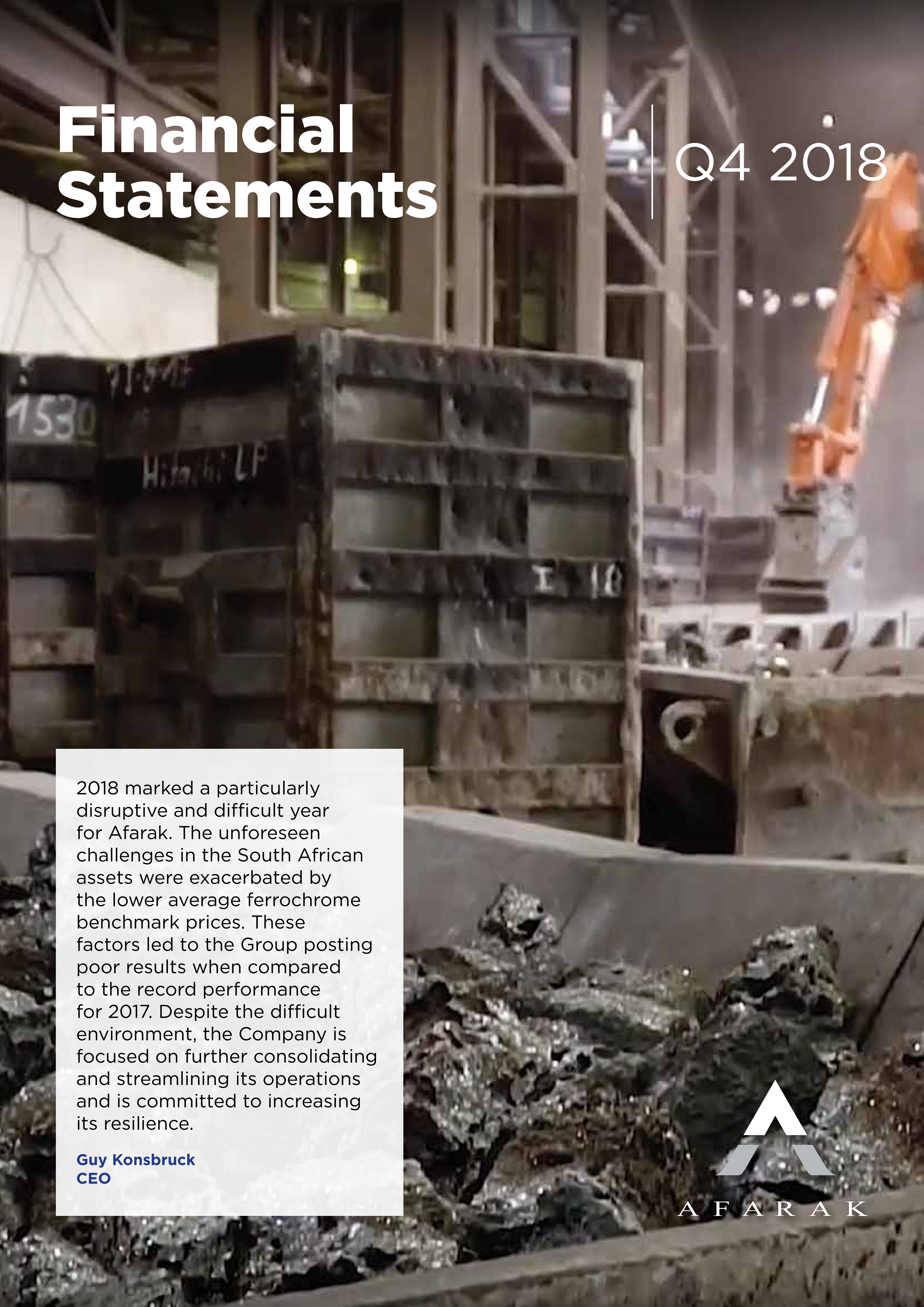
Financial Statements

Q4 2018



2018 marked a particularly disruptive and difficult year for Afarak. The unforeseen challenges in the South African assets were exacerbated by the lower average ferrochrome benchmark prices. These factors led to the Group posting poor results when compared to the record performance for 2017. Despite the difficult environment, the Company is focused on further consolidating and streamlining its operations and is committed to increasing its resilience.

