

AFARAK GROUP SE

The Board of Directors Report 2025 and the Annual Financial Statements 1 January-31 December 2025

Domicile: Helsinki

Company number: 0618181-8

Contents

THE BOARD OF DIRECTORS REPORT	4
Our commitment.....	4
SUSTAINABILITY, HEALTH AND SAFETY AT AFARAK GROUP.....	4
1. Health and Safety.....	4
2. Environmental protection, including water management, waste management, land rehabilitation and emissions reduction.....	5
3. Community engagement and support	5
ESG GOVERNANCE.....	5
BUSINESS ETHICS.....	5
DIVERSITY AND INCLUSION.....	5
CLIMATE-RELATED FINANCIAL DISCLOSURES.....	7
GOVERNANCE.....	9
RISK MANAGEMENT	10
STRATEGY.....	11
RISKS.....	11
OPPORTUNITIES.....	14
METRICS AND TARGETS.....	16
CORPORATE CARBON FOOTPRINT FACTSHEET FOR AFARAK GROUP SE.....	18
CONCEPTS RELATED TO WATER AND MARINE RESOURCES.....	19
THE FERROCHROME AND CHROME ORE MARKET	21
GROUP OPERATIONAL REVIEW.....	21
GROUP FINANCIAL PERFORMANCE.....	22
SEGMENTS REVIEW	23
SPECIALITY ALLOYS SEGMENT	23
FERROALLOYS SEGMENT	24
RISK MANAGEMENT	25
SHARE INFORMATION	25
KEY FIGURES.....	30
SHARE-RELATED KEY INDICATORS.....	31
EVENTS AFTER THE REPORTING PERIOD.....	33
ANNUAL FINANCIAL STATEMENTS	34
CONSOLIDATED FINANCIAL STATEMENTS, IFRS	35
CONSOLIDATED INCOME STATEMENT	35
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	36
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	37
CONSOLIDATED STATEMENT OF CASH FLOWS	39
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY,	40
1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	41
1.1 COMPANY INFORMATION	41
1.2 ACCOUNTING PRINCIPLES.....	41
1.3 GOING CONCERN.....	53

1.4 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS	54
1.5 IMPAIRMENT TESTING.....	54
1.6 OPERATING SEGMENTS	57
1.7 NOTES TO THE CONSOLIDATED INCOME STATEMENT	61
1.8 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	65
1.9 RELATED PARTY DISCLOSURES	85
1.10 COMMITMENTS AND CONTINGENT LIABILITIES	86
1.11 EVENTS AFTER THE REPORTING PERIOD.....	87
PARENT COMPANY’S FINANCIAL STATEMENTS (FAS)	88
INCOME STATEMENT (FAS).....	88
STATEMENT OF FINANCIAL POSITION (FAS)	89
STATEMENT OF CASH FLOWS (FAS).....	91
2. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)	92
2.1 Accounting Policies.....	92
2.2 Notes to the income statement	93
2.3 Notes to assets.....	94
2.4 Notes to equity and liabilities	96
2.5 Pledges and contingent liabilities.....	98
2.6 Other notes.....	98
SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND THE FINANCIAL STATEMENTS	101
THE AUDITOR’S NOTE.....	102

THE BOARD OF DIRECTORS REPORT

Dear Shareholders,

After a brief moderate peak in Q1, the business environment deteriorated again in 2025. The stainless-steel demand was historically low, especially in Europe. Demand for low carbon ferro-chrome suffered from this fact.

We succeeded to substantially increase our sales, but the generated EBITDA of -0.2 M€ shows that the price pressure from low-cost imports (India, Kazakhstan, Russia and China) weighed heavily on our margins. This was further impacted by the weakening of the US Dollar against the Euro, which reduced the Euro-equivalent value of USD-denominated revenues.

A setback in Cr Ore prices and some unexpected delays caused a below expectation result in our South African Chrome Ore operation

Guy Konsbruck
CEO

Our commitment

Afarak vows to deliver its contribution to environmental and social sustainability through its production processes. We believe that our efforts will support several United Nations' resolutions on sustainability, such as decreasing poverty and hunger, but also increasing gender equality, education and access to clean water.

Our most significant impact on local host communities lies in providing direct and indirect employment. We support local communities in their needs related to education and infrastructure whilst supporting social causes.

SUSTAINABILITY, HEALTH AND SAFETY AT AFARAK GROUP

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

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

1. Health and Safety

During 2025, the Group's employees contributed approximately 1,141,926 working hours during which the company suffered 46 accidents that caused loss of time. Lost Time Injury (LTI) is defined as any work-related injury or illness which prevents a person from doing any work the day after the accident. In our factories we continuously assess, monitor, and control the risks of our workers.

As part of our efforts to continually review and improve addressing the LTIs over the reporting period, we are reviewing and updating our Health & Safety Policy and Procedures and look forward to reporting this more fully in our next Annual Report.

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

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

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

3. Community engagement and support

Based on the five-year Social and Labour Plan, our subsidiaries in South Africa are developing their relevant activities. During 2025, the company supported employees through the payment of inflation compensation aids in Turkey. We have provided social support to all our local communities.

ESG GOVERNANCE

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

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

BUSINESS ETHICS

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

Additionally, to maintain strong business ethics, the Group has adopted and maintains policies on Human Rights, Anti-Bribery and Anti-Corruption.

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

DIVERSITY AND INCLUSION

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

The Board is very cognisant of the ongoing desire from stakeholders for greater diversity in senior management and boards.

The Board continues to seek to achieve greater diversity in the senior management of the Group and throughout the organisation and continuing assessment of the Group's diversity and inclusion approach in relevant areas. Currently, the Group has not adopted a Diversity and Inclusion Policy.

CLIMATE-RELATED FINANCIAL DISCLOSURES

Contents.....	8
Summary	8
Governance.....	9
Risk Management	10
Strategy	11
Risks	11
Opportunities.....	Error! Bookmark not defined.
Metrics and targets.....	16

Introduction

Afarak demonstrates a strong commitment to environmental responsibility and is actively seeking to reduce its CO₂ emissions and integrate environmentally sustainable innovation into its production processes. In line with this ambition, this report covers the Group’s climate change governance, its integration with overall risk management, the strategy in managing our climate-related issues and opportunities, and the metrics used to measure progress towards our targets.

In line with UK Listing Rule 6.6.6R(8), the Company has assessed its climate-related disclosures against the TCFD recommendations and recommended disclosures, as detailed in “Recommendations of the Task Force on Climate-related Financial Disclosures” (2017) and the additional guidance as set out in the TCFD 2021 Annex, “Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures” (“TCFD Annex”) including Section C “Guidance for All Sectors” and Section E “Supplemental Guidance for Non-Financial Groups”.

The Company’s disclosures are consistent with 9 of the 11 TCFD recommendations. At present, the Group has not set specific targets to manage climate risks and opportunities or conducted formal resiliency analysis considering the impact of all climate risks on financial performance or position. The Company is progressing enhancements in these areas and expects formal targets to be established as part of the transition planning exercise. The Group has undertaken limited quantification of its risk exposure under different climate scenarios, which it intends to develop in future reporting cycles.

Figure 1: The table below sets out the 11 TCFD recommendations and where the related information can be found within this report:

Recommendation	Recommended disclosures	Reference
Governance		
Disclose the organisation’s governance around climate-related risks and opportunities	a) Describe the Board’s oversight of climate-related risks and opportunities	Page (9)
	b) Describe management’s role in assessing and managing climate-related risks and opportunities	Page (9-10)
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Page (11)
	b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning	Page (11)
	c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	N/A
Risk management		
Disclose how the organisation identifies assesses, and manages climate-related risks	a) Describe the organisation’s processes for identifying and assessing climate-related risks	Page (10-11)
	b) Describe the organisation’s processes for managing climate-related risks	Page (10-11)
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management	Page (10-11)
Metrics and targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page (16-17)
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 Greenhouse Gas (GHG) emissions, and the related risks	Page (16-17)

opportunities where such information is material	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	N/A
--	--	-----

GOVERNANCE

Board level

Board of Directors

The Board of Directors (BoD) bears the highest responsibility for monitoring sustainability-related risks and ESG issues. Headed by the Chairman, the BoD is responsible for approving and evaluating ESG strategies and analysing the impacts, risks and opportunities of all sustainability issues affecting the company, including for climate change management. The Board is supported and informed on climate-related issues via the pathways as detailed in **Figure 2**. This structure ensures that any potential impacts of climate change are incorporated into the review of Group strategy, business plans, and risk management. Specifically, 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. Climate risk is a subject of discussion at least twice annually, with continuous discussion at each Board meeting regarding the various strategic initiatives underway that reduce the Group’s emissions footprint and drive greater resource efficiency. Where required, additional resolutions may be organised for further discussion on specific climate-related projects, strategy, and capital allocation decisions.

In addition, a strategy meeting is held at least once a year, 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. Although no Board members are formally designated as climate experts, the Board as a whole maintains an up-to-date and commercial level of awareness and understanding of climate change and related risks and opportunities for the business, which informs its oversight of climate-related matters.

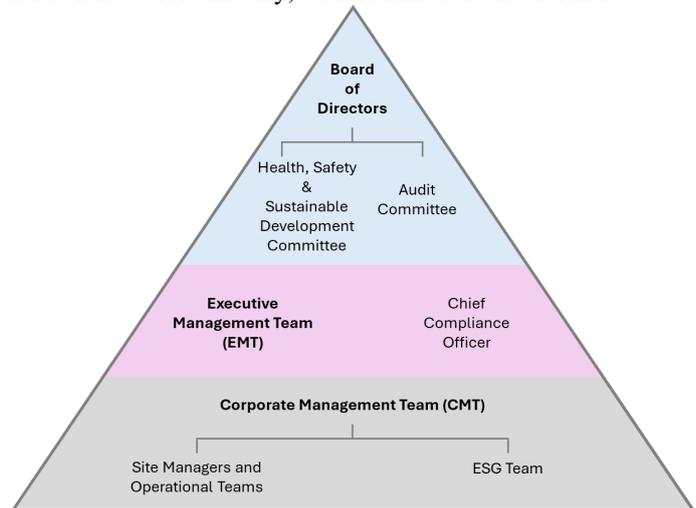


Figure 2: Afarak Climate Governance diagram

In 2025, the Board’s discussions included projects relating to climate change, such as reductions of tailings volumes in Turkey, the reintegration of slag into other industries under our zero waste project, investment in renewable energy generation in Germany, and installation of solar panels in South Africa.

From a governance perspective, sustainability and energy efficiency considerations are embedded at Board level through the Health, Safety and Sustainable Development Committee, ensuring strategic oversight of climate-related capital allocation and transition planning.

Executive Management Team

The EMT is responsible for implementing ESG strategies, monitoring IROs and risk management. Risk factors, opportunities, and their impact are regularly reviewed by the EMT to ensure that appropriate management plans are implemented. 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 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, and is present (either online or in-person) at every board meeting to ensure all climate-related issues are efficiently reported up to the Board. 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.

In particular, the Chief Compliance Officer (CCO) monitors the legal and regulatory requirements in sustainability, including compliance with the reporting standards. He also acts as ESG manager at Group level.

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 feeds into strategic decisions at management level. Members of 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. For specific sustainability issues, the bodies call in external consultants or organisations to assist with specific sustainability issues or with the development of new strategies. The executive bodies regularly review existing skills and knowledge and continuously adapt their strategies to proactively meet future requirements and sustainably promote the company's development.

Management level

Corporate Management Team

The Corporate Management Team (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.

Site managers, via the CMT, report 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, and receives regular reports on the main sustainability impacts, risks and opportunities affecting the Group at least every six months and sometimes quarterly.

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 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.

The team forms a central unit for the transparent communication of environmental, social and governance aspects to internal and external stakeholders. It reports directly and continuously to the EMT on ESG-related findings; consolidates the ESG data and related climate risk information from all operating locations to forward on to the BoD; 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.

Afarak works closely with industrial bodies and associations to promote dialogue with political institutions and member companies about sustainability, climate protection, energy efficiency and responsible production. The guidelines and insights offered by the International Chromium Development Association ("ICDA") and EUROALLIAGES support companies in complying with international standards and further developing their ESG strategies.

RISK MANAGEMENT

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 analysis forms the basis of Afarak's climate risk assessment, with climate-related risks and opportunities incorporated into the Group's overall risk management framework to ensure that their importance is comparable.

The assessment covered all our material operational locations and considered transition risks/opportunities arising across our value chain. All categories of risks and opportunities from the TCFD guidance were considered, although not all categories were deemed to be relevant to Afarak. The climate-related risk assessment will be renewed at least every three years to ensure it is aligned with current and relevant information.

Within the double materiality assessment, physical climate risks, in particular water stress in certain regions, were considered at a qualitative level. Potential risks to affected sites were identified using the WRI Water Atlas and corresponding mitigation measures were described. However, a separate site-specific physical risk assessment using defined temperature pathways (e.g. 1.5°C or 2°C) has not yet been conducted. We intend to further develop this approach to assess resilience under different temperature pathways in future reporting cycles.

Risks and opportunities are assessed according to their probability of occurrence, with a scale from 1 (Rare) to 5 (Almost certain). Potential financial impact is assessed on a scale from 1 (<€200,000) to 5 (>€8 million). Risks and opportunities are assessed to be material by combining likelihood with financial impact, with both assessed on a 5-point scale.

Figure 3: Risk Likelihood scale

Risk likelihood	Description
Almost certain	The event is expected to occur in most circumstances
Likely	The event may probably occur in most circumstances
Possible	The event should occur at some time
Unlikely	The event could occur at some time
Rare	The event may occur only in exceptional circumstances

STRATEGY

Time horizons for the climate-risk assessment were determined in line with the time horizons stipulated by ESRS 1: short- (0-1 year), medium- (2-5 years), and long-term (5+ years). The short-term time horizon covers our immediate in-year actions, the medium-term includes our near-term business strategy, and the long-term covers the useful life of the Group’s assets and ensures that the risk assessment allowed proper time for climate-related risks to manifest.

