FIRST HALF 2021

The strong market conditions in the first half of 2022 resulted in significant operational and financial gains for the year. The Group revenue increased by 146.5% during the first half of 2022, driven by higher sales volumes and significantly higher average selling prices of LC Ferro Chrome material. The mining production decreased during the first half of 2022 due to maintenance activity at the Turkish mines during the reporting period while the South African mines resumed some limited mining activity during the second quarter of 2022. The production of processed material increased supported by the strong market demand as the processing plant in Germany produced throughout the first six months of the year. The positive impact from higher prices more than offset the negative impact from higher costs of raw material, energy and logistic compared to the previous year. This resulted in positive Group EBITDA of EUR 24.5 (-0.9) million. Financial income and expenditure during the first half of the year were EUR -1.4 (-1.4) million.



## SEGMENT PERFORMANCE

### SPECIALITY ALLOYS BUSINESS

*The Speciality Alloys business consists of Türk Maden 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.*

#### Speciality Alloys key figures

		H1/22	H1/21	2021
Revenue	EUR million	91.1	35.7	77.8
EBITDA	EUR million	25.6	1.1	9.2
EBIT	EUR million	25.2	0.4	7.8
EBITDA margin	%	28.1	3.0	11.8
EBIT margin	%	27.7	1.2	10.1
Sales	Tonnes	15,205	12,244	23,443
Total production	Tonnes	46,294	51,286	99,844
Mining	Tonnes	29,649	39,715	76,592
Processing	Tonnes	16,645	11,571	23,252
Personnel		462	521	471

#### PERFORMANCE COMPARED TO FIRST HALF 2021/2022

- Revenue during the first half of 2022 increased by 155.4% to EUR 91.1 (35.7) million. Higher revenue due to higher sales volumes and improved average selling prices when compared to same period last year;
- Processing levels at the EWW plant in Germany was higher than last year to keep up with the higher demand;
- The mining activity at TMS reduced mining activity during the first half of 2022, resulting in a decrease of 25.3% when compared to prior periods;
- The above positive factors resulted in a positive EBITDA of EUR 25.2 (0.4) million when compared to the same period last year.

## FERROALLOYS BUSINESS

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.

### FerroAlloys key figures

		H1/22	H1/21	2021
Revenue	EUR million	0.4	1.4	1.8
EBITDA	EUR million	0.1	-1.0	-0.9
EBIT	EUR million	0.0	1.6	1.6
EBITDA margin	%	20.9	-72.3	-53.4
EBIT margin	%	0.1	114.5	88.2
Sales	Tonnes	0	423	531
Total production	Tonnes	9,460	13,827	26,379
Mining	Tonnes	9,460	13,827	26,379
Processing	Tonnes	0	0	0
Personnel		69	67	14

### PERFORMANCE COMPARED TO FIRST HALF 2021/2022

- Revenue decreased significantly by 70.3% during the first half of 2022 due to lower availability of saleable material;
- Production decreased significantly due to minimal mining activity at the South African mines;
- Despite the low mining activity in the South African mines, a break-even point was achieved as EBITDA stood at EUR 0.1 (-1.0) million.

### UNALLOCATED ITEMS

For the first half of 2022, the EBITDA from unallocated items was EUR -1.2 (-1.0) million when compared to same period of last year.

### BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 30 June 2022 stood at EUR 172.2 (155.7) (31 December 2021: 146.3) million and net assets totalled EUR 74.1 (31.2) (31 December 2021: 43.4) million. During the first half of 2022, currency movements had an effect on Afarak's balance sheet, with the translation reserve moving by EUR 6.6 (2.1) million. The Group's cash and cash equivalents, as at 30 June 2022, totalled EUR 5.0 (2.9) million (31 December 2021: 6.3). Operating cash flow in the first half of the year was EUR 10.1 (-1.9) million.

The equity ratio was 43.0% (20.0%) (31 December 2021: 29.7%). Afarak's gearing at the end of June 2022 continued to reduce to 28.9% (161.3%) (31 December 2021: 74.2%) driven by the decrease in the interest-bearing debt to EUR 26.4 (53.2) (31 December: 38.5) million.

### INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the first half of 2022 remained at the same level of last year at EUR 0.6 (0.6) million to sustain Group operations.

## IMPAIRMENT TESTING

Afarak Group has carried out impairment testing on goodwill and other assets as of 30 June 2022 for the Speciality Alloys business and the South African mining business.

During H1 2022, there were no indication of impairment at both the Speciality Alloys business and the South African mining business.

## GOING CONCERN

Afarak has succeeded in performing a turnaround after many years of struggling.

The unprofitable operations in South Africa have been discontinued, and our mining activity is now achieving some stability.

The Group reduced its debt substantially and increased the equity ratio dramatically.

The company is actively pursuing further growth opportunities and the management and board are positive about the future of Afarak.

It is still unknown whether the COVID-19 epidemic would create any further damage that cannot be forecasted at this moment. Also recent geopolitical developments may impact the continuity of economic activities, on a global level.

## PERSONNEL

At the end of the first half 2022, Afarak had 549 (608) employees. The average number of employees during the first half of 2022 was 515 (615).

## SUSTAINABILITY

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

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

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

The management of EWW and TMS has continued to focus on improving health and well being of the employees and the community near the operations.

## SHARES & SHAREHOLDERS

On 30 June 2022, the registered number of Afarak Group Plc shares was 252,041,814 (252,041,814) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 30 June 2022, the Company had 5,173,991 (6,073,991) own shares in treasury, which was equivalent to 2.05% (2.41%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 30 June 2022, was 246,867,823 (245,967,823).

At the beginning of the period under review, the Company's share price was EUR 0.14 on NASDAQ Helsinki and GBP 0.20 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.39 and GBP 0.20 respectively. During the first half of 2022, the Company's share price on NASDAQ Helsinki ranged from EUR 0.12 to 0.98 per share and the market capitalisation, as at 30 June 2022, was EUR 98.3 (1 January 2022: 34.3) 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 50.4 (1 January 2022: 50.4) million, as at 30 June 2022.

## RISKS & UNCERTAINTIES

Afarak's financial performance is dependent on the general market conditions of the mining, smelting and minerals processing business. Global stainless-steel demand also carries direct influence on the company and it depends on the general pace of recovery of the global economy and the stimulus policies applied by the governments around the world. In particular, the chrome ore prices as well as the benchmark settlements have been extremely volatile in the past. This situation is likely to continue going forward.

Changes in foreign exchange rates, if adverse, could have a negative impact on the Group's profitability, in particular changes in US Dollar/South African Rand. To better manage its foreign exchange US Dollar/South African Rand exposure, the Group constantly evaluates its current and potential exposures and the need to enter into forward contract arrangements. The Group continuously assesses its working capital to minimise the time during which the Group is exposed to exchange movements and to ensure that it has sufficient funds to meet its liabilities.

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.

## CORPORATE GOVERNANCE

### ANNUAL GENERAL MEETING

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

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



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

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

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

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

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

## 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 Board Committees and their composition are as follows:

### **Audit and Risk Management Committee**

Thorstein Abrahamsen (Chair) and Jelena Manojlovic

### **Nomination and Remuneration Committee**

Jelena Manojlovic (Chair) and Thorstein Abrahamsen

## **Health, Safety and Sustainable Development Committee**

Thorstein Abrahamsen (Chair), Jelena Manojlovic and Guy Konsbruck

Following the AGM, the Board of Directors held a meeting in which Thorstein Abrahamsen was unanimously re-elected as the Chairperson.

### FLAGGING NOTIFICATION

There were no flagging notifications during the reporting period.

### REPORTING

#### EVENTS DURING THE REVIEW PERIOD

On 04 January 2022, the Company published the financial calendar for 2022.

On 10 February 2022, the Company published information in relation to Afarak's website being down.

On 10 February 2022, the Company announced changes regarding Afarak Group Plc's treasury shares, where a total of 500,000 shares were transferred to the CEO Guy Konsbruck, which form part of the remuneration package under the CEO agreement.