Guy Konsbruck
CEO

AFARAK

FINANCIAL STATEMENTS RELEASE 2018

		Q4/18	Q4/17	2018	2017
Revenue	EUR million	47.0	50.6	194.0	198.8
EBITDA	EUR million	1.0	2.6	-1.0	18.0
EBIT	EUR million	-7.0	1.2	-14.1	11.4
Earnings before taxes	EUR million	-8.7	1.8	-18.5	4.2
Profit from continuing operations	EUR million	-11.1	3.5	-18.6	5.2
Profit from discontinued operations	EUR million	0.0	0.0	0.0	1.5
Profit	EUR million	-11.1	3.5	-18.6	6.7
Earnings per share	EUR	-0.04	0.01	-0.07	0.02
EBITDA margin	%	2.1	5.2	-0.5	9.0
EBIT margin	%	-14.9	2.3	-7.3	5.7
Earnings margin	%	-18.5	3.5	-9.6	2.1
Personnel (end of period)		1,061	1,017	1,061	1,017

QUARTER FOUR 2018 HIGHLIGHTS

- Pressed by a lower ferrochrome benchmark price and weaker chrome ore export prices, Afarak's FerroAlloys segment performed poorly in the fourth quarter when compared to a year earlier. The Specialty Alloys segment continued its good performance;
- Profit impacted by an impairment write-down related to Mogale business of EUR 6.5 million in the fourth quarter;
- Revenue for the fourth quarter of 2018 decreased by 7.1% to EUR 47.0 (Q4/2017: 50.6) million compared to the equivalent period in 2017 on account of lower average prices than those a year earlier;
- Processed material sold increased by 1.8%, to 25,833 (Q4/2017: 25,371) tonnes;
- Tonnage mined decreased by 33.7%, to 102,562 (Q4/2017: 154,646) tonnes due to the weak geological formations in some of our South African mines;
- The Group's EBITDA stood at EUR 1.0 (Q4/2017: 2.6) million and the EBITDA margin was 2.1% (Q4/2017: 5.2%);
- EBIT was EUR -7.0 (Q4/2017: 1.2) million, with the EBIT margin at -14.9% (Q4/2017: 2.3%);
- Profit for the period from continuing operations totalled EUR -11.1 (Q4/2017: 3.5) million;
- Cash flow from operations stood at EUR 4.3 (Q4/2017: 0.7) million. Net interest-bearing debt increased to EUR 12.3 (31 December 2017: 1.2) (30 September 2018: 9.9) million;
- Cash and cash equivalents at 31 December totalled EUR 12.1 (31 December 2017: 10.7) (30 September 2018: 5.8) million.

FULL YEAR 2018 HIGHLIGHTS

- The interplay of lower sales volumes, higher production costs due to the challenging environment and the weakening of the US Dollar caused EBITDA to swing into deficit from the record performance in 2017 to EUR -1.0 (FY/2017: 18.0) million;
- The lower average market prices and the adverse industry conditions faced by the FerroAlloys segment, impacted the Group negatively when compared to the record performance in 2017;
- Lower ferrochrome prices and a contraction in sales volumes accounted for an 8.5% decline in the revenue of the FerroAlloys segment to EUR 97.0 (FY/2017: EUR 106.1) million;
- Revenue in the Speciality Alloys segment increased by 7.5% to EUR 96.1 (FY/2017: EUR 89.4) million driven by stronger sales volumes;

- The share of joint venture result for the period amounted to EUR -2.7 (FY/2017: 3.1) million;
- Profit from continuing operations for the full year 2018 stood at EUR -18.6 (FY/2017: 5.2) million.

MARKET SENTIMENT FOR THE FIRST QUARTER 2019

The downward trend in the benchmark price for ferrochrome in 2018 has continued in the first quarter of 2019. The benchmark for Q1 2019 is reported as USD 112 c/lb.

CEO GUY KONSBRUCK

“2018 marked a particularly disruptive and difficult year for Afarak. The unforeseen challenges in the South African assets were exacerbated by the lower average ferrochrome benchmark prices. These factors led to the Group posting poor results when compared to the record performance for 2017.

Several operational issues including technical faults in processing equipment in our South African mining operations, weak geological formations and lower quality of ore caused reduced production outputs, ultimately affecting raw material supply to Mogale. In addition, increasing production costs, a strengthening of the Rand and the forced closure of the P3 furnace in Mogale all had a bearing on the results.