Afarak recognises that the tangible effects of climate change and increasing demands for sustainable business practices present both risks and opportunities for the Group. As of 2025, the Group 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.

While scenario analysis of different physical risks has not yet been conducted, the Group has undertaken limited scenario analysis of transition risk exposures where applicable, to understand how different climate outcomes may affect the behaviour of risks and thereby improve the resilience of the business to climate change. The following climate scenarios were explored:

- Net Zero 2050 (NZE): an ambitious scenario which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO2 emissions by 2050. This meets the TCFD requirement of using a “below 2°C” scenario and is included as it informs the decarbonisation pathways used by the Science Based Targets initiative (SBTi).
- Stated policies scenario (STEPS): a combination of physical and transitions risk impacts as temperatures rise by around 2.5°C by 2100 from preindustrial levels, with a 50% probability. This scenario is included as it represents a base case pathway with a trajectory implied by today’s policy settings.

No effects of climate-related risks are reflected in any judgements and statements applied in the financial statements. Any mitigation or required investment is currently assumed to be covered and integrated into the Group’s strategy. We will continue to monitor the climate exposure and action plans through the Group’s risk management framework, whilst developing our analysis as new data is made available to us.

RISKS

Five key climate-related risks have been identified as follows:

Figures 4-8: Climate-related risks

Risk 1	High investment costs due to conversion to CO2-neutrality (buildings, products and processes)
Type	Transition risk – Technology risk
Area	Own operations
Primary potential financial impact	Increased CAPEX
Time horizon	Medium- to long-term
Likelihood	Likely
Impact	Major
Location or service most impacted	Germany, South Africa
Related metric(s)	Scope 1 & 2 emissions; emissions intensity; renewable electricity share; decarbonisation CAPEX %

Risk 2	Physical climate risks in own operations
Type	Physical risk - Acute
Area	Own operations
Primary potential financial impact	Increased insurance premiums, business interruption, asset damage
Time horizon	Medium- to long-term
Likelihood	Possible to Likely
Impact	Moderate to Major
Location or service most impacted	Turkey, South Africa
Related metric(s)	% assets in high-risk zones; water consumption in high-risk areas; % recycled water; weather-related claims

Risk 3	Dependence on energy suppliers
Type	Transition risk – Market risk
Area	Own operations
Primary potential financial impact	Increased operating costs
Time horizon	Short- to medium-term
Likelihood	Likely
Impact	Major
Location or service most impacted	Germany
Related metric(s)	Electricity cost; % self-generated

Risk 4	Dependence on market prices
Type	Transition risk – Market risk
Area	Own operations, downstream
Primary potential financial impact	Revenue volatility
Time horizon	Short- to medium-term
Likelihood	Likely
Impact	Moderate to Major
Location or service most impacted	Germany, South Africa
Related metric(s)	Average realised ferrochrome, chrome ore prices; % internally sourced ore

Risk 5	Increasing demands (customer and regulatory) on products in terms of sustainability aspects such as recyclability require considerable investment
Type	Transition risk – Market risk
Area	Own operations, downstream
Primary potential financial impact	Increased R&D and CAPEX
Time horizon	Medium- to long-term
Likelihood	Possible
Impact	Moderate to Major
Location or service most impacted	Downstream markets

Related metric(s)

Revenue from activities in climate-intensive sectors

1) High investment costs due to conversion to CO₂-neutrality (buildings, products and processes)

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 are 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 CO₂ neutrality is an important part of the long-term strategy and requires continuous investment.

To address the high capital expenditure associated with decarbonisation, Afarak is pursuing a portfolio of operational, technological and governance measures. A key initiative is the development of its own solar power generation capacity in South Africa. At the Vlakpoort site, the planned commissioning of a new wash plant in combination with a solar energy installation is intended to reduce reliance on the national electricity grid, mitigate exposure to power supply constraints and lower long-term energy costs and emissions intensity.

In parallel, Afarak continues to make ongoing investments in plant and infrastructure to maintain operational resilience and progressively modernise its asset base. This includes the gradual electrification of selected underground mining equipment and continuous optimisation of energy-intensive processes, particularly in ferrochrome production, to improve energy efficiency and reduce carbon intensity over time.

2) 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.

To mitigate physical climate risks across its operations, Afarak has implemented targeted environmental and operational controls, particularly in water-stressed regions. At sites exposed to elevated water scarcity risks, such as in Turkey, the company has introduced closed-loop water recycling systems. These systems reduce overall freshwater abstraction, limit dependence on external water sources and enhance operational resilience during drought conditions.

In addition to water stewardship measures, Afarak applies preventive environmental monitoring and technical protection measures to safeguard infrastructure and maintain business continuity in the face of extreme weather events, including floods and heatwaves. These controls are intended to reduce operational disruption and asset damage arising from climate-related hazards.

3) 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.

To reduce its exposure to energy supplier dependency Afarak is pursuing a combination of diversification, efficiency and financial risk management measures. Concrete steps are already underway in Germany, where a photovoltaic system installed on the crushing hall building generated approximately 700 MWh of electricity by the end of 2025, alongside measures such as LED lighting conversion (approximately 21,000 KWh/year savings). The company is evaluating the feasibility of additional solar energy projects at selected sites, with the objective of increasing the share of self-generated renewable electricity and reducing structural reliance on external grid supply.

At the operational level, Afarak is implementing ongoing optimisation of smelting processes at the German site. Given that ferrochrome production is highly electricity-intensive, incremental improvements in furnace efficiency and process control can materially reduce specific energy consumption per tonne of output, thereby lowering sensitivity to electricity price fluctuations. To support structured energy management, Afarak has also implemented ISO 50001 compliant energy management software for improved monitoring and optimisation of plant energy flows.

Additionally, the Group has commissioned a 1.5 MWp solar plant in South Africa with 3.0 MWh battery storage, which is expected to replace just under 1,000 MWh of grid electricity annually. In addition to two 550 kVA back-up diesel generators, this plant further strengthens the business's resilience to grid volatility.

From a financial and risk governance perspective, energy price volatility is continuously monitored within the Group’s broader financial and risk management framework. This includes oversight of exposure to futures and spot market price movements in the German electricity market, enabling management to assess cost impacts and adapt procurement or operational strategies accordingly.

4) 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.

To mitigate its exposure to volatility in chrome ore and ferrochrome market prices, Afarak pursues a vertically integrated operating model. By supplying its own chrome ore for ferrochrome production, the company reduces reliance on third-party raw material procurement and limits direct exposure to external ore price fluctuations. This integration enhances cost control and provides greater visibility over input margins across the value chain.

In addition, Afarak has undertaken portfolio optimisation measures to concentrate on strategically relevant and higher-performing assets. The divestment of the Ilitha and Zeerust mines in South Africa reflects a deliberate focus on core operations with stronger operational synergies and margin potential. This streamlined asset base is intended to improve resilience under adverse market pricing conditions.

The company is also investing in production expansion in South Africa, including increased chrome ore concentrate output supported by the new wash plant at Vlakpoort. Higher operational efficiency and scale can contribute to improved unit cost competitiveness, thereby partially offsetting price pressure during market downturns.

5) 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 to remain competitive in the long term and take advantage of market opportunities.

To address the financial and strategic implications of increasing sustainability requirements, Afarak has embedded sustainability considerations within its corporate governance framework. The establishment of a Health, Safety and Sustainable Development Committee at Board level ensures structured oversight of environmental, social and governance (ESG) matters, including regulatory developments, stakeholder expectations and transition-related investments. This governance integration supports alignment between capital allocation decisions and long-term sustainability objectives.

Operationally, the company undertakes ongoing investments in production facilities aimed at maintaining efficiency and cost competitiveness. Continuous process optimisation and modernisation of assets contribute to reduced resource consumption, improved energy performance and lower environmental intensity per unit of output—thereby supporting compliance with evolving sustainability standards while protecting margins.

In addition, Afarak applies circular economy approaches, including the processing and utilisation of by-products such as slag. These measures enhance resource efficiency, reduce waste streams and can generate incremental value from secondary materials, partially offsetting the cost burden associated with stricter environmental requirements.

OPPORTUNITIES

Four key climate-related opportunities have been identified as follows:

Figures 9-12: Climate-related opportunities

Opportunity 1	Improved profitability through investments in energy efficiency improvements
Type	Opportunity – Resource efficiency
Area	Own operations
Primary potential financial impact	Lower operating costs
Time horizon	Short- to medium-term
Likelihood	Likely
Impact	Moderate to Major
Location or service most impacted	Germany, South Africa

Related metric(s)	Energy intensity; energy cost savings; Scope 1 & 2 emissions intensity; % reduction in electricity per tonne
-------------------	--

Opportunity 2	Increased demand for products for the generation of clean energy technologies
Type	Opportunity – Products & Services
Area	Own operations, downstream
Primary potential financial impact	Revenue growth
Time horizon	Medium- to long-term
Likelihood	Possible to Likely
Impact	Major
Location or service most impacted	Germany, South Africa
Related metric(s)	Revenue from low-carbon ferrochrome; market share in low-carbon markets; sales to energy transition sectors

Opportunity 3	Lower material costs thanks to improved resource efficiency
Type	Opportunity - Resource efficiency
Area	Own operations
Primary potential financial impact	Reduced material costs
Time horizon	Short- to medium-term
Likelihood	Likely
Impact	Moderate
Location or service most impacted	Germany, South Africa
Related metric(s)	Material cost per tonne; ore recovery; scrap/reject rate

Opportunity 4	Implementation of circular economy concepts can lead to savings and new sources of income
Type	Opportunity - Resource efficiency
Area	Own operations
Primary potential financial impact	Reduced virgin material costs; new revenue streams
Time horizon	Medium- to long-term
Likelihood	Possible
Impact	Moderate to Major
Location or service most impacted	Germany, Turkey
Related metric(s)	% recycled inputs, revenue from by-products, waste diverted from landfill; slag utilisation

1) 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. Afarak leverages energy efficiency improvements, production optimisation and its own energy generation as strategic tools to enhance its cost structure, margin stability and competitiveness. As mentioned earlier, the installation of a photovoltaic system, LED lighting upgrades, and deployment of ISO 50001 compliant energy management software at the German EWW facility are already supporting more efficient energy use and improved visibility of opportunities for optimization.

Operational upgrades in Turkey, including the replacement of diesel and electric engines with lower-impact equipment and investments to improve mining efficiency have also enabled increased production while keeping overall energy consumption broadly stable.

2) Increased demand for products for the generation of clean energy technologies

There is increasing demand for raw materials such as chrome ore and low-carbon ferrochrome for clear energy technologies and essential applications in the energy transition, electromobility and other green technologies.

To capitalise on this demand, Afarak positions itself as a Western producer of Low Carbon Ferrochrome, differentiating its offering in markets increasingly focused on supply chain security, geopolitical diversification

and sustainability credentials. As a Western-based supplier of this critical alloy, the company can serve aerospace, defence, automotive and green energy technology sectors that prioritise reliable, transparent and regulation-aligned sourcing.

In parallel, Afarak is pursuing expansion of chrome ore production in South Africa, supported by investment decisions to increase chrome ore concentrate output. By strengthening upstream capacity, the company enhances its ability to secure feedstock for ferrochrome production and to respond flexibly to rising market demand.

3) 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, resulting in lower material costs for Afarak.

Afarak leverages efficiency improvements in production and raw material utilisation, as well as vertical integration, to stabilise and reduce material costs over the long term. Recent operational initiatives to support these efficiency improvements include the renewal of diesel and electric engines in Turkey with lower-impact equipment and investments to improve mining efficiency, enabling production increases while keeping overall energy consumption stable. Likewise, implementation of ISO 50001 compliant energy management software in Germany ensures that the business is better able to visualize plant energy flows and optimise production processes.

4) 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, fulfils regulatory requirements and creates trust among customers and stakeholders who are paying more attention to sustainability.

A central lever is the utilisation of FeCr slag generated during ferrochrome production. Rather than treating slag solely as waste, Afarak processes it for use as a secondary material, for example in road construction. This approach reintegrates by-products into the economic cycle, reduces disposal requirements and can generate incremental income streams. It also lowers the overall environmental footprint per tonne of ferrochrome produced by improving material efficiency.

From a governance perspective, circular economy initiatives fall under the oversight of the Health, Safety and Sustainable Development Committee at Board level. This ensures that resource efficiency, waste valorisation and environmental performance are strategically embedded and aligned with broader sustainability objectives.

METRICS AND TARGETS

We monitor and report on relevant cross-industry metrics such as our Scope 1, 2 and 3 greenhouse gas (GHG) emissions, calculated in line with the GHG protocol. We also track and disclose other key sustainability metrics relating to water (see Concepts related to water and marine resources section). The metrics used to track our identified climate-related risks and opportunities are outlined above.

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 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.

Afarak does not currently have an internal carbon pricing system. Instead, the Group focuses on direct measures to reduce emissions, such as optimising processes and promoting renewable energies as well as the sustainable

optimisation of business activities. However, Afarak will regularly evaluate whether such a measure can contribute to supporting its sustainability goals in the future.

As of 2025, the executive remuneration system does not contain any specific sustainability targets or ESG-related remuneration components.

Scope 1, 2 and 3 GHG emissions, of Afarak Group is disclosed in the following chapter.