On 25 February 2022, Afarak published the Financial statement release for 2021.

On 30 March 2022, Afarak announced that on this day, the Supreme Administrative Court has rejected Afarak's application for permission to appeal. The Supreme Administrative Court therefore does not rule on the Afarak's appeal. Therefore, the penalty payment of EUR 1,450,000 imposed by FIN-FSA on 23 September 2019 to Afarak for failures relating to disclosure of inside information and maintenance of insider lists is lawful.

On 31 March 2022, Afarak published the Board of Directors and the Annual financial statements for 2021.

On 2 May 2022, Afarak published the production report for the first quarter of 2022

On 9 May 2022, Afarak Group Plc invited the shareholders of Afarak Group Plc ("Afarak") to the Annual General Meeting which was held on 1 June 2022.

On 16 May 2022, Afarak announced changes in Corporate Management as the Group's Chief Operating Officer, Dr Danko Koncar stepped down from his position as COO as of 31 May 2022 and that he will continue serving the Group as the Operational Manager of Afarak Trading Ltd.

On 25 May 2022, Afarak announced a fatality at its Tavas underground mine in Turkey. Due to collapsed upper level of ore body, one experienced underground team worker passed away.

On 1 June 2022, the company released the resolutions regarding the Annual General Meeting.

#### EVENTS SINCE THE END OF THE REVIEW PERIOD

On 6 July 2022, the Company announced changes regarding Afarak Group Plc's treasury shares, where a total of 15,000,000 new shares were issued on the basis of the directed share issuance without payment to the Company itself, which was decided at Afarak's Annual General Meeting on June 1, 2022 and which have been registered in the Trade Register on this day.

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

On 18 August 2022, the company has resolved on directed share issue ("Share Issue") to RCS Trading Corporation Ltd ("RCS"). The Share Issue is connected to an Arrangement approved by the Board of Directors on 18<sup>th</sup> August 2022 related to the purchase by Afarak of certain loan receivables that RCS Trading Corporation Ltd has from Afarak's group company Synergy Africa Limited.

## FINANCIAL INFORMATION

### FINANCIAL TABLES

#### FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

<b>H1/2022</b> 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	91,115	402	1,319	-785	92,051
EBITDA	25,615	84	-1,158	0	24,541
EBIT	25,224	0	-1,176	0	24,048
Segment's assets	158,966	53,360	9,102	-49,255	172,173
Segment's liabilities	76,354	48,217	40,119	-66,630	98,060

<b>H1/2021</b> 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	35,673	1,357	1,418	-1,110	37,338
EBITDA	1,078	-981	-982	0	-885
EBIT	419	1,554	-1,066	0	907
Segment's assets	135,748	63,004	8,039	-51,103	155,688
Segment's liabilities	87,511	57,515	39,732	-60,228	124,530

<b>FY 2021</b> 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	77,824	1,763	2,889	-2,220	80,256
EBITDA	9,181	-942	-2,299	0	5,940
EBIT	7,839	1,554	-2,571	0	6,822
Segment's assets	133,046	49,055	9,209	-44,960	146,350
Segment's liabilities	80,062	47,522	37,260	-61,933	102,911

## RESULTS DEVELOPMENT

	H1/19 Restated	H2/19 Restated	H1/20 Restated	H2/20	H1/21	H2/21	H1/22
<b>Sales (tonnes)</b>							
Mining	105,012	128,651	78,084	118,797	33,656	16,311	10,764
Processing	43,334	38,468	23,356	10,900	12,667	11,307	15,205
Trading	4,500	4,821	28	0	31	12	25
<b>Total</b>	<b>152,846</b>	<b>171,940</b>	<b>101,468</b>	<b>129,697</b>	<b>46,354</b>	<b>27,630</b>	<b>25,994</b>
<b>Average rates*</b>							
EUR/USD	1.129	1.109	1.102	1.181	1.2053	1.161	1.0934
EUR/ZAR	16.043	16.302	18.311	19.206	17.5244	17.431	16.8485
<b>Euro (million)</b>							
Revenue	55.3	42.6	35.5	24.3	37.3	42.9	92.1
EBITDA	-0.5	-4.9	-0.3	-3.7	-0.9	6.8	24.5
EBITDA margin	-0.9%	-11.6%	-1.0%	-15.2%	-2.4%	5.9%	26.7%
EBIT	-2.2	-6.9	-1.7	-26.5	0.9	15.9	24.0
EBIT margin	-4.0%	-16.1%	-4.8%	-109.0%	2.4%	13.8%	26.1%