The Speciality segment continued to improve its operations. Revenues increased on account of higher sales volumes and stable prices for material produced until the end of Q3. Our new investment in a fine tailing plant in Turkey supported the improved performance of the segment. However, the weakening of the US Dollar against the Euro and the softening market prices starting in Q4 2018 impinged on the results.

The Group is responding to these challenges. The Executive Management Team is highly focused on optimising the performance of the South African assets. The Mogale plant is today under a new management team which is tasked with improving operations and cutting costs. The team has already started to implement a turnaround strategy and production is shifting from charge chrome to high carbon ferrochrome which currently commands higher margins. Mining operations are also being re-focused with a resulting reduction in fixed costs and capital expenditure. In our German plant we have managed to reduce the production costs in order to cope with lower market prices. The year has been tough; I would like to thank all members of staff who have supported the Company in this phase.

Afarak remains committed to sustainable operations and continues to focus its efforts both on the health and safety of its employees as well as on its corporate social responsibility. This year has seen Mogale commission a 2.8 MW waste gas heat recovery unit now producing electric power, which saves electricity costs and reduces CO_2 emissions. In addition, we continued to lend our support to our host communities through a number of social and infrastructure projects.

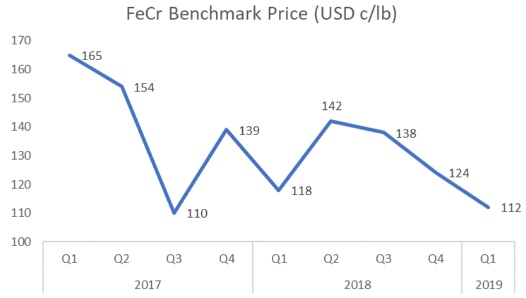
A number of initiatives are currently underway across our units to further strengthen our operations. The Mecklenburg underground mining investment has been delayed and open-pit mining is set to continue in first quarter 2019. The PGM Plant in Stellite is operating and further improvements are expected to come on stream in the coming quarters. At Zeerust, mine beneficiation equipment is currently being repaired, and processing of tailings is expected to start in Q2 2019. Vlakpoort restarted operations during the year and plans are underway to increase the highwalls. In Serbia, the Company continues to upgrade the beneficiation plant and the rotary kiln at the Magnohrom site for operation later this year.

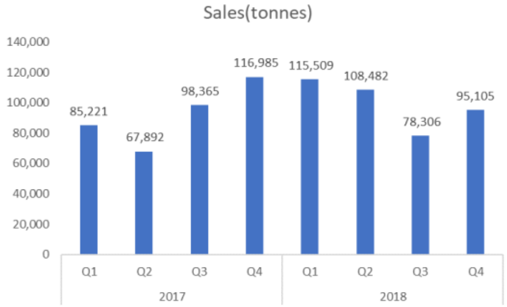
Looking ahead, the market continues to remain volatile and challenging. The Ferrochrome benchmark for Q1 2019 fell to USD 112 c/lb on account of a softening demand for stainless steel in China. This is the lowest since the benchmark settled in Q3 2017.

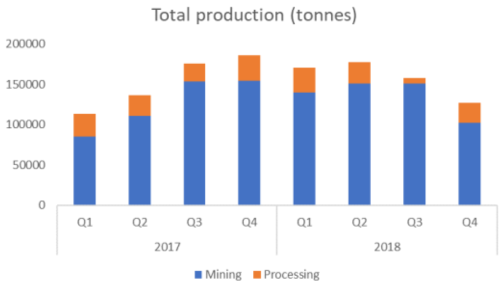
As instructed by the Extraordinary General Meeting held in November 2018, management is currently working on the repurchase of Afarak's own shares and plans are underway to present the proposals and documentation to the shareholders by end of March 2019.

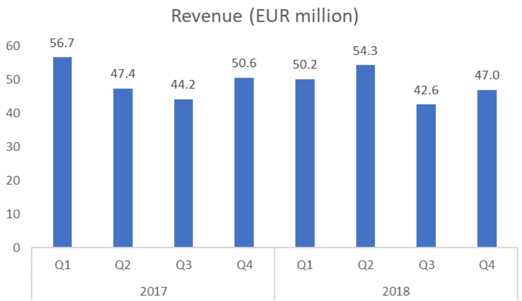
Despite the difficult environment, the Company is focused on further consolidating and streamlining its operations and is committed to increasing its resilience."