CORPORATE CARBON FOOTPRINT FACTSHEET FOR AFARAK GROUP SE

The Corporate Carbon Footprint considered in this factsheet covering the Afarak sites of:

- ✓ Elektrowerk Weisweiler GmbH (EWW), Germany
- ✓ Vlakpoort Mine, South Africa
- ✓ Afarak SA concentrator (Vlakpoort)
- ✓ Mecklenburg Mine, South Africa
- ✓ Türk Maadin Sirketi A.S. (TMS), Turkey

This fact sheet describes the Global Warming Potential (Corporate Carbon Footprint) of the annual production of chrome ore, chrome concentrate and Low Carbon Ferrochrome (LC FeCr).

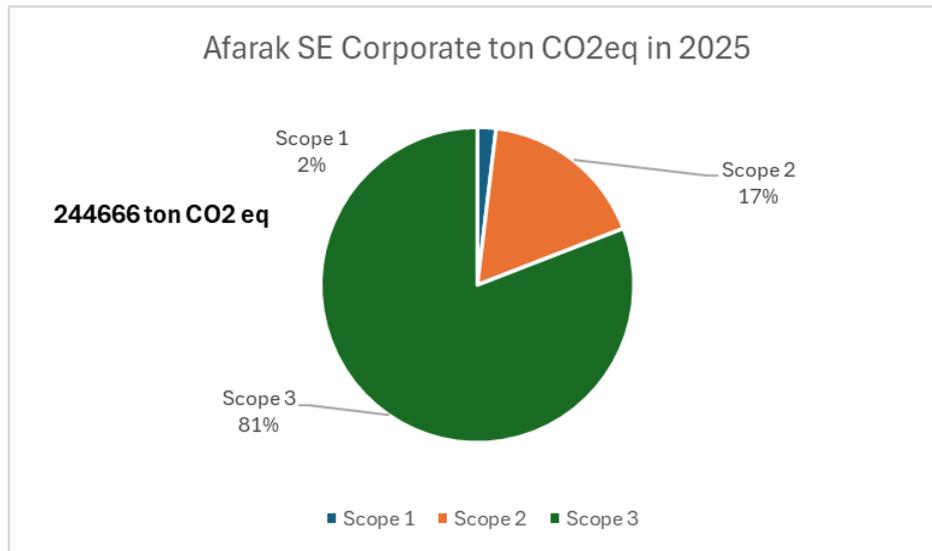


Figure 2: Corporate Carbon Footprint for Afarak Group SE in 2025

In the following table the Scope categories are described which are in- and excluded.

Included	Excluded
<ul style="list-style-type: none"> ✓ Scope 1: Direct emissions onsite ✓ Scope 2: Emissions of power purchased ✓ Scope 3: <ul style="list-style-type: none"> Category 1: Purchased goods and services which are consumed in 2025 Category 3: Fuel and energy related activities Category 4: Upstream transportation and distribution Category 5: Waste generated in operation 	<ul style="list-style-type: none"> ✓ Scope 3: <ul style="list-style-type: none"> Category 1: the not consumed but purchased goods Category 2: Capital goods Category 6: Business travel Category 7: Employee commuting Category 8: Upstream leased assets Category 9: Downstream transportation and distribution Category 10: Processing of sold products Category 11: Use of sold products Category 12: End of Life Treatment of sold products Category 13: Downstream leased assets Category 14: Franchises Category 15: Investments

CONCEPTS RELATED TO WATER AND MARINE RESOURCES

Afarak has been implementing site-specific measures to 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 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.

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.

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.

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.

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 (m ³)
Total water consumption in water-prone areas, including areas with high water stress	5,476,195	Volume (m ³)
Total amount of water recovered and reused	127,087 Rainwater 5,142,000 95% of the process water	Volume (m ³)

Total stored water	5,000	Volume (m ³)
Changes in water storage	0	Volume (m ³)
Water intensity	43,991	Volume (m ³) / total turnover (€ million)

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.

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.

2025 Market overview

The expected recovery in the stainless steel market did not materialize in the second half of 2025. Continued pricing pressure and a weaker US dollar negatively impacted margins in the LC ferrochrome business despite ongoing cost-optimization measures.

Chrome ore prices decreased in the second half of the year, resulting also in lower margins due to subdued stainless steel demand. Minor issues in the Vlakpoort wash plant and solar plant commissioning caused some delays, so that we expect the plant to be at full capacity utilization within Q1/2026 now.

Market sentiment for Q1/2026

Our customer base is suffering

For the fourth year in a row the EU steel industry has contracted in 2025, after a brief increase in Q1. The share of low priced imported steel in the EU is at a record high of 27%. In the case of stainless steel the share is 25%.

The output of steel in the EU has dropped by 3.4% year on year. Modest recovery is projected for 2026, but high uncertainty is expected, given:

Global overcapacity of 680 M mt of steel worldwide. Europe is disadvantaged by high energy cost and disrupted flows created by the 50% USA tariff implemented mid-2025.

Our margins are still under pressure

While the market price for Lc Fe-Cr started to show more sustained improvements in the last quarter 2025, the falling USD exchange rate has wiped out most of the positive effect. Low Carbon Ferrochrome continues to be a USD commodity.

CBAM and new EU safeguard measures have started to show some positive effects early 2026, but the cost of energy and the rise of the carbon compliance cost is going to continue weighing heavily on European producers.

GROUP OPERATIONAL REVIEW

Operationally, 2025 presented higher sales and lower production for the Group.

Sales

The Group sales of processed material increased by 30.6% and stood at 28,407 (2024: 21,759) tonnes.

Group mining

Group mining activity decreased by 31.3% to 251,257 (2024: 365,929) tonnes during the year under review.

Annual mining levels in the Speciality Alloys segment increased by 19.8% to 77,806 (2024: 64,945) tonnes. Production within the FerroAlloys segment decreased significantly as the output decreased in South African mines to 173,451 (2024:300,985 tonnes. This is mainly due to the disposal of the Zeerust mine mid-year.

Group processing

Group processing for 2025 increased by 20.3% to 27,626 (2024: 22,963) tonnes on account of higher demand.

Human resources

At the end of the year 2025, Afarak had 626 (602) employees. The average number of employees during the year 2025 was 623 (594).

GROUP FINANCIAL PERFORMANCE

2025 performance

The Group revenue was higher compared to prior year EUR 141.3 (128.6) million. Speciality Alloys Processed material sold increased by 30.6%, to 28,407 (FY/2024: 21,759) tonnes.

The mining operation decreased by 31.3%, to 251,257 (FY/2024: 365,929) tonnes.

Loss for the year totalled EUR -8.9 (FY/2024:-7.2) million and EBITDA during the year decreased to EUR -0.2 (FY/2024: 2.6) million. EBIT stood at EUR -2.6 (FY/2024: -0.1) million.

EUR million	H1 2025	H2 2025	FY 2025	FY 2024
Revenue	77.1	64.2	141.3	128.6
EBITDA	6.9	-7.1	-0.2	2.6
EBIT	5.9	-8.5	-2.6	-0.1
Profit for the period	2.4	-11.4	-7.5	-7.2
EBITDA margin	9.0%	-11.1%	-0.2%	2%
EBIT margin	7.7%	-13.3%	-1.8%	-0.1%

Balance Sheet, Cash Flow and Financing

The Group's total assets on 31 December 2025 stood at EUR 148.1 (2024:161.6) million and net assets totalled EUR 95.8 (2024:112.1) million. During the second half, the translation differences on conversion of foreign denominated subsidiaries was adjusted by EUR 8.2 million. The Group's cash and cash equivalents, as at 31 December 2025, totalled EUR 7.3 (2024:4.0) million. Operating cash flow stood at EUR 2.8 (2024: -6.3) million. The equity ratio stood at 64.7% (2024:69.3%). Afarak's gearing at the end of the year was -4.1% (2024: -1.2%), as the company kept low interest-bearing debt of EUR 3.4 (2024:2.6) million.

Investments, Acquisitions and Divestments

Capital expenditure for the full year of 2025 totalled EUR 11.8 (5.8) million. Capital Expenditure was mainly incurred to sustain Group operations and new investments in renewable energy.

SEGMENTS REVIEW

Financial Development and Assets and Liabilities by Segment

FY 2025 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	130,892	9,944	2,747	-2,305	141,278
EBITDA	4,314	-1,323	-3,203	0	-212
EBIT	2,325	-1,554	-3,383	0	-2,612
Segment's assets	150,481	42,451	6,114	-50,944	148,102
Segment's liabilities	44,426	44,931	23,780	-60,860	52,277

FY 2024 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	111,275	16,577	3,284	-2,495	128,641
EBITDA	1,715	4,289	-3,397	0	2,607
EBIT	-448	3,872	-3,570	0	-146
Segment's assets	154,750	49,429	4,630	-47,207	161,602
Segment's liabilities	42,270	42,478	21,034	-56,248	49,534

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.

2025 in Review

Revenue for the year under review increased by 17.6% to EUR 130.9 (2024:111.3) million.

Nevertheless, processing levels increased by 20.3% when compared to last year. The increase in revenue resulted in a higher EBITDA for the year to EUR 4.3 (2024:1.7) million, and EBIT of EUR 2.3 (2024:-0.4) million.

Revenue €130.9mln (2024: €111.3mln)	EBITDA €4.3mln (2024: €1.7mln)	EBIT €2.3mln (2024: - €0.4mln)
Mining production 77,806mt (2024: 64,945mt)	Processing production 27,626 mt (2024: 22,963mt)	Sales of processed material 28,407mt (2024: 21,759mt)
Personnel 512 (2024: 479)		

Production

Total production levels during 2025 increased by 19.9% to 105,432 (2024: 87,907) tonnes. The mining operations at TMS remained consistent, with a 11.2% increase over last year. Processing levels at the EWW plant in Germany was 20.3% higher than same period last year.

Sales

Speciality Alloys Processed material sold increased by 30.6%, to 28,407 (2024: 21,759) tonnes.

Financial performance

The increase in sales resulted in a higher EBITDA for the year to EUR 4.3 (2024:1.7) million, and EBIT of EUR 2.3 (2024:-0.4) million.

EUR million	H1 2025	H2 2025	FY 2025	FY 2024
Revenue	72.0	58.9	130.9	111.3
EBITDA	5.9	-1.6	4.3	1.7
EBIT	5	-2.7	2.3	-0.4
EBITDA margin	8.1%	-2.7%	3.3%	1.5%
EBIT margin	6.9%	-4.5%	1.8%	-0.4%

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.

2025 in Review

The Ferro Alloys segment showed a decline in both revenue and mining due to the disposal of a South African mine halfway through the year. Consequently, the EBITDA was EUR-1.3 (2024:4.3) million.

Revenue €9.9mln (2024: €16.6mln)	EBITDA €-1.3 mln (2024: €4.3mln)	EBIT €-1.6mln (2024: €3.9mln)
Mining production 173,451mt (2024: 300,985mt)	Processing production 0mt (2024: 0mt)	Sales of processed material 0mt (2024: 0mt)
Personnel 97 (2024: 105)		

Production

Operationally, the segment registered a decrease of 42.4% with total production falling to 173,451 (2024: 300,985) tonnes.

Sales

The sales of mining material from the FerroAlloys segment decreased by 40.4% in 2025 to EUR 9.9 million when compared to 2024 (EUR 16.6) million.

Financial performance

EUR million	H1/25	H2/25	FY25	FY24
Revenue	4.8	5.1	9.9	16.6
EBITDA	2.6	-3.9	-1.3	4.3
EBIT	2.5	-4.1	-1.6	3.9
EBITDA margin	54.7%	-76.3%	-13.3%	25.9%
EBIT margin	52.4%	-78.8%	-15.6%	23.4%

The disposal of the South African mine midyear led production to decrease by 42.4% within the FerroAlloys segment which led to a decrease in revenue resulting in an EBITDA of EUR -1.3 (2024: 4.3) million during the reporting period.

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 2025, the registered number of Afarak Group SE shares was 277,041,814 (277,041,814) and the share capital was EUR 1,000,000 (23,642,049.60). The EGM resolved on 29 January 2025 to reduce the share capital of the Company from EUR 23,642,049.60 by EUR 22,642,049.60 in order to transfer funds to the fund for invested unrestricted equity. After the decision, the share capital of the Company was EUR 1,000,000.00, and the fund for invested unrestricted equity increased correspondingly by EUR 22,642,049.60.

On 31 December 2025, the Company had 15,641,514 (16,041,514) own shares in treasury, which was equivalent to 5.65% (5.79%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2025, was 261,400,300 (261,000,300).

Flagging notifications

There were no flagging notifications during 2025.

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 2024, the Company's share price was EUR 0.29 on NASDAQ Helsinki and GBP 0.20 on the London Stock Exchange. At the end of the review period as at December 2025, the share price was EUR 0.26 and GBP 0.20 respectively. During the second half of 2025, the Company's share price on NASDAQ Helsinki ranged from EUR 0.28 to 0.33 per share and the market capitalisation, as at 31 December 2025, was EUR 72.03 (1 January 2025: 80.34) 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 2025: 55.41) million, as at 31 December 2025.

On **29 January 2025** - an extraordinary general meeting for Afarak Group SE was held whereby it was resolved **to reduce the**

a) share capital of the Company from EUR 23,642,049.60 by EUR 22,642,049.60 to transfer funds to the fund for invested unrestricted equity.

After the measure the share capital of the Company will be EUR 1,000,000.00 and the fund for invested unrestricted equity will increase correspondingly with EUR 22,642,049.60.

The entry into force of the reduction of the share capital is subject to the completion of the creditor protection procedure set out in Chapter 14 of the Limited Liability Companies Act.

All practical measures related to the reduction of the share capital shall be decided by the Board of Directors.

b) share premium reserve as evidenced by the Company's balance sheet as of 31 December 2023 by transferring all funds recorded therein, i.e. EUR 25,223,189.79 to the Company's fund for invested unrestricted equity.