\*Average rates in the respective half year

## CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	H1/22	H1/21	FY2021
<b>Revenue</b>	<b>92,051</b>	<b>37,338</b>	<b>80,256</b>
Other operating income	854	640	3,633
Operating expenses	-68,364	-38,863	-77,949
Depreciation and amortisation	-493	-1,120	-2,086
Impairment	0	2,912	2,968
<b>Operating profit</b>	<b>24,048</b>	<b>907</b>	<b>6,822</b>
Financial income and expense	-1,413	-1,382	-3,944
<b>Profit before tax</b>	<b>22,635</b>	<b>-475</b>	<b>2,878</b>
Income tax	-1,403	-446	-2,268
<b>Profit for the period from continuing operations</b>	<b>21,232</b>	<b>-921</b>	<b>610</b>
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	2,885	0	8,396
<b>Profit for the period</b>	<b>24,117</b>	<b>-921</b>	<b>9,006</b>
Profit attributable to:			
Owners of the parent	24,198	-833	9,161
Non-controlling interests	-81	-88	-155
Total	24,117	-921	9,006
Earnings per share for profit attributable to the shareholders of the parent company, EUR			
Basic earnings per share, EUR	0.10	0.00	0.04
Diluted earnings per share, EUR	0.10	0.00	0.04

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	H1/22	H1/21	FY2021
<b>Profit for the period</b>	<b>24,117</b>	<b>-921</b>	<b>9,006</b>
<b>Other comprehensive income</b>			
Remeasurement of defined benefit pension plans	0	0	2,289
Exchange differences on translating foreign operations – Group	6,528	2,222	2,244
<b>Other comprehensive income, net of tax</b>	<b>6,528</b>	<b>2,222</b>	<b>4,533</b>
<b>Total comprehensive income for the period</b>	<b>30,645</b>	<b>1,301</b>	<b>13,539</b>
Total comprehensive income attributable to:			
Owners of the parent	30,778	1,256	13,699
Non-controlling interests	-133	45	-160

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	30.6.2022	30.6.2021	31.12.2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	50,072	43,960	46,029
Other intangible assets	5,801	5,955	5,548
Property, plant and equipment	39,916	41,423	38,471
Deferred tax asset	1,684	2,883	1,766
Other non-current assets	<u>158</u>	<u>244</u>	<u>132</u>
<b>Non-current assets total</b>	<b>97,631</b>	<b>94,465</b>	<b>91,946</b>
<b>Current assets</b>			
Inventories	25,763	12,606	13,689
Trade receivables	17,666	13,909	13,518
Other receivables	26,150	31,797	20,910
Cash and cash equivalents	<u>4,963</u>	<u>2,911</u>	<u>6,287</u>
<b>Current assets total</b>	<b>74,542</b>	<b>61,223</b>	<b>54,404</b>
<b>Total assets</b>	<b>172,173</b>	<b>155,688</b>	<b>146,350</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	23,642	23,642	23,642
Share premium reserve	25,223	25,223	25,223
Paid-up unrestricted equity reserve	209,832	209,742	209,798
Legal Reserve	34	58	39
Translation reserves	-31,712	-38,450	-38,292
Retained earnings	<u>-151,972</u>	<u>-188,384</u>	<u>-176,170</u>
<b>Equity attributable to owners of the parent</b>	<b>75,047</b>	<b>31,831</b>	<b>44,240</b>
<b>Non-controlling interests</b>	<b>-934</b>	<b>-673</b>	<b>-801</b>
<b>Total equity</b>	<b>74,113</b>	<b>31,158</b>	<b>43,439</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	9,736	12,094	9,182
Provisions	12,947	12,445	11,671
Pension liabilities	20,409	23,123	20,619
Financial liabilities	<u>14,919</u>	<u>17,908</u>	<u>17,777</u>
<b>Non-current liabilities total</b>	<b>58,011</b>	<b>65,570</b>	<b>59,249</b>
<b>Current liabilities</b>			
Trade payables	12,363	10,698	14,126
Other current liabilities	<u>27,686</u>	<u>48,262</u>	29,536
<b>Current liabilities total</b>	<b>40,049</b>	<b>58,960</b>	<b>43,662</b>
<b>Total liabilities</b>	<b>98,060</b>	<b>124,530</b>	<b>102,911</b>
<b>Total equity and liabilities</b>	<b>172,173</b>	<b>155,688</b>	<b>146,350</b>