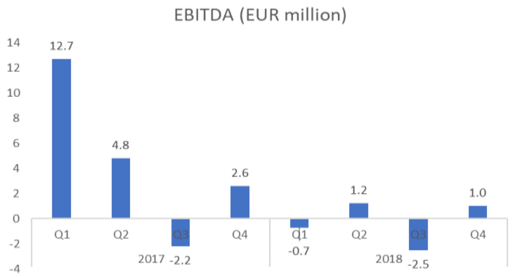
OVERVIEW OF RESULTS











MARKET OVERVIEW

Although global demand for stainless steel increased by 4.9% in 2018, chrome prices did not mirror this growth. Compared to a year earlier, ferrochrome prices remained generally subdued. Following the surge in quarter two of 2018, prices started a downward trend. In 2018, the average benchmark price for ferrochrome was USD 131 c/lb compared to USD 142 c/lb in 2017. For quarter one 2019, the price fell further to USD 112 c/lb due to the softening demand for stainless steel in China.

Q4 2018 COMPARED TO Q4 2017

In line with previous quarters, the FerroAlloys segment had a considerable negative impact on the Group's results. EBITDA declined to EUR 1.0 (2.6) million solely driven by the loss registered in the FerroAlloys segment. The 10.8% decline in benchmark prices together with the contraction in production and sales volumes of 31.8% and 18.7% respectively, impacted the results for the quarter. Particular challenges in South Africa including technical faults and poor mining conditions were the main drivers. Profitability was also negatively impacted by an impairment write-down on goodwill related to Mogale business of EUR 6.5 million, as well as the result of the joint venture. Financial income and expenditure during the quarter were EUR -1.7 (0.6) million. Deferred tax asset amounting to EUR 3.2 million, passed in previous quarters of 2018 was reversed reflecting adverse results in South Africa.

2018 COMPARED TO 2017

Due to the challenging environment of the FerroAlloys segment in South Africa, profitability for the year was hard-hit when compared to the historically high figures of a year earlier. Lower average market prices and adverse conditions in South Africa, primarily relating to poor mining conditions and technical faults, led to significant contraction in EBITDA, which stands at EUR -1.0 (18.0) million, despite the performance of the Speciality Alloys segment remaining broadly stable. Profitability was also negatively impacted by an impairment write-down on goodwill related to Mogale business of EUR 6.5 million, as well as the result of the joint venture. Financial income and expenditure during the quarter were EUR -4.4 (-7.2) million.

DISTRIBUTION PROPOSAL

The Board of Directors proposes to the Annual General Meeting which will be held on 21 May 2019 that no distribution would be paid in 2019.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

Speciality Alloys key figures

		Q4/18	**Q4/17**	**2018**	**2017**
Revenue	EUR million	23.6	24.3	96.1	89.4
EBITDA	EUR million	4.0	3.2	12.6	12.6
EBIT	EUR million	3.8	2.8	10.8	11.1
EBITDA margin	%	17.1	13.2	13.1	14.1
EBIT margin	%	16.0	11.6	11.2	12.4
Sales	Tonnes	7,130	7,456	29,467	25,340
Total production	Tonnes	23,867	20,075	95,388	82,271
Mining	Tonnes	16,425	12,504	64,461	53,120
Processing	Tonnes	7,442	7,571	30,927	29,151
Personnel		526	483	526	483

PERFORMANCE COMPARED TO QUARTER FOUR 2017

Higher sales prices and favourable exchange rate movements drove the marginal improvement in EBITDA to EUR 4.0 million from EUR 3.2 million a year earlier.

- Revenue for the fourth quarter decreased by 2.8%, to EUR 23.6 (24.3) million due to lower sales of third-party material;
- Sales volumes of processed material decreased by 4.4% during the quarter, to 7,130 (7,456) tonnes;
- EBITDA improved to EUR 4.0 (3.2) million, due to the interplay of higher prices and stronger US Dollar;
- Production increased by 18.9%, to 23,867 (20,075) tonnes for the fourth quarter of 2018, on account of the new fines tailing plant at Kavak mine;
- Processing tonnages decreased marginally by 1.7%, reflecting the slight decrease in sales volumes.

PERFORMANCE COMPARED TO FULL YEAR 2017

Improved operational performance was offset by unfavourable exchange rate movements leading to a marginal decline in EBITDA.

- Revenue for the full year increased by 7.5%, to EUR 96.1 (89.4) million driven by strong sales volumes of ferrochrome processed material and improved selling prices;
- Operationally, the speciality segment improved its performance with both mining and processing production increasing by 21.3% and 6.1% respectively; with the former being driven by the new fine tailing plant in Kavak mine;
- EBITDA remained at same level of prior year at EUR 12.6 (12.6) million. Despite higher revenue profitability was negatively affected by higher raw material cost during the year.