The reduction of the share premium reserve is done without remuneration and will not have an effect on the number of shares, holdings of shares nor rights attached to the shares.

The entry into force of the reduction of the share premium reserve is subject to the completion of the creditor protection procedure set out in Chapter 14 of the Limited Liability Companies Act.

All practical measures related to the reduction of the share premium reserve shall be decided by the Board of Directors.

On **31 March 2025** - changes in Afarak Group SE treasury shares took place pursuant to the share issue authorization granted by the Company's Annual General Meeting held on May 31, 2024, the Board of Directors has resolved on a directed share issue without payment. Based on the share issue 400,000 of the Company's treasury shares ("Shares") have now been transferred to CEO Guy Konsbruck. The Shares form a part of the remuneration package under the CEO agreement.

After the execution of the share issue 15,641,514 treasury shares shall remain in the possession of Afarak, representing approximately 5.65 per cent of the total shares and votes of the Company.

On **28 May 2025** - registration in the Finnish Trade register of resolution taken during Afarak SE Extraordinary General meeting on 29 January 2025 to reduce share capital by EUR 22,642,049.60. The reduced amount has been transferred to the reserve for invested unrestricted equity in accordance with the resolution. Following the registration, the Company's share capital amounts to EUR 1,000,000.

The reduction of share capital has no effect on the number of the Company's shares.

On **28 May 2025** - registration in the Finnish Trade register of resolution taken during Afarak SE Extraordinary General meeting on 29 January 2025 to reduce Company's share premium reserve by EUR 25,223,189.79.

Following the reduction, the amount of the share premium reserve recorded in Afarak's balance sheet is zero. The reduced amount has been transferred to the reserve for invested unrestricted equity.

The reduction of the share premium reserve has no effect on the number of shares in the Company.

Shareholders

On 31 December 2025, the Company had a total of 8,587 shareholders (8,436 shareholders on 31 December 2024), of which eight were nominee-registered. The registered number of shares on 31 December 2025 was

277,041,814 (2024: 277,041,814).

LARGEST SHAREHOLDERS ON 31 DECEMBER 2025

	Shareholder	Shares	%
1	Skandinaviska Enskilda Banken AB	150,992,553	54.50
2	Hino Resources Co. Ltd	36,991,903	13.35
3	Afarak Group Plc	15,641,514	5.65
4	Hanwa Company Limited	9,000,000	3.25
5	4capes Oy	5,730,000	2.07
6	Joensuun Kauppa ja Kone Oy	5,160,683	1.86
7	Nieminen Jorma Juhani	4,585,000	1.66
8	Osuusasunnot Oy	3,300,000	1.19
9	Kaikkonen Risto Aleksi	2,235,795	0.81
10	PM Ruukki Oy	2,100,000	0.76
	Total	235,737,448	85.09
	Other Shareholders	41,304,366	14.91
	Total shares registered	277,041,814	100.00

Afarak Group SE's Board members and Chief Executive Officer owned in total 2,850,000 (2024: 2,450,000) Afarak Group SE shares on 31 December 2025, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 1.03% (2024: 0.9 %) of the total number of registered shares on 31 December 2025.

SHAREHOLDERS BY CATEGORY 31 DECEMBER 2025

Number of shares	Number of shareholders	% share of shareholder	Number of shares held	% of shares held
1 - 100	2,678	31.15	106,787	0.04
101 - 1000	3,119	36.28	1,438,169	0.52
1001 - 10000	2,139	24.88	7,856,421	2.84
10001 - 100000	571	6.64	15,805,048	5.71
100001 - 1000000	69	0.80	14,616,602	5.28
1000001 - 10000000	8	0.09	34,488,633	12.45
10000001 & above	3	0.04	202,730,154	73.18
Total	8,587	100%	277,041,814	100.00
of which nominee-registered	8	0.10%	151,902,987	54.83
Total outstanding			261,400,300	94.35

SHAREHOLDERS BY SHAREHOLDER TYPE ON 31 DECEMBER 2025

	% of share
Finnish shareholders	28.83
of which:	
Non-financial corporations and housing corporations	7.53
Financial and insurance corporations	5.98
Households	15.32
Non-profit institutions serving households	0.00
Foreign shareholders	71.17
Total	100.00
of which nominee-registered	54.83

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

Afarak Group SE's Annual General Meeting was held in Helsinki on 3 June 2025.

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 2024.

The AGM resolved that no dividend would be paid for 2024. However, the AGM authorized the Board of Directors to resolve in its discretion, to decide on the distribution of an aggregate maximum of EUR 0.005 per share as dividend from the retained earnings and/or as assets from the reserve for invested unrestricted equity. The authorization was valid until 31 December 2025. On 24 December 2025, the Board made a separate resolution to distribute a capital redemption from the reserve for invested unrestricted equity and was paid on 20th February 2026. The Company made a separate announcement of this Board resolution. The AGM also adopted the Remuneration Report for the Company's governing bodies.

THE BOARD OF DIRECTORS

The AGM resolved that the Board of Directors would comprise of three (3) members: Dr Jelena Manojlovic (UK citizen) and Mr. Thorstein Abrahamsen (Norwegian citizen) were re-elected as Board members and Mr. Julien Duniague (Swiss citizen) was elected as a new Board member.

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

THE AUDITOR

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

THE SUSTAINABILITY REPORTING ASSURER

The AGM resolved that the Company will pay the fee to the sustainability reporting assurer against an invoice that is inspected by the Company and that according to the recommendation by the Audit Committee, Authorized Sustainability Audit Firm Tietotili Audit Oy was elected as the sustainability reporting assurer of the Company. Tietotili Audit Oy has informed the Company that the sustainability reporting assurer with the main responsibility would be authorized sustainability auditor Urpo Salo.

In line with the EU's simplification to the Corporate Sustainability Reporting Directive (CSRD), the Board of Directors have decided that no sustainability report will be proposed for the financial year 2025.

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

		2025	2024	2023
Revenue	EUR '000	141,279	128,641	153,655
EBITDA	EUR '000	-212	2,607	16,594
% of revenue		-0.2%	2.0%	10.8%
Operating profit (EBIT)	EUR '000	-2,612	-146	15,032
% of revenue		-1.8%	-0.1%	9.8%
Profit before taxes	EUR '000	-7,524	-5,297	11,965
% of revenue		-5.3%	-4.1%	7.8%
Return on equity		-8.6%	-6.6%	9.5%
Return on capital employed		3.7%	2.6%	18.8%
Equity ratio		64.7%	69.3%	65.1%
Gearing		-4.1%	-1.2%	-14.1%
Personnel at the end of the accounting period		626	602	595

SHARE-RELATED KEY INDICATORS

		2025	2024	2023
Earnings per share, basic	EUR	-0.03	-0.03	0.04
Earnings per share, diluted	EUR	-0.03	-0.03	0.04
Equity per share	EUR	0.37	0.43	0.41
Price to earnings	EUR	-8.67	-10.58	11.02
Average number of shares	1,000	261,400	260,972	260,478
Average number of shares, diluted	1,000	261,400	261,472	260,978
Number of shares at the end of the period	1,000	277,042	277,042	267,042
Share price information (NASDAQ Helsinki)				
Average share price	EUR	0.31	0.31	0.52
Lowest share price	EUR	0.24	0.22	0.35
Highest share price	EUR	0.38	0.42	0.69
Market capitalisation	EUR '000	72,030	80,342	107,885
Share turnover	EUR '000	5,698	7,494	42,513
Share turnover	%	7.01	8.53	30.70
Share price information (London Stock Exchange)				
Average share price	EUR	0.23	0.24	0.23
	GBP	0.20	0.20	0.20
Lowest share price	EUR	0.23	0.24	0.24
	GBP	0.20	0.20	0.20
Highest share price	EUR	0.23	0.24	0.23
	GBP	0.20	0.20	0.20
Market capitalisation	EUR '000	63,498	66,823	61,456
	GBP '000	55,408	55,408	53,408
Share turnover	EUR '000	0	212	34
Share turnover	GBP '000	0	176	29
Share turnover	%	0.00	0.00	0.02

The company follows the new dividend policy and the board intends to decide about the actual dividend allocation at a later stage. The Board of Directors resolved a capital redemption of EUR 0.005 per share on 24 December 2025. The resolution is based on the authorization granted by the Annual General Meeting held on 3 June 2025.

FORMULAS FOR CALCULATION OF INDICATORS

Financial indicators

Return on equity	$(\text{Loss}) / \text{profit for the period} / \text{Total equity (average for the period)} * 100$
Return on capital employed	$((\text{Loss}) / \text{profit before taxes} + \text{financing expenses}) / (\text{Total assets} - \text{Interest-free liabilities}) \text{ average} * 100$
Equity ratio	$\text{Total equity} / (\text{Total assets} - \text{prepayments received}) * 100$
Gearing	$(\text{Interest-bearing debt} - \text{liquid funds}) / \text{Total equity} * 100$
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	$(\text{Loss}) / \text{profit attributable to owners of the parent company} / \text{Average number of shares during the period.}$
Earnings per share, diluted	$(\text{Loss}) / \text{profit attributable to owners of the parent company} / \text{Average number of shares during the period, diluted.}$
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 24 February 2026, the Board of Directors issued a profit warning regarding the decrease of EBITDA for the financial year 2025.

Flagging notification after the reporting period

On **20 January 2026**- Afarak Group SE has issued a flagging notification pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act, stating that the combined ownership of Jorma Nieminen and his companies 4capes Oy and Osusasunnot Oy in Afarak's shares has exceeded the 5 percent threshold.

According to the notification, the direct and indirect shareholding of Jorma Nieminen in Afarak has increased to 13,897,071 shares, corresponding to 5.02 percent of Afarak's total number of shares and voting rights.

ANNUAL FINANCIAL STATEMENTS

1 January-31 December 2025

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR '000	Note	<u>1.1.-31.12.2025</u>	<u>1.1.-31.12.2024</u>
Revenue	1	141,279	128,641
Other operating income	2	8,141	5,405
Materials and supplies		-111,575	-100,205
Employee benefits expense	3	-26,948	-24,344
Depreciation and amortisation	4	-2,400	-2,753
Impairment	4	0	0
Other operating expenses	5	-11,109	-6,890
Operating loss/profit		<u>-2,612</u>	<u>-146</u>
Finance income	6	6,599	3,049
Finance expense	6	-11,511	-8,200
Profit before taxes		<u>-7,524</u>	<u>-5,297</u>
Income taxes	7	-1,415	-1,921
Profit for the year		<u><u>-8,939</u></u>	<u><u>-7,218</u></u>
Profit attributable to:			
Owners of the parent		-8,933	-7,572
Non-controlling interests		-6	354
		<u><u>-8,939</u></u>	<u><u>-7,218</u></u>
Earnings per share (counted from profit attributable to owners of the parent):	8		
basic (EUR), Group total		-0.03	-0.03
diluted (EUR), Group total		-0.03	-0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	<u>1.1.-31.12.2025</u>	<u>1.1.-31.12.2024</u>
Loss for the year		-8,939	-7,218
Other comprehensive income/(loss)			
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit pension plans		863	1,166
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations - Group		-8,195	4,587
Other comprehensive income/(loss), net of tax		<u>-7,332</u>	<u>5,753</u>
Total comprehensive income/(loss) for the year		<u>-16,271</u>	<u>-1,465</u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		-16,238	-1,796
Non-controlling interests		-33	331
		<u>-16,271</u>	<u>-1,465</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2025	31.12.2024
ASSETS			
Non-current assets			
Property, plant and equipment	9	48,547	46,925
Goodwill	10	45,223	49,779
Other intangible assets	10	5,091	4,942
Other financial assets	12	1,630	1,679
Deferred tax assets	18	980	478
		101,471	103,803
Current assets			
Inventories	13	18,856	28,829
Trade and other receivables	14	20,450	25,016
Cash and cash equivalents	15	7,325	3,954
		46,631	57,799
		148,102	161,602
Total assets		148,102	161,602

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

EUR '000	Note	<u>31.12.2025</u>	<u>31.12.2024</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	16	1,000	23,642
Share premium reserve		105	25,364
Legal Reserve		1,517	-47
Paid-up unrestricted equity fund		263,471	215,556
Translation reserve		-46,241	-38,073
Retained Earnings		-124,017	-114,397
		<u>95,836</u>	<u>112,045</u>
Non-controlling interests		-10	23
Total equity		<u>95,826</u>	<u>112,068</u>
Non-current liabilities			
Deferred tax liabilities	18	4,825	8,283
Interest-bearing debt	12	559	335
Pension liabilities	20	9,927	11,249
Other non-current debt	21	22	22
Provisions	19	9,574	11,776
		<u>24,907</u>	<u>31,665</u>
Current liabilities			
Trade and other payables	21	21,526	14,925
Provisions	19	134	167
Tax liabilities	21	2,868	516
Interest-bearing debt	12	2,841	2,260
		<u>27,369</u>	<u>17,869</u>
Total liabilities		<u>52,276</u>	<u>49,534</u>
Total equity and liabilities		<u>148,102</u>	<u>161,602</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	1.1.-31.12.2025	1.1.-31.12.2024
Operating activities			
Loss from continuing operation		-8,939	-7,218
Adjustments to net profit:			
Non-cash items			
Depreciation, amortisation and impairment	4	2,400	2,753
Finance income and cost	6	5,829	5,718
Income taxes	7	1,415	1,354
Share-based payments	17	8	241
Proceeds from non-current assets		-879	-479
Working capital changes:			
Change in trade receivables and other receivables		2,281	-412
Change in inventories		6,618	1,996
Change in trade payables and other debt		8,395	-1,355
Change in provisions		-1,946	-169
Interests paid		-820	-1,130
Interests received		311	702
Other financing items		-4,978	-5,228
Income taxes paid		-1,394	-3,068
Net cash from operating activities		8,301	-6,295
Investing activities			
Capital expenditure on non-current assets, net		-5,577	-5,687
Other investments, net		-5	-15
Repayments of loan receivables and loans given net		493	-1,495
Net cash used in investing activities		-5,089	-7,197
Financing activities			
Proceeds from borrowings		0	3
Repayments of borrowings		0	-49
Payment of principal portion of lease liabilities		0	0
Movement in short term financing activities		864	-602
Net cash used in financing activities		864	-648
Change in cash and cash equivalents		4,076	-14,140
Cash at beginning of period		3,954	18,032
Exchange rate differences		-705	62
Cash at end of period		7,325	3,954
Change in the statement of financial position	16	4,076	-14,140

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 31.12.2023		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
Profit for the period 1-12/2025 + comprehensive income						-8,933		-8,933	-6	-8,939
Other Comprehensive Income					-8,168	863		-7,305	-27	-7,332
Total comprehensive income					-8,168	-8,070		-16,238	-33	-16,271
Share-based payments				8				8		8
Acquisition of subsidiaries						3		3		3
Reduction of Share Capital and Share Premium		-22,642	-25,223	47,865				0		0
Reclassification between reserves						-1,553	1,503	-50		-50
Other changes in equity			-35	42			61	68		68
Equity at 31.12.2025		1,000	105	263,471	-46,241	-124,017	1,517	95,836	-10	95,826

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 2025. 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 27 March 2026 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 2025 financial year, testing took place on 30 June 2025 for the Speciality Alloys business and the South African minerals processing business and on 31 December 2025 for all cash generating units. Impairment testing and the methods used are discussed in more detail in section 1.5 in the 'Impairment testing'.