**SUMMARY OF CASH, INTEREST-BEARING RECEIVABLES AND INTEREST-BEARING LIABILITIES**

EUR '000	30.6.2022	30.6.2021	31.12.2021
<b>Cash and cash equivalents</b>	<b>4,963</b>	<b>2,911</b>	<b>6,287</b>
Interest-bearing receivables			
Current	0	0	0
Non-current	<u>117</u>	<u>190</u>	<u>127</u>
<b>Interest-bearing receivables</b>	<b>117</b>	<b>190</b>	<b>127</b>
Interest-bearing liabilities			
Current	11,527	35,289	20,762
Non-current	<u>14,891</u>	<u>17,879</u>	<u>17,749</u>
<b>Interest-bearing liabilities</b>	<b>26,418</b>	<b>53,168</b>	<b>38,511</b>
<b>NET TOTAL</b>	<b>-21,338</b>	<b>-50,067</b>	<b>-32,097</b>

## SUMMARY OF GROUP'S PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

EUR '000	Property, plant and equipment	Intangible Assets
<b>Acquisition cost 1.1.2022</b>	<b>72,497</b>	<b>127,038</b>
Additions	624	0
Disposals	-226	-23
Reclass between items	-23	0
Effect of movements in exchange rates	2,932	10,463
<b>Acquisition cost 30.06.2022</b>	<b>75,804</b>	<b>137,478</b>
<b>Accumulated depreciation and impairment 1.1.2022</b>	<b>-34,026</b>	<b>-75,461</b>
Depreciation	-450	-44
Reclass between items	0	0
Disposals	33	25
Effect of movements in exchange rates	-1,445	-6,125
<b>Accumulated depreciation and impairment at 30.06.2022</b>	<b>-35,888</b>	<b>-81,605</b>
<b>Carrying amount at 1.1.2022</b>	<b>38,471</b>	<b>51,577</b>
<b>Carrying amount at 30.06.2022</b>	<b>39,916</b>	<b>55,873</b>
<b>Acquisition cost 1.1.2021</b>	<b>119,567</b>	<b>198,941</b>
Additions	916	16
Disposals	-26,785	-721
Right-of-use assets (IFRS 16)	11	0
Reclass between items	-5,185	-28,667
Effect of movements in exchange rates	-16,027	-42,531
<b>Acquisition cost 31.12.2021</b>	<b>72,497</b>	<b>127,038</b>
<b>Accumulated depreciation and impairment 1.1.2021</b>	<b>-57,950</b>	<b>-150,604</b>
Depreciation	-1,975	-112
Impairment	0	0
Reclass between items	5,330	28,687
Disposals	5,887	173
Effect of movements in exchange rates	14,682	46,395
<b>Accumulated depreciation and impairment at 31.12.2021</b>	<b>-34,026</b>	<b>-75,461</b>
<b>Carrying amount at 1.1.2021</b>	<b>61,617</b>	<b>48,337</b>
<b>Carrying amount at 31.12.2021</b>	<b>38,471</b>	<b>51,577</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