FERROALLOYS BUSINESS

FerroAlloys key figures

		Q4/18	Q4/17	2018	2017
Revenue	EUR million	23.2	25.6	97.0	106.1
EBITDA	EUR million	-1.8	2.0	-8.1	11.4
EBIT	EUR million	-9.5	1.0	-19.3	6.4
EBITDA margin	%	-7.7	8.0	-8.4	10.8
EBIT margin	%	-40.7	3.9	-19.9	6.0
Sales	Tonnes	18,703	17,915	71,100	76,258
Total production	Tonnes	103,127	166 ,099	556,142	529,273
Mining	Tonnes	86,137	142,142	484,949	450,794
Processing	Tonnes	16,990	23,957	71,193	78,479
Personnel		443	434	443	434

PERFORMANCE COMPARED TO QUARTER FOUR 2017

Segment-specific conditions in South Africa, including difficult mining conditions and technical problems, continued to negatively impact the performance of the FerroAlloys segment.

- Revenue for the fourth quarter decreased by 9.3% to EUR 23.2 (25.6) million due to substantially lower sales volumes of chrome ore;
- The weak geological formations at Mecklenburg and Stellite and technical difficulties at Mogale combined with poor quality ore, led to a 37.9% contraction in production tonnages;
- These factors hard-hit EBITDA which was swung into a deficit of EUR -1.8 (2.0) million;
- Profitability was further impacted by an impairment on goodwill related to Mogale business of EUR 6.5 million, as well as the result of joint venture. Afarak's share of profit amounted to EUR -0.9 (-1.4) million.

PERFORMANCE COMPARED TO FULL YEAR 2017

The lower ferrochrome benchmark prices and a contraction in sales volumes led to a weakened financial performance of the segment compared to a year earlier.

- Lower average benchmark prices in 2018 and a contraction in sales volumes caused revenue to decline by 8.5%, to EUR 97.0 (106.1) million;
- The recommencement of mining activity in Vlakpoort in the first half of 2018 was the main driver for the 5.1% increase in production levels. The mining gains were partly offset by a 9.3% contraction in processing levels driven by technical faults at Mogale;
- The interplay of lower sales volumes, higher production costs and the weakening of US Dollar in 2018 caused EBITDA to swing into a deficit of EUR -8.1 (11.4) million;
- Profitability was also negatively impacted by an impairment write-down on goodwill related to Mogale business of EUR 6.5 million, as well as the result of the joint venture. Afarak's share of profit amounted to EUR -2.7 (3.1) million.

JOINT VENTURE

Joint venture key figures (Afarak's share)

		Q4/18	Q4/17	2018	2017
Revenue	EUR million	3.6	4.7	14.8	16.8
EBITDA	EUR million	-0.5	-0.2	-0.8	4.0
EBIT	EUR million	-0.7	-0.5	-1.6	3.0
Financial income & expense	EUR million	-0.3	-0.7	-1.1	0.2
Profit for the period	EUR million	-0.9	-1.4	-2.7	3.1
EBITDA margin	%	-14.5	-4.3	-5.7	23.6
EBIT margin	%	-18.4	-9.9	-10.6	17.6

PERFORMANCE COMPARED TO QUARTER FOUR 2017

- Contraction in sales volumes at Stellite and Mecklenburg contributed to a fall in Afarak's share of joint venture revenue for the fourth quarter to EUR 3.6 (4.7) million;
- Profitability was negatively affected by the significantly lower production and sales volumes at the Stellite mine and the continued losses at Mecklenburg;
- Afarak's share of joint venture's total result for the fourth quarter amounted to EUR -0.9 (-1.4) million.

PERFORMANCE COMPARED TO FULL YEAR 2017

- Afarak's share of joint venture revenue for the full year decreased by 11.8%, to EUR 14.8 (16.8) million on account of lower sales volumes;
- Lower revenues were amplified by higher mining costs negatively impacting profitability which brought Afarak's share of joint venture's total result down to EUR -2.7 (3.1) million.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 31 December 2018 stood at EUR 258.6 (259.9) (30 September 2018: 252.3) million and net assets totalled EUR 150.8 (172.4) (30 September 2018: 161.2) million. During the quarter the translation differences on conversion of foreign denominated subsidiaries reduced by EUR 1.5 (4.1) million. The Group's cash and cash equivalents, as at 31 December 2018, totalled EUR 12.1 (10.7) million (30 September 2018: 5.8). Operating cash flow in the fourth quarter was positive, nonetheless, standing at EUR 4.3 (0.7) million.