Financial income and expense

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

Borrowing costs

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

Income taxes

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

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

Tangible assets

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

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

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

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

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

Mines and mineral assets

Measurement of mineral resources and ore reserves in business combinations

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

Exploration and evaluation expenses of mineral resources

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

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

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

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

Mine establishment costs

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

Impairment

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

Goodwill and intangible assets identified at acquisition

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

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

Customer relationships: 2-5 years depending on contractual circumstances

Technology: 5-15 years

Trademarks: 1 year

Research and development costs

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

Other intangible assets

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

Inventories

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss in accordance with *IFRS 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, hedge accounting was not applied. 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 to hedge its foreign currency 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. At 31 December 2025, the Group had outstanding forward contracts.

Fair value of financial assets and liabilities

The Group measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group applies a fair value hierarchy that categorises the inputs used in valuation techniques into three levels, giving highest priority to quoted prices in active markets.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include, for example, quoted prices for similar instruments, interest rate yield curves, forward exchange rates and other market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability. Where available, fair value is determined based on quoted market prices. For financial instruments where quoted prices are not available, such as over-the-counter (OTC) derivative instruments, the Group determines fair value using valuation techniques.

The Group's derivative financial instruments primarily comprise foreign exchange forward contracts entered into with financial institutions. These instruments are classified as Level 2 in the fair value hierarchy. Their fair values are determined using valuation techniques based on observable market data, including forward exchange rates and interest rate yield curves.

The use of observable market inputs reduces the need for management judgement and estimation and decreases the uncertainty associated with fair value measurements. However, the availability of observable inputs may vary depending on market conditions.

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, or payables.

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 standards and amendments, which are effective for annual periods beginning on or after 1 January 2025. The adoption of these amendments did not have a material impact on the Group's consolidated financial statements, unless otherwise stated below.

Standards, amendments and interpretations issued but not yet effective

The following new standards and amendments were issued but are not effective for the financial year beginning 1 January 2025 and have not been early adopted by the Group:

- Amendments to the Classification and Measurement of Financial Instruments (amendments to IFRS 9 and IFRS 7), effective for annual periods beginning on or after 1 January 2026;
- Annual Improvements to IFRS Accounting Standards—Volume 11, effective for annual periods beginning on or after 1 January 2026;
- Contracts Referencing Nature-dependent Electricity (amendments to IFRS 9 and IFRS 7), effective for annual periods beginning on or after 1 January 2026;
- IFRS 18, Presentation and Disclosure in Financial Statements, effective for annual periods beginning on or after 1 January 2027

The Group is currently assessing the impact of these new standards and amendments on its consolidated financial statements. Based on the assessment performed to date, except for presentation and disclosure changes expected on adoption of IFRS 18, the Group does not currently expect any of the other above standards and amendments to have a material impact on the recognition and measurement of amounts reported in future financial statements. This assessment may change as the Group completes its implementation work.

1.3 GOING CONCERN

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

1.4 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

1.4.1 Financial Year 2025

Afarak did not carry out any acquisitions during the financial year 2025.

1.4.2 Financial Year 2024

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

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 2025. 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 and Vlakpoort);

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 2025.

During 2025, there were no indication of impairment at both the Speciality Alloys business and the South African mining business.

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

Changes in goodwill during 2025

During the financial year 2025, the total goodwill of the Group decreased by EUR 4.6 million to a total of EUR 45.2 million. The decrease was attributable to an exchange rate movement of EUR 4.6 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 1.1.2025	49,779	0	49,779
Exchange rate movement	-4,556	0	-4,556
Goodwill 31.12.2025	45,223	0	45,223

The changes in goodwill during 2024 are presented 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

Goodwill as a ratio of the Group's equity on 31 December 2025 and 31 December 2024 was as follows:

EUR '000	31.12.2025	31.12.2024
Goodwill	45,223	49,779
Equity	95,826	112,068
Goodwill/Equity, %	47.2%	44.4%

Impairment on long term assets

In 2025, 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 3.2% 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 2025.

The information used in the 31 December 2025 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	
	2025	2024
Speciality Alloys	15.7%	17.6%
South African mine - Mecklenburg mine	14.9%	20.0%

The key reasons for the changes in the discount rates compared to 2025 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	45.2	45.2	68.9	Slightly above
South African Mines				
- Mecklenburg	0.0	0.0	16.0	Clearly 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: 28,000 t/a; from 2026 to 2030 Cr Ore: 11,000 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 177,000t in 2027; and is planned to increase to an average of 538,000t/a as from 2027 to 2036	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 857 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 16.00 for the year 2025.

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 2025 are given below:

Cash generating unit	Change in pre-tax discount rate	Change in free cash flow (annual average)	Change in CGU's average EBITDA
----------------------	---------------------------------	---	--------------------------------

	(compared to the level used in testing)		margin
Speciality Alloys	0.3% - points	-1.9%	-0.1% - points
South African mining business:			
- Mecklenburg mine	-59.3% - points	-74.2%	-42.5% - 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 and Mecklenburg mine in South Africa. It also included the Zeerust mine but was disposed mid-year. 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 2025

Year ended 31.12.2025 EUR '000	Speciality Alloys	Ferro Alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	5,023	5,023	0	0	5,023
Sale of goods	130,892	4,921	135,813	443	0	136,256
Total external revenue	130,892	9,944	140,836	443	0	141,279
Inter-segment revenue				2,305	-2,305 ¹	-
Total revenue	130,892	9,944	140,836	2,748	-2,305	141,279
Segment EBITDA	4,314	-1,323	2,991	-3,203	0	-212

Depreciation and amortisation	-1,989	-231	-2,220	-180	0	-2,400
Impairment						
Segment operating profit / (loss)	<u>2,325</u>	<u>-1,554</u>	<u>771</u>	<u>-3,383</u>	<u>0</u>	<u>-2,612</u>
Finance income						6,599
Finance cost						-11,511
Income taxes						-1,415
Loss for the period						-8,939
Segment's assets ²	<u>150,481</u>	<u>42,451</u>	<u>192,932</u>	<u>6,113</u>	<u>-50,943</u>	<u>148,102</u>
Segment's liabilities ²	<u>44,426</u>	<u>44,931</u>	<u>89,357</u>	<u>23,780</u>	<u>-60,860</u>	<u>52,277</u>
Other disclosures						
Capital expenditure ³	4,204	4,207	8,411	3	-4,210	0
Provisions ⁴	3,041	6,667	9,708	0	0	9,708

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 31.12.2024 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	<u>111,275</u>	<u>14,658</u>	<u>125,933</u>	<u>789</u>	<u>0</u>	<u>126,722</u>
Total external revenue	<u>111,275</u>	<u>16,577</u>	<u>127,852</u>	<u>789</u>	<u>0</u>	<u>128,641</u>
Inter-segment revenue				<u>2,494</u>	<u>-2,494</u> ¹	<u>-</u>
Total revenue	<u>111,275</u>	<u>16,577</u>	<u>127,852</u>	<u>3,283</u>	<u>-2,494</u>	<u>128,641</u>
Segment EBITDA	<u>1,715</u>	<u>4,289</u>	<u>6,004</u>	<u>-3,398</u>	<u>0</u>	<u>2,607</u>
Depreciation and amortisation	-2,163	-417	-2,580	-173	0	-2,753
Impairment						

Segment operating profit / (loss)	<u>-448</u>	<u>3,872</u>	<u>3,424</u>	<u>-3,571</u>	<u>0</u>	<u>-146</u>
Finance income						3,049
Finance cost						-8,199
Income taxes						-1,921
Profit for the period						-7,218
Segment's assets ²	<u>154,750</u>	<u>49,429</u>	<u>204,179</u>	<u>4,630</u>	<u>-47,207</u>	<u>161,602</u>
Segment's liabilities ²	<u>42,270</u>	<u>42,478</u>	<u>84,748</u>	<u>21,034</u>	<u>-56,249</u>	<u>49,534</u>
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.

Geographical information

Revenues from external customers

EUR '000	<u>2025</u>	<u>2024</u>
Other EU countries	63,342	55,447
United States	55,786	47,988
China	7,992	11,238
Africa	1,952	5,341
Other countries	12,206	8,627
Total revenue	<u>141,278</u>	<u>128,641</u>

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 10.37% (6.88%) of the Group's revenue in 2025.

Non-current assets

EUR '000	2025	2024
Africa	34,605	30,672
Other EU countries	12,649	11,997
Other countries	<u>6,385</u>	<u>9,197</u>
Total	<u>53,639</u>	<u>51,866</u>

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	2025	2024
Sale of goods	136,256	126,722
Rendering of services	5,023	1,919
Total	141,279	128,641

2. Other operating income

EUR '000	2025	2024
Gain/(loss) on disposal of tangible and intangible assets	1,754	55
Rental income	249	280
Other	6,136	5,070
Total	8,141	5,405

3. Employee benefits

EUR '000	2025	2024
Salaries and wages	-23,595	-21,015
Share-based payments	-8	-197
Pensions costs	-909	-878
Other employee related costs	-2,436	-2,254
Total	-26,948	-24,344

Average personnel during the accounting period

	2025	2024
Speciality Alloys business	500	471
FerroAlloys business	105	105
Group Management	3	3
Other operations *	15	15
Total	623	594

Personnel at the end of the accounting period

	2025	2024
Speciality Alloys business	512	479
FerroAlloys business	97	105
Group Management	3	3
Other operations *	14	15
Total	626	602

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

4. Depreciation, amortisation and impairment

EUR '000	2025	2024
Depreciation / amortisation by asset category		
Intangible assets		
Other intangible assets	-104	-105
Total	-104	-105
Property, plant and equipment		
Buildings and constructions	-287	-297
Machinery and equipment	-1,543	-1,518
Other tangible assets	-466	-833
Total	-2,296	-2,648
Impairment by asset category		
Machinery and equipment	0	0
Total	0	0

5. Other operating expenses

EUR '000	2025	2024
Loss on disposal of non-current assets	-8	-
Rental costs	-282	-356
External services ¹	-4,121	-3,717
Travel expenses	-850	-757
Other operating expenses	-5,848	-2,060
Total	-11,109	-6,890

1. Audit fees paid to HLB network audit firms totalled EUR 596 (2024: EUR 585) thousand in the financial year. The fees for non-audit services totalled EUR57 (2024: EUR 98) thousand.

6. Financial income and expense

EUR '000	2025	2024
Finance income		
Interest income on loans and trade receivables	391	450
Foreign exchange gains	5,922	2,512
Other finance income	286	87
Total	6,599	3,049
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-349	-10
Impairment losses on receivables	-13	10
Foreign exchange losses	-7,876	-2,474
Hyperinflation adjustment	-0	-1,917
Unwinding of discount, provisions	-472	-1,120

Other finance expenses	-2,801	-2,689
Total	-11,511	-8,200
Net finance expense	-4,912	-5,151

Hyperinflation

Türkiye has been identified as a hyperinflationary economy for financial period 2024 to which in accordance with IAS 29 has been 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. For 2025, IAS 29 has not been applied. This is in line with a communiqué issued by the legal regulator pursuant to an amendment to the Tax Procedure Law (VUK) enacted in December 2025, which stipulates that inflation adjustment will not be applied for the 2025, 2026 and 2027 fiscal years.

7. Income taxes

EUR '000	2025	2024
Income tax for the period	-2016	-1,385
Income tax for previous years	0	0
Deferred taxes	602	-536
Total	-1,415	-1,921
EUR '000	2025	2024
Profit before taxes	-7,524	-5,297
Income tax calculated at parent company income tax rate	1,505	1,059
Difference between domestic and foreign tax rates	269	-2,012
Items recognised only for taxation purposes	117	259
Tax losses not recognised as deferred tax assets	-4,127	-5,354
Non-tax deductible expenses	636	2,773
Previously unrecognised tax losses now recognised	2,081	1,354
Total adjustments	-90	-2,980
Income tax recognised	-1,415	-1,921

On 31 December 2025 the Group companies had unused tax losses totalling EUR 34.2 (2024: 26.2) million for which the Group has not recognised deferred tax assets.