EUR '000	H1/22	H1/21	FY2021
(Loss) / profit from continuing operation	21,232	-921	610
Adjustments to profit for the period	2,548	-2,791	3,133
Changes in working capital	-14,764	1,800	5,148
Discontinued operations	1,049	0	4,234
<b>Net cash from operating activities</b>	<b>10,065</b>	<b>-1,912</b>	<b>13,125</b>
Capital expenditure on non-current assets, net	-553	582	-836
Other investments, net	-5	16	17
Proceeds from repayments of loans and loans given	0	-207	0
<b>Net cash used in investing activities</b>	<b>-558</b>	<b>391</b>	<b>-819</b>
Proceeds from borrowings	2,122	3,245	7,905
Repayment of borrowings, and other financing activities	-13,231	-2,624	-11,574
Movement in short-term financing activities*	0	2,755	-3,207
<b>Net cash used in financing activities</b>	<b>-11,109</b>	<b>3,376</b>	<b>-6,876</b>
<b>Net increase in cash and cash equivalents</b>	<b>-1,602</b>	<b>1,855</b>	<b>5,430</b>
Cash at the beginning of the period	6,287	1,098	1,098
Translation differences	278	-42	-241
Cash at the end of the period	4,963	2,911	6,287
<b>Change in the statement of financial position</b>	<b>-1,602</b>	<b>1,855</b>	<b>5,430</b>

\*This includes trade receivable facilities.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR '000	A	B	C	D	E	F	G	H	I
<b>Equity at 31.12.2020</b>	<b>23,642</b>	<b>25,223</b>	<b>208,005</b>	<b>-40,540</b>	<b>-188,860</b>	<b>65</b>	<b>27,536</b>	<b>2,270</b>	<b>29,806</b>
Profit for the period 1-6/2021 + comprehensive income				2,090	-835		1,255	-84	1,171
Translation differences							0	132	132
Share-based payments			57				57		57
Acquisitions and disposals of subsidiaries			1,680		1,311		2,991	-2,991	0
Other changes in equity						-8	-8		-8
<b>Equity at 30.06.2021</b>	<b>23,642</b>	<b>25,223</b>	<b>209,742</b>	<b>-38,450</b>	<b>-188,384</b>	<b>58</b>	<b>31,831</b>	<b>-673</b>	<b>31,158</b>
Profit for the period 7-12/2021 + comprehensive income				158	9,997		10,155	-71	10,084
Translation differences							0	-137	-137
Share-based payments			56				56		56
Acquisitions and disposals of subsidiaries					-76		-76	76	0
Remeasurements of defined benefit pension plans					2,289		2,289		2,289
Other changes in equity					5	-18	-13	4	-9
<b>Equity at 31.12.2021</b>	<b>23,642</b>	<b>25,223</b>	<b>209,798</b>	<b>-38,292</b>	<b>-176,170</b>	<b>39</b>	<b>44,240</b>	<b>-801</b>	<b>43,439</b>
Profit for the period 1-6/2022 + comprehensive income				6,580	24,198		30,778	-81	30,697
Translation differences							0	-52	-52
Share-based payments			34				34	0	34
Other changes in equity						-5	-5		-5
<b>Equity at 30.06.2022</b>	<b>23,642</b>	<b>25,223</b>	<b>209,832</b>	<b>-31,712</b>	<b>-151,972</b>	<b>34</b>	<b>75,047</b>	<b>-934</b>	<b>74,113</b>

## RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	H1/22	H1/21	FY2021
Sales to other related parties	0	0	0
Financing expense to other related parties	-222	-276	-464
Trade and other receivables from other related parties	28	45	31
Loan payables to other related parties	14,566	15,821	15,719

## FINANCIAL INDICATORS

	H1/22	H1/21	FY2021
Return on equity, % p.a.	72.2%	-6.0%	1.7%
Return on capital employed, % p.a.	64.3%	7.5%	16.8%
Equity ratio, %	43.0%	20.0%	29.7%
Gearing, %	28.9%	161.3%	74.2%
Personnel at the end of the period	549	608	503

## EXCHANGE RATES

The balance sheet date rate is based on exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of daily rates from the European Central Bank during the year.