8. Earnings per share

	2025	2024
Profit attributable to owners of the parent company (EUR '000)	-8,933	-7,572
Weighted average number of shares, basic (1 000)	261,400	260,972
Basic earnings per share (EUR) total	-0.03	-0.03
	2025	2024

Profit attributable to owners of the parent company (EUR '000)	-8,933	-7,572
Weighted average number of shares, basic (1 000)	261,400	260,972
Effect of share options on issue (1 000)	0	500
Weighted average number of shares, diluted (1 000)	261,400	261,472
Diluted earnings per share (EUR) total	-0.03	-0.03

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 1.1.2025	1,872	5,839	23,634	49,197	4,131	84,673
Additions	0	20	10,239	1,064	5	11,328
Disposals	0	-4	-4,481	-563	-20	-5,068
Reclass between items	0	0	0	0	-665	-665
Effect of movements in exchange rates	9	1,039	-2,640	544	1	-1,047
Adjustment	0	-62	207	-265	0	-120
Balance at 31.12.2025	1,881	6,832	26,960	49,977	3,452	89,102
Accumulated depreciation and impairment 1.1.2025	0	-3,318	-10,569	-23,726	-134	-37,748
Depreciation	0	-287	-1,543	-435	-31	-2,296
Business combinations	0	0	1	0	0	1
Disposals	0	4	129	0	10	143
Effect of movements in exchange rates	0	-1,623	1,571	-601	-2	-655
Accumulated depreciation and impairment at 31.12.2025	0	-5,224	-10,411	-24,762	-157	-40,555
Carrying amount at 1.1.2025	1,872	2,521	13,065	25,469	3,998	46,925
Carrying amount at 31.12.2025	1,881	1,607	16,549	25,215	3,295	48,547
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
Adjustment	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

Machinery and equipment include the prepayments made for them.

Property, plant and equipment include right of use asset EUR 0.08 (2024: 0.08) and a depreciation of EUR 0.07(2024: 0.07) million.

10. Intangible assets

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2025	49,780	78,977	6,159	1,258	136,174
Additions	0	0	512	0	512
Disposals	0	0	-320	0	-320
Reclass between items	0	0	-373	0	-373
Adjustment	0	0	0	0	0
Effect of movements in exchange rates	-4,557	-8,503	-142	24	-13,178
Balance at 31.12.2025	45,223	70,474	5,836	1,282	122,815
Accumulated amortisation and impairment at 1.1.2025	0	-78,977	-2,311	-165	-81,453
Amortisation	0	0	-72	-33	-105
Disposals	0	0	434	0	434
Effect of movements in exchange rates	0	8,503	133	-13	8,623
Accumulated amortisation and impairment at 31.12.2025	0	-70,474	-1,815	-211	-72,501
Carrying amount at 1.1.2025	49,780	0	3,848	1,093	54,721
Carrying amount at 31.12.2025	45,223	0	4,020	1,071	50,314
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
Adjustment	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

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 3.99% (2024: 5.99%) in Valtimo Components Oyj.

During the financial year 2025 and 2024, Afarak did not acquire or dispose holdings in associates.

12. Financial assets and liabilities

31.12.2025, EUR '000					
	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Carrying value	Fair value
Non-current financial assets					
Non-current interest-bearing receivables			147	147	147
Trade and other receivables *			1,483	1,483	1,483
Current financial assets					
Trade and other receivables *			15,960	15,960	15,960
Other financial assets			1,614	1,614	1,614
Cash and cash equivalents			7,325	7,325	7,325
Total financial assets			26,529	26,529	26,529
Non-current financial liabilities					
Non-current interest-bearing liabilities			558	558	558
Other non-current liabilities			22	22	22
Current financial liabilities					
Current interest-bearing liabilities			2,841	2,841	2,841
Trade and other payables *			0	0	0
Total financial liabilities			3,421	3,421	3,421

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

31.12.2024, EUR '000					
	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Carrying value	Fair value
Non-current financial assets					
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.

Interest-bearing debt

EUR '000	2025	2024
Non-current		
Bank loans	1	1
Acquisition of NCI liability	0	0
Finance lease liabilities	558	333
Other interest-bearing liabilities	0	0
Total	559	334
Current		
Bank loans	2,841	2,260
Finance lease liabilities	0	0
Other interest-bearing liabilities (*)	0	0
Total	2,841	2,260

EUR '000	2025	2024
Finance lease liabilities, minimum lease payments		
No later than 1 year	0	0
Later than 1 year and not later than 5 years	558	333
	<u>558</u>	<u>333</u>
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	558	333
	<u>558</u>	<u>333</u>
Future finance charges	0	0
	<u>0</u>	<u>0</u>
Total minimum lease payments	558	333

* 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 2025	Cash flows	Foreign exchange movement	Other	31 December 2025
Current borrowings	2,260	864	-283	-	2,841
Lease liabilities	333	225	0	-	558
Total liabilities from financing activities	<u>2,594</u>	<u>1,089</u>	<u>-283</u>	<u>-</u>	<u>3,399</u>

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	<u>3,086</u>	<u>-336</u>	<u>-156</u>	<u>-</u>	<u>2,594</u>

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 2025

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 2025 closing date:

On 31 December 2025, 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 2.6 million as at the end of 2025. During 2025, an additional trade finance loan facility without recourse amounting to USD 2.0 million has been granted. The Maltese subsidiary utilized USD 0.4 million as at the end of 2025.

The German subsidiary has an overdraft facility to EUR 1.0 million. As at 31 December 2025, the utilised balance amounted to EUR 0.3 million.

Interest-bearing debt 31 December 2025

-Floating rate loans from financial institutions total EUR 2.8 (2024: 2.3) million. Fixed rate loans total EUR 0.0 (2024: 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 2025, based Bank's Lending Base Rate at that date, was 4.65%.

-The interest rate of the German bank overdraft facility is 5.85% per annum.

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 64.7% (2024: 69.3%).

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:

31.12.2025 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	2,841	-2,841	-2,841	0	0	0	0
Finance lease liabilities	558	-558	-102	-102	-56	-298	0
Trade and other payables	22	-22	0	0	-22	0	0
Total	3,421	-3,421	-2,943	-102	-78	-298	0

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

(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, fluctuations in US Dollar and South African Rand against the Euro have a significant impact on the Euro-denominated profitability of the Group as well as on the Group's assets and liabilities.

A substantial portion of the Group's revenues is denominated in US Dollars, while a significant share of its cost base is denominated in Euros and South African Rand. As a result, the Group is exposed to transactional foreign exchange risk. In particular, a strengthening of the Euro against the US Dollar has a negative effect on reported revenue and operating margins, while a weakening of the Euro has a positive effect. During the year, the average USD/EUR exchange rate increased from 1.08 in the prior period to 1.13 in the current period, representing an appreciation of approximately 4.6% of the US Dollar against the Euro. This movement had an unfavourable impact on the Group's profitability on conversion of USD to Euro.

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.

	EUR exchange rate	1	1.175	0.8726	50.4838	19.4439	0.9314	117.047
31.12.2025, EUR '000								
	EUR	USD	GBP	TRY	ZAR	CHF	RSD	
Cash and cash equivalents (EUR)	2,150	1,209	15	2,191	362	0	285	
Trade and other receivables (EUR)	801	11,892	0	0	3,565	0	1,009	
Loans and other financial assets (EUR)	1,573	0	0	126	-69	0	0	
Trade and other current payables (EUR)	-4,201	-5,327	0	-744	-4,770	0	-10	
Loans and other liabilities (EUR)	-558	-2,533	0	-1	-23	0	0	
Currency exposure, net (EUR)	-234	5,241	15	1,572	-933	0	1,284	
<i>Currency exposure, net in currency ('000)</i>	-234	6,158	13	79,341	-18,151	0	150,231	
	EUR exchange rate	1	1.0389	0.82918	36.7372	19.6188	0.941	116.79
31.12.2024, EUR '000								
	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	
<i>Currency exposure, net in currency ('000)</i>	1,608	788	-1,633	2,086	252,558	0	188,753	

The effect on the 31 December 2025 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 2025

	USD	GBP	TRY	ZAR	CHF	RSD
20% strengthening	1,310	4	393	-233	0	321
15% strengthening	925	3	277	-165	0	227
10% strengthening	582	2	175	-104	0	143
5% strengthening	276	1	83	-49	0	68
0% no change	0	0	0	0	0	0
-5% weakening	-250	-1	-75	44	0	-61
-10% weakening	-476	-1	-143	85	0	-117
-15% weakening	-684	-2	-205	122	0	-167
-20% weakening	-874	-2	-262	156	0	-214

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

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.

Forward foreign exchange contracts not designated in hedge accounting relationships

The Group enters into forward foreign exchange contracts to manage its exposure to foreign currency risk arising from operational activities. These instruments are not designated in hedge accounting relationships.

The following table presents outstanding forward foreign exchange contracts as at 31 December 2025 and 31 December 2024:

Type Maturity Average exchange rate Foreign currency (USD '000) Fair value (EUR '000)

Type	Maturity	Average Exchange rate	Foreign Currency (USD'000)	Fair Value (EUR'000)
31 December 2025				
Sell USD/ Buy EUR	Less than 3 months	1.1793	5,800	-14.4
Sell USD/ Buy EUR	3 to 6 months	1.1843	3,500	-32.2
Total 2025		1.1812	9,300	-46.6
31 December 2024				
Sell USD/ Buy EUR	Less than 3 months	-	-	-
Sell USD/ Buy EUR	3 to 6 months	-	-	-
Total 2024		-	-	-

All contracts relate to selling USD and buying EUR.

The fair value represents the mark-to-market valuation based on observable market data, including ECB spot rates at the reporting date.

The total unrealised loss of EUR 46.6 thousand as at 31 December 2025 has not been recognised in the financial statements as it is considered immaterial.

Derivative Financial Instruments

	Assets	Liabilities	Assets	Liabilities
	2025	2025	2024	2024
FX				
forwards	-	46.6	-	-
Total	-	46.6	-	-

(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 2025, 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 2025 and 31 December 2024 was as follows:

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

	31.12.2025	31.12.2024
Fixed rate instruments		
Financial assets	0	0
Financial liabilities	0	0
Fixed rate instruments, net	0	0
Variable rate instruments		
Financial assets	147	83
Financial liabilities	-2,841	-2,260
Variable rate instruments, net	-2,694	-2,177

Interest-bearing net debt	-2,694	-2,177
----------------------------------	---------------	---------------

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 2025, and if there were no changes in exchange rates.

31 December 2025

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-2	57	56
-1.50%	-1	43	42
-1.00%	-1	28	28
-0.50%	0	14	14
0.00%	0	0	0
0.50%	0	-14	-14
1.00%	1	-28	-28
1.50%	1	-43	-42
2.00%	2	-57	-56

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

(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 14. The Group’s trade receivables total EUR 12.3 million for year ended 31 December 2025 (2024: 7.5). As a prudent measure, the group provisioned a potential bad debt of EUR 0.9 million. There remains a risk that further losses may arise in respect of the remaining balance.

The Group did not record any loss allowance on trade receivables during the comparative period in 2024. The portion of prepaid revenues or portion under trade financing amounts to EUR 2.5 million on 31 December 2025 (2024: 2.3). The prepaid portion of the trade receivables does not include any potential losses.

The loan receivables amounted to EUR 1.6 million on 31 December 2025 (2024: 2.0). 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 2025 and in 2024, 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 31.12.2025 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	31.12.2025	31.12.2024
EUR 000’s		
Interest-bearing		
Cash and cash equivalents	7,325	3,954
Other interest bearing receivables	59	83
Interest-bearing, total	7,384	4,037
Interest-free		

Trade receivables	12,084	7,502
Other short-term receivables	5,308	14,356
Long-term receivables	1,571	1,596
Interest-free, total	18,963	23,454
Total	26,347	27,491

(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 2024.

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 2025 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 2025 production of 27,626 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 2025

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR 000's	EUR 000's
2.90	20%	17,561	16,683
2.78	15%	13,171	12,512
2.66	10%	8,781	8,342
2.54	5%	4,390	4,171
2.42	0%	0	0
2.30	-5%	-4,390	-4,171
2.18	-10%	-8,781	-8,342
2.06	-15%	-13,171	-12,512
1.94	-20%	-17,561	-16,683

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

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 204,163 t/a, and December 2025 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 2025

Change in Sales price (USD/t)		Change in Operating Profit	Change in Group's Equity
291.00	20%	9,902	7,129
278.88	15%	7,426	5,347
266.75	10%	4,951	3,565
254.63	5%	2,475	1,782
242.50	0%	0	0
230.38	-5%	-2,475	-1,782
218.25	-10%	-4,951	-3,565
206.13	-15%	-7,426	-5,347
194.00	-20%	-9,902	-7,129

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

13. Inventories

EUR '000	<u>2025</u>	<u>2024</u>
Goods and supplies	8,612	11,050
Unfinished products	870	387
Unfinished construction projects	0	0
Finished products	9,261	17,159
Prepayments	113	233
Total	<u>18,856</u>	<u>28,829</u>

14. Trade and other current receivables

EUR '000	<u>2025</u>	<u>2024</u>
Trade receivables	12,084	7,502
Loan receivables	1,614	2,054
Prepaid expenses and accrued income	2,837	2,949
Income tax receivables	38	210
Other receivables	3,877	12,301
Total	<u>20,450</u>	<u>25,016</u>

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	<u>2025</u>	<u>2024</u>
Not past due	6,131	3,527
Past due 0-30 days	2,839	2,940
Past due 31-60 days	525	272
Past due 61-90 days	1,842	341
Past due more than 90 days	747	422
Trade receivables total	<u>12,084</u>	<u>7,502</u>

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	<u>2025</u>	<u>2024</u>
----------	-------------	-------------

Cash and bank balances 7,276 3,864

Cash and cash equivalents in the consolidated cash flow statement:

EUR '000	2025	2024
Cash and bank balances	7,276	3,864
Short-term money market investments	49	90
Total	7,325	3,954

16. Notes to equity

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2023	267,041,814	260,500,300	23,642
Share issue	10,000,000		
Share based payments (CEO)		500,000	
31.12.2024	277,041,814	261,000,300	23,642
Reduction in share capital			-22,642
Share based payments (CEO)		400,000	
31.12.2025	277,041,814	261,400,300	1,000

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 2025, the Company had 15,641,514 (16,041,514) own shares in treasury, which was equivalent to 5.65% (5.79%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2025, was 261,400,300 (261,000,300).

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

Share Issue Authorisations given to the Board of Directors

Based on the resolution at the AGM on 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' 136 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 22 January 2024 and 400,000 company shares on 31 March 2025. On 14 August 2025, the Group extended the CEO's contract to 30 June 2027 and approved the granting of Company shares as an incentive based on overall performance KPIs.

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 the remaining EUR 8,000 (2024: EUR 197,260) relating to the shares transferred in 2025.

18. Deferred tax assets and liabilities

Movements in deferred taxes in 2025

EUR '000	01.01.2025	Exchange rate differences	Recognised in income statement	Business combination and divestments	31.12.2025
Deferred tax assets:					
Unrealised expenses	7	509	448		964
Pension liabilities	69	0	16		85
From translation difference	-69	0	0		-69
Group eliminations	472	-569	98		0
Total	478	-60	562		980
Deferred tax liabilities:					
Assets at fair value in acquisitions	7,710	-7,679	-31		0
Translation difference	80	0	0		80
Business disposals				-3,490	-3,490
Other timing differences	493	7,751	-9		8,235

Total	8,283	72	-40	-3,490	4,825
--------------	--------------	-----------	------------	---------------	--------------

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

19. Provisions

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2025	9,469	2,474	11,943
Additions	688	1,294	1,982
Releases and reversals	-3,951	-247	-4,198
Unwinding of discount	490	0	490
Exchange differences	55	-564	-509
Balance at 31.12.2025	6,751	2,957	9,708
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
EUR '000	2025	2024	
Long-term provisions	9,574	11,776	
Short-term provisions	134	167	
Total	9,708	11,943	

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 (2024: 0.6) million has been recognised on the 2025 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 9.9 (2024: 11.2) million on 31 December 2025. 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	2025	2024
Present value of funded obligation	18,401	20,397
Fair value of plan assets	-8,474	-9,148
Net liability	9,927	11,249

Movements in defined benefit obligation

EUR '000	2025	2024
Defined benefit obligations at 1.1.	20,397	21,147
Benefits paid	-732	-752
Current service costs	212	243
Interest expense	679	655
Assumption changes	-1,256	-600
Actuarial losses / (gains)	-899	-296
Closing balance at 31.12.	18,401	20,397

Movements in the fair value of the plan assets

EUR '000	2025	2024
Fair value of the plan assets at 1.1.	9,148	8,308
Expected return on plan assets	316	266
Benefits paid by the plan	-209	-227
Return on plan assets greater/(less) than discount rate	-1,293	270
Contributions paid into the plan	512	531
Closing balance at 31.12.	8,474	9,148

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	2025	2024
Current service cost	-212	-243
Net interest on net defined benefit liability/(asset)	-363	-389
	-575	-632

Expense recognised in other comprehensive income (OCI)

EUR '000	2025	2024
Actuarial (gains)/losses due to liability experience	-899	-296
Return on plan assets (greater)/less than discount rate	1,293	-270
Actuarial (gains)/losses – financial assumptions	-1,257	-600
	-863	-1,166

Actual return on plan assets totalled EUR 1.3 (2024: -0.26) million in 2025.

Principal actuarial assumptions	2025	2024
Discount rate	4.14%	3.41%
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 2025, the employee severance indemnity recognised in accordance with IAS 19 totalled EUR 2.8 (2024: 2.1) million.

21. Trade payables and other interest-free liabilities

EUR '000	2025	2024
Non-current		
Other liabilities	22	22
Total non-current	22	22
Current		
Current liabilities to related parties	6	6
Trade payables	14,274	7,075
Accrued expenses and deferred income	6,474	5,167
Current advances received	3	4
Income tax liability	2,868	516
Other liabilities	769	2,673
Total current	24,394	15,441

1.9 RELATED PARTY DISCLOSURES

1.9.1 Group structure on 31 December 2025

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
Magnohrom doo Kraljevo	Serbia	100.00	0.00
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

On 11 June 2025, Re kylator Oy was dissolved and removed from Finnish Trade Register.

On 9 December 2025, Intermetal Madencilik ve Ticaret A.S. was merged with Türk Maadin Sirketi A.S. and struck off

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

2025

2024

EUR '000		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
<u>CEO</u>							
Konsbruck Guy	Board member 05.2.2018 to 3.6.2025, CEO 15.1.2017 onwards	84	460	8	84	420	197
<u>Board members</u>							
Abrahamsen Thorstein	Board member 23.5.2017 onwards, Chairman 11.11.2019 onwards		96			121	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 23.5.2017 – 25.6.2019		78			103	
Duniague Julien	Board member 3.6.2025 onwards,		45			0	
Total		84	679	8	84	644	197

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 2025 were EUR 360,000, a salary of EUR 84,000 and a Company bonus of EUR 100,000. In addition, EUR 8,000 was recognised as an expense in respect of the remaining share-based remuneration relating to 2024, in accordance with IFRS 2.

As part of the remuneration packages of its CEOs, Afarak pays a share-based compensation based on the overall performance KPIs. Guy Konsbruck, received 400,000 Company shares on 31 March 2025. On 14 August 2025, the Group extended the CEO contract to 30 June 2027.

Management remuneration

EUR '000	2025	2024
Fixed salaries and fees	748	673
Total	748	673

The table includes the Executive Management Team remuneration excluding the CEO for the year 2025. The CEO and Board members compensation has been presented separately.

Other related party transactions

No dividends were received from associated companies during 2025 and 2024.

1.10 COMMITMENTS AND CONTINGENT LIABILITIES

1.10.1 Mortgages and guarantees pledged as security

On 31 December 2025 the Group had loans from financial institutions totalling EUR 2.8 (2024: 2.3) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 5.8 (2024: 2.3) million. Moreover, the Group companies have given cash deposits totalling EUR 0.2 (2024: 0.3) million as security for their commitments. The value of other collaterals totalled EUR 5.6 (2024: 5.6) million as at 31 December 2025.

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. As at year end 2025 the balance was USD 2.6 (EUR 2.2) million. An additional trade finance loan facility without recourse amounting to USD 2.0 million was utilised during the year. As at year end 2025, the balance was USD 0.4 (EUR 0.3) 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 0.6 (2024: 0.4) 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 contracts, 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 2025.

1.11 EVENTS AFTER THE REPORTING PERIOD

Stock Exchange Releases

On 24 February 2026, the Board of Directors issued a profit warning regarding the decrease of EBITDA for the financial year 2025.

Flagging notification after the reporting period

On **20 January 2026**- Afarak Group SE has issued a flagging notification pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act, stating that the combined ownership of Jorma Nieminen and his companies 4capes Oy and Osusasunnot Oy in Afarak's shares has exceeded the 5 percent threshold.

According to the notification, the direct and indirect shareholding of Jorma Nieminen in Afarak has increased to 13,897,071 shares, corresponding to 5.02 percent of Afarak's total number of shares and voting rights.

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.2025 - 31.12.2025	1.1.2024 - 31.12.2024
Revenue	1	2,305	2,495
Personnel expenses			
Salaries and wages		-403	-258
Pension expenses		0	0
Social security expenses total		0	0
Personnel expenses total		-403	-258
Depreciation, amortisation and impairment	2		
Impairment of investment in subsidiaries		-0	-0
Depreciation, amortisation and impairment total		-0	-0
Other operating expenses	3	-1,976	-2,176
OPERATING PROFIT		-74	61
Financial income and expenses:	4		
Gain on disposal of investment		0	9,651
Reversal of Impairment on receivables		0	8,601
Other financial income			
From Group companies		153	156
From others		19	21
Interests and other financial expenses			
To Group companies		-412	-1,644
To others		-15	-699
Impairment of intra-group receivable		0	0
Financial income and expenses total		-255	16,086
PROFIT BEFORE TAXES		-329	16,147
Income taxes	5	0	0
PROFIT FOR THE PERIOD		-329	16,147

STATEMENT OF FINANCIAL POSITION (FAS)

EUR '000	Note	31/12/2025	31/12/2024
ASSETS			
NON-CURRENT ASSETS			
Investments	6		
Shares in Group companies		64,488	64,488
Total investments		64,488	64,488
Non-current receivables	7		
Receivables from Group companies		5,252	5,252
Total non-current receivables		5,252	5,252
Total non-current assets		69,740	69,740
CURRENT ASSETS			
Current receivables	7		
Trade receivables		0	15
Receivables from Group companies		3,705	1,626
Other non interest-bearing receivables		19	28
Prepaid expenses and accrued income		43	38
Total current receivables		3,767	1,707
Cash and cash equivalents		1	1
Total current assets		3,768	1,708
TOTAL ASSETS		73,508	71,448

STATEMENT OF FINANCIAL POSITION (FAS) (CONT.)

EUR '000

	Note	31/12/2025	31/12/2024
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
	8		
Share capital		1,000	23,642
Share premium reserve		0	25,223
Paid-up unrestricted equity reserve		266,916	219,051
Retained earnings		-213,747	-229,894
Profit for the period		-329	16,147
Total shareholders' equity		53,840	54,169
LIABILITIES			
	9		
Non-current liabilities			
Liabilities to Group companies		11,428	11,428
Provisions		0	0
Total non-current liabilities		11,428	11,428
Current liabilities			
Liabilities to Group companies		1,530	0
Liabilities to others		0	0
Accounts payable		36	127
Accounts payable to Group companies		6,222	5,278
Other liabilities		0	6
Accrued expenses and deferred income		452	440
Total current liabilities		8,240	5,851
Total liabilities		19,668	17,279
TOTAL EQUITY AND LIABILITIES		73,508	71,448

STATEMENT OF CASH FLOWS (FAS)

EUR '000	<u>1.1.-31.12.2025</u>	<u>1.1.-31.12.2024</u>
Operating activities		
(Loss) / profit for the period	-329	16,147
Adjustments for:		
Gain on disposal of investment	0	-9,651
Unrealised foreign exchange gains and losses	18	-112
Financial revenue and expense excluding impairment	229	-6,078
Other adjustments		-442
Cash flow before working capital changes	-82	-136
Working capital changes:		
Change in current trade receivables	-1,928	3,752
Change in current trade payables	2,385	2,661
Change in Provisions	0	0
Cash flow before financing items and taxes	375	6,277
Interests received from Group companies	41	-11
Interests received and other financing items	2	-791
Interests paid and other financing items	-412	-1,644
Net cash used in operating activities	6	3,831
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	0	9,651
Disposal of asset	0	1,386
Non-current loans from Group companies	0	5
Repayments of current loan receivables	0	0
Proceeds from current borrowings	0	-9,007
Repayment of current borrowings	-6	-5,865
Net cash from financing activities	0	3,830
Change in cash and cash equivalents	0	1
Cash at beginning of period	1	0
Cash at end of period	1	1
Change in the statement of financial position	0	1

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.

2.2 Notes to the income statement

1. Revenue

EUR '000	2025	2024
<u>By business line:</u>		
Services	2,305	2,495
Total	2,305	2,495
<u>By geography:</u>		
Finland	0	0
EU countries	2,305	1,722
Other countries	0	773
Total	2,305	2,495

2. Depreciation, amortisation and impairment

EUR '000	2025	2024
<u>Impairment</u>		
Impairment on investment in subsidiaries	0	0
Total	0	0

3. Other operating expenses

EUR '000	2025	2024
Premise expenses	-20	-17
Machinery and equipment expenses	-106	-43
Travelling expenses	-18	-29
Administration expenses	-772	-1,060
Other operating expenses	-1,060	-1,027
Total	-1,976	-2,176

4. Financial income and expense

EUR '000	2025	2024
Gain on disposal of investment	0	9,651
Reversal of impairment on receivable		8,601
Other financial income		
From Group companies	153	156
From others	19	21
Other financial expense		
To Group companies	-412	-1,644
To others	-15	-699

Book value 31.12.2025	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
Magnohrom doo Kraljevo	Serbia	100.00	0.00
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

On 11 June 2025, Rekylator Oy was dissolved and removed from Finnish Trade Register.