The key exchange rates applied in the accounts:

Average rates

	H1/22	H1/21	FY2021
TRY	16.2579	9.5226	10.5124
USD	1.0934	1.2053	1.1827
ZAR	16.8485	17.5244	17.4766

Balance sheet rates

	30.6.2022	30.6.2021	31.12.2021
TRY	17.3220	10.3210	15.2335
USD	1.0387	1.1884	1.1326
ZAR	17.0143	17.0114	18.0625

## FORMULAS FOR FINANCIAL INDICATORS

Financial ratios and indicators have been calculated with the same principles as applied in the 2021 financial statements. These principles are presented below.

Return on equity, % = Profit for the period / Total equity (average for the period) \* 100

Return on capital employed, % = (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

Net interest-bearing debt = Interest-bearing debt - liquid funds

Earnings per share, basic, EUR = Profit attributable to owners of the parent company / Average number of shares during the period

Earnings per share, diluted, EUR = Profit attributable to owners of the parent company / Average number of shares during the period, diluted

Operating profit (EBIT) = Operating 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.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) = Operating profit + depreciation + amortisation + impairment losses

## **ACCOUNTING POLICIES**

This Interim Report is prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with Afarak's financial statements for 2021. Afarak has applied the same accounting principles in the preparation of this Interim Report as in its financial statements for 2021, except for the adoption of new standards and interpretations that become effective in 2022. The changes did not have material impact on the Interim Report.

The preparation of the Interim Report in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

The figures in the tables have been rounded off, which must be considered when calculating totals. Average exchange rates for the period have been used for income statement conversions, and period-end exchange rates for balance sheet.

The Interim Report data are unaudited.

## SHARE-RELATED KEY FIGURES

		H1/22	H1/21	FY2021
<b>Share price development in London Stock Exchange</b>				
Average share price*	EUR	0.24	0.23	0.23
	GBP	0.20	0.20	0.20
Lowest share price*	EUR	0.24	0.06	0.06
	GBP	0.20	0.05	0.05
Highest share price*	EUR	0.24	0.23	0.29
	GBP	0.20	0.20	0.25
Share price at the end of the period**	EUR	0.23	0.23	0.24
	GBP	0.20	0.20	0.20
Market capitalisation at the end of the period**	EUR million	58.74	58.75	59.99
	GBP million	50.41	50.41	50.41
<b>Share trading development</b>				
Share turnover	thousand shares	4,444	1,171	2,199
Share turnover	EUR thousand	1,423	197	368
Share turnover	GBP thousand	1,199	171	317
Share turnover	%	1.8%	0.5%	0.9%
<b>Share price development in NASDAQ Helsinki</b>				
Average share price	EUR	0.43	0.23	0.19
Lowest share price	EUR	0.12	0.20	0.13
Highest share price	EUR	0.98	0.32	0.32
Share price at the end of the period	EUR	0.39	0.20	0.14
Market capitalisation at the end of the period	EUR million	98.30	51.42	34.28
<b>Share trading development</b>				
Share turnover	thousand shares	109,896	15,860	34,249
Share turnover	EUR thousand	47,224	3,692	6,582
Share turnover	%	43.6	6.3%	13.6%

\* Share prices have been calculated on the average EUR/GBP exchange rate published by Bank of Finland.

\*\* Share price and market capitalisation at the end of the period have been calculated on the EUR/GBP exchange rate published by Bank of Finland at the end of the period.

Formulas for share-related key indicators

Average share price = Total value of shares traded in currency / Number of shares traded during the period

Market capitalisation, million = Number of shares \* Share price at the end of the period

## **FORWARD LOOKING STATEMENTS**

This report contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. Save as required by law (including the Finnish Securities Markets Acts (746/2012), as amended, or by the Listing Rules or the Disclosure and Transparency Rules of the UK Financial Services Authority), the Company undertakes no obligation to update any forward-looking statements in this report that may occur due to any changes in the Directors' expectations or to reflect events or circumstances after the date of this report.