On 9 December 2025, Intermetal Madencilik ve Ticaret A.S. was merged with Türk Maadin Sirketi A.S. and struck off

7. Receivables

EUR '000 **2025** **2024**

Non-current

Loan and other receivables	5,252	5,252
Total	5,252	5,252

Current

Trade receivables	3,197	1,250
Interest receivables	508	376
Prepayments and accrued income	0	0

Total		3,705	1,626
Other interest-bearing receivables			
EUR '000		2025	2024
<u>Current</u>			
VAT receivable		15	11
Total		15	11
Other interest-free receivables			
EUR '000		2025	2024
<u>Current</u>			
Trade receivables		0	15
Other receivables		4	17
Total		4	32
Prepaid expenses and accrued income			
		2025	2024
Other prepaid expenses and accrued income		43	38
Total		43	38

2.4 Notes to equity and liabilities

8. Shareholders' equity

EUR '000

Share capital	2025	2024
Share capital 1.1.	23,642	23,642
Transfer to paid up unrestricted equity reserve	-22,642	0
Share capital 31.12.	1,000	23,642
Share premium reserve		
	2025	2024
Share premium reserve 1.1.	25,223	25,223
Transfer to paid up unrestricted equity reserve	-25,223	0
Share premium reserve 31.12.	0	25,223
Paid-up unrestricted equity reserve		
	2025	2024

Paid-up unrestricted equity reserve 1.1.	219,051	219,051
Elimination of Share Premium reserve	25,223	0
Reduction in Share Capital	22,642	0
Paid-up unrestricted equity reserve 31.12.	266,916	219,051
Retained earnings	2025	2024
Retained earnings 1.1.	-213,747	-229,894
Profit for the period	-329	16,147
Retained earnings 31.12.	-214,076	-213,747
Total shareholders' equity	53,840	54,169
Distributable funds	2025	2024
Retained earnings 1.1.	-213,747	-229,894
(Loss) / profit for the period	-329	16,147
Retained earnings 31.12.	-214,076	-213,747
Paid-up unrestricted equity reserve	266,916	219,051
Distributable funds 31.12.	52,840	5,304

9. Liabilities

Non-current liabilities

EUR '000

Non-current interest-bearing debt	2025	2024
Loans from Group companies	11,428	11,428
Total	11,428	11,428
Current liabilities		
EUR '000		
Current interest-bearing debt	2025	2024
Other debt to Group companies	0	0
Total	0	0
Current interest-free debt	2025	2024
Accounts payable	36	127
Payables to Group companies	6,222	5,278
Other debt	0	6
Other debt to Group companies	1,530	0
Accrued expenses and deferred income	452	440

Total	8,240	5,851
--------------	--------------	--------------

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)	2025	2024
Employees	1	1
Management remuneration (EUR '000)	2025	2024
Chief Executive Officer	544	504
Board members	219	224

The CEO fees for his service during 2025 were EUR 460,000 and a salary EUR 84,000.

As part of the remuneration packages of its CEOs, Afarak pays a share-based compensation based on the overall performance KPIs. Guy Konsbruck, received 400,000 Company shares on 31 March 2025. On 14 August 2025, the Group extended the CEO contract to 30 June 2027.

Information on shares and shareholders

Changes in the number of shares and share capital

On 31 December 2025, the registered number of Afarak Group SE shares was 277,041,814 (277,041,814) and the share capital was EUR 1,000,000 (23,642,049.60). The EGM resolved on 29 January 2025 to reduce the share capital of the Company from EUR 23,642,049.60 by EUR 22,642,049.60 in order to transfer funds to the fund for invested unrestricted equity. After the decision, the share capital of the Company was EUR 1,000,000.00, and the fund for invested unrestricted equity increased correspondingly by EUR 22,642,049.60.

On 31 December 2025, the Company had 15,641,514 (16,041,514) own shares in treasury, which was equivalent to 5.65% (5.79%) of the issued shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2025, was 261,400,300 (261,000,300).

On **29 January 2025** - an extraordinary general meeting for Afarak Group SE was held whereby it was resolved **to reduce the**

a) share capital of the Company from EUR 23,642,049.60 by EUR 22,642,049.60 to transfer funds to the fund for invested unrestricted equity.

After the measure the share capital of the Company will be EUR 1,000,000.00 and the fund for invested unrestricted equity will increase correspondingly with EUR 22,642,049.60.

The entry into force of the reduction of the share capital is subject to the completion of the creditor protection procedure set out in Chapter 14 of the Limited Liability Companies Act.

All practical measures related to the reduction of the share capital shall be decided by the Board of Directors.

b) share premium reserve as evidenced by the Company's balance sheet as of 31 December 2023 by transferring all funds recorded therein, i.e. EUR 25,223,189.79 to the Company's fund for invested unrestricted equity.

The reduction of the share premium reserve is done without remuneration and will not have an effect on the number of shares, holdings of shares nor rights attached to the shares.

The entry into force of the reduction of the share premium reserve is subject to the completion of the creditor protection procedure set out in Chapter 14 of the Limited Liability Companies Act.

All practical measures related to the reduction of the share premium reserve shall be decided by the Board of Directors.

On **31 March 2025** - changes in Afarak Group SE treasury shares took place pursuant to the share issue authorization granted by the Company's Annual General Meeting held on May 31, 2024, the Board of Directors has resolved on a directed share issue without payment. Based on the share issue 400,000 of the Company's treasury shares ("Shares") have now been transferred to CEO Guy Konsbruck. The Shares form a part of the remuneration package under the CEO agreement.

After the execution of the share issue 15,641,514 treasury shares shall remain in the possession of Afarak, representing approximately 5.65 per cent of the total shares and votes of the Company.

On **28 May 2025** - registration in the Finnish Trade register of resolution taken during Afarak SE Extraordinary General meeting on 29 January 2025 to reduce share capital by EUR 22,642,049.60. The reduced amount has been transferred to the reserve for invested unrestricted equity in accordance with the resolution. Following the registration, the Company's share capital amounts to EUR 1,000,000.

The reduction of share capital has no effect on the number of the Company's shares.

On **28 May 2025** - registration in the Finnish Trade register of resolution taken during Afarak SE Extraordinary General meeting on 29 January 2025 to reduce Company's share premium reserve by EUR 25,223,189.79.

Following the reduction, the amount of the share premium reserve recorded in Afarak's balance sheet is zero. The reduced amount has been transferred to the reserve for invested unrestricted equity.

The reduction of the share premium reserve has no effect on the number of shares in the Company.

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 2,850,000 (2024: 2,450,000) Afarak Group SE shares on 31 December 2025 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 1.09% (2024: 0.9%) of all outstanding shares that were registered in the Trade Register on 31 December 2025.

31.12.2025		shares	options
<u>Board and CEO total:</u>			
Thorstein Abrahamsen	Chairman & Independent Non-Executive Director	0	0
Jelena Manojlovic	Independent Non-Executive Director	150,000	0
Julien Duniague	Independent Non-Executive Director	0	0
Guy Konsbruck	Chief Executive Officer & Executive Director	2,700,000	0
Board and CEO total		2,850,000	0
All shares outstanding		261,400,300	
Proportion of all shares		1.09%	

On 31 December 2025 the total number of registered shares was 277,041,814 and the Board and CEO's ownership corresponded to 1.03% of the total number of registered shares.

Auditor's fees

EUR '000	2025	2024
Tietotili Audit Oy		
audit	395	343
other services	58	98
Total	453	441

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

- 1) The financial statements, prepared in accordance with the applicable financial reporting regulations, give a true and fair view of the assets, liabilities, financial position, and profit or loss of both the company and the group as a whole comprising the entities included in its consolidated financial statements;
- 2) The management report provides a true and fair overview of, on the one hand, the development and performance of the company's business and, on the other hand, those of the group as a whole comprising the entities included in its consolidated financial statements, as well as a description of the most significant risks and uncertainties and other aspects of the company's situation.

Helsinki 27 March 2026

DocuSigned by:

9FF332006572479...
Thorstein Abrahamsen
Chairman

Signé par :

AF05F0F741F8439...
Julien Duniague
Member of the Board

Signed by:

6F4C643F8932449...
Jelena Manojlovic
Member of the Board

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Vantaa 27 March 2026

Tietotili Audit Oy
Authorised Public Accountants

DocuSigned by:



Urpo Salo
4BDBA6A1680A4B8...

Authorised Public Accountant



This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Afarak SE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Afarak SE (business identity code 0618181-8) for the year ended 31 December, 2025. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU,
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 1.7/5 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risk of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Valuation of intangible and tangible assets, environmental obligations, valuation of inventory and valuation of goodwill (Accounting principles and notes 1.5, 1.8/9, 1.8/10, 1.8/13 and 1.8/19 for the consolidated financial statements)

The key audit matter

— The value of tangible and intangible assets at the date of the financial statements amounted to 53,6 million euro representing 36,2 % of total assets and 55,9 % of equity. When the underlying assumptions are changed concerning impairment review this may result in an impairment of tangible and intangible assets

— This matter is a significant risk of material misstatement referred to in EU Regulation No 537 / 2014, point (c) of Article 10(2)

— At the balance sheet date 31 December 2025 the provision for rehabilitation and decommissioning costs related to mines and processing facilities amounted to 6,8 million euro. The provisions are subject to effects of any changes in local regulations, management's expected approach to decommissioning, underlying assumptions concerning the calculations along with effects of changes in exchange rates

How the matter was addressed during the audit

— Our audit procedures to address the risk of material misstatement in respect of valuation included among others assessment of sensitivity and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We assessed the Group's disclosures in notes 1.5 financial statements about the assumptions to which the outcome of the impairment tests were more sensitive

— We carried out audit procedures to address the risk of material misstatement in respect of valuation of environmental obligation. We carried out audit procedures among others to assess the assumptions used by management in their calculations and reviewed the calculations. We assessed the Group's disclosures in the financial statements in respect of environmental and rehabilitation provisions



— This matter is a significant risk of material misstatement referred to in EU Regulation No 537 / 2014, point (c) of Article 10(2)

— At the balance sheet date 31 December 2025 the value of inventory amounted to 18,9 million euro representing 12,8 % of the total assets. The inventory is exposed to price and exchange rate fluctuation. Inventory costing was considered a risk

— Our audit procedures to address the risk of material misstatement in respect of valuation of inventory included among others assessing the Group’s accounting policies over recognizing inventory in compliance with applicable accounting standards. We tested the costing and valuation of inventory. We performed analytic procedures. We assessed the Group’s disclosures in the financial statements in respect of inventory

— This matter is a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2)

— At the balance sheet date 31 December 2025 the value of goodwill amounted to 45,2 million euro representing 30,5 % of total assets and 47,2 % of equity. Valuation of goodwill and related impairment review is based on numerous Management estimates and assumptions. Changes in these estimates and assumptions may result in an impairment of goodwill

— We carried out audit procedures to address the risk of material misstatement in respect of valuation of goodwill. We carried out audit procedures among others to assess the assumptions and methodologies used by the Group. We assessed the sensitivity analysis and underlying assumptions. We assessed the Group’s disclosures in notes 1.5 in the financial statements about the assumptions to which the outcome of the impairment tests were more sensitive

— This matter is a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2)

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting 30.8.2021 for the financial period ended 31.12.2021.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

As an additional statement, we note that the Company has not presented the information required under Chapter 7 of the Accounting Act and the sustainability reporting standards, based on Directive (EU) 2026/470 of the European Parliament and of the Council.

Vantaa 27.3.2026

Tietotili Audit Oy, Authorised Public Accountants

Urpo Salo, Authorised Public Accountant, KHT



INDEPENDENT AUDITOR'S REPORT ON THE ESEF CONSOLIDATED FINANCIAL STATEMENTS OF AFARAK GROUP SE

To the Board of Directors of Afarak Group SE

We have performed a reasonable assurance engagement on the financial statements Esef-report-2025-fi.zip of Afarak Group SE (y-identifier: 0618181-8) that have been prepared in accordance with the Commission's regulatory technical standard for the financial year ended 31.12.2025.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the company's report of Board of Directors and financial statements (the ESEF financial statements) in such a way that they comply with the requirements of the Commission's regulatory technical standard. This responsibility includes:

- preparing the ESEF financial statements in XHTML format in accordance with Article 3 of the Commission's regulatory technical standard
- tagging the primary financial statements, notes and company's identification data in the consolidated financial statements that are included in the ESEF financial statements with iXBRL tags in accordance with Article 4 of the Commission's regulatory technical standard and
- ensuring the consistency between the ESEF financial statements and the audited financial statements

The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance the requirements of the Commission's regulatory technical standard.

Auditor's Independence and Quality Management

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to the engagement we have performed, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The firm applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to, in accordance with Chapter 7, Section 8 of the Securities Markets Act, provide assurance on the financial statements that have been prepared in accordance with the Commission's technical regulatory standard. We express an opinion on whether the consolidated financial statements that are included in the ESEF financial statements have been tagged, in all material respects, in accordance with the requirements of Article 4 of the Commission's regulatory technical standard.



Our responsibility is to indicate in our opinion to what extent the assurance has been provided. We conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000.

The engagement includes procedures to obtain evidence on:

- whether the primary financial statements in the consolidated financial statements that are included in the ESEF financial statements have been tagged, in all material respects, with iXBRL tags in accordance with the requirements of Article 4 of the Commission's regulatory technical standard and
- whether the notes and company's identification data in the consolidated financial statements that are included in the ESEF financial statements have been tagged, in all material respects, with iXBRL tags in accordance with the requirements of Article 4 of the Commission's regulatory technical standard and
- whether there is consistency between the ESEF financial statements and the audited financial statements.

The nature, timing and extent of the selected procedures depend on the auditor's judgement. This includes an assessment of the risk of material deviations due to fraud or error from the requirements of the Commission's technical regulatory standard.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

Our opinion pursuant to Chapter 7, Section 8 of the Securities Markets Act is that the primary financial statements, notes and company's identification data in the consolidated financial statements that are included in the ESEF financial statements of Afarak Group SE Esef-report-2025-fi.zip for the financial year ended 31.12.2025 have been tagged, in all material respects, in accordance with the requirements of the Commission's regulatory technical standard.

Our opinion on the audit of the consolidated financial statements of Afarak Group SE for the financial year ended 31.12.2025 has been expressed in our auditor's report 27.3.2026. With this report we do not express an opinion on the audit of the consolidated financial statements nor express another assurance conclusion.

Vantaa 27.3.2026

Tietotili Audit Oy

Authorized Public Accountants

Urpo Salo

Authorized Public Accountant