The equity ratio was 58.3% (66.3%) (30 September 2018: 63.9%). Afarak's gearing at the end of the fourth quarter increased to 8.2% (0.7%) (30 September 2018: 6.2%), driven by the expansion in the interest-bearing debt to EUR 24.4 (11.9) (30 September 2018: 15.8) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the fourth quarter of 2018 totalled EUR 1.8 (3.4) million. Capital expenditure in both the Speciality Alloys and FerroAlloys segment was incurred to sustain Group operations, with the major part being TMS where it continued investing in the new fines tailing plant at Kavak mine. The Company sold its shareholding in LL Resources for EUR 0.227 million.

Capital expenditure for the full year 2018 totalled EUR 9.8 (7.7) million. Capital expenditure in both the Speciality Alloys and FerroAlloys segment was incurred to sustain Group operations. During 2018, in the Speciality Alloys segment, TMS invested in the fines tailing processing plant at Kavak and in the FerroAlloys segment, the Group finalised its investment in the secondary spirals project, finalised its investment in the PGM project and commenced the chemical grade project during Q3 2018.

During the third quarter, Afarak has concluded the acquisition of Magnohrom, a sinter magnesite refractory material company, with ore mines and production facilities in Kraljevo, Serbia, for an acquisition price of EUR 1.0 million.

PERSONNEL

At the end of the fourth quarter 2018, Afarak had 1,061 (1,017) employees. The average number of employees during the fourth quarter of 2018 was 1,058 (985).

UNALLOCATED ITEMS

For the fourth quarter of 2018, the EBITDA from unallocated items was EUR -1.3 (-2.6) million. EBITDA included EUR -0.2 (-0.4) million, relating to net operating expenditure incurred by the Group in Magnohrom.

The full year EBITDA from unallocated items was EUR -5.5 (-6.0) million. During 2018, of the Magnohrom a test project in Serbia negatively affected EBITDA by EUR -1.0 (-0.4) million. This increase in loss related also to receivables write-downs.

PLEDGES AND CONTINGENT LIABILTIES

On 31 December 2018, the Group had loans from financial institutions totalling EUR 16.7 (9.3) million. The Group has provided real estate mortgages and other assets as collateral, and corporate guarantees for a combined total carrying value of EUR 19.3 (11.3) million.

SUSTAINABILITY

The health and safety of our employees across business units remains central to our strategy and focus. No fatalities were recorded during the quarter under review. In terms of lost-time injuries, an improvement was registered over a year earlier with the number declining to 1 (2). As a result, the lost-time injury frequency rate halved to 1.6 (3.2). The incidence rate also fell to 11.1 (15.1). Improvement in processes and an investment in health training across the assets in South Africa are leading to better results whilst investment in Turkey is underway given the expansion of the assets and unit.

From a community investment perspective, our efforts have continued into the quarter with the allocation of funds to support local projects and infrastructure development. Our aim remains to improve the daily lives of the communities that host our investments. Our community relationship team continues with its mission to invest directly in a variety of initiatives including road building, schools and social projects.

From an environmental perspective, the team at Mogale commissioned a 2.8MW waste gas heat recovery unit now producing electric power, which save electricity costs and reduce CO2 emissions.

SHARES & SHAREHOLDERS

On 31 December 2018, the registered number of Afarak Group Plc shares was 263,040,695 (263,040,695) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2018, the Company had 2,387,494 (3,354,161) own shares in treasury, which was equivalent to 0.91% (1.28%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2018, was 260,653,201 (259,686,534).

At the beginning of the period under review, the Company's share price was EUR 0.86 on NASDAQ Helsinki and GBP 0.87 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.73 and GBP 0.73 respectively. During the fourth quarter of 2018, the Company's share price on NASDAQ Helsinki ranged from EUR 0.67 to 0.92 per share and the market capitalisation, as at 31 December 2018, was EUR 191.0 (1 January 2018: 222.3) million. For the same period on the London Stock Exchange, the share ranged from GBP 0.73 to 0.78 per share and the market capitalisation was GBP 190.7 (1 January 2018: 190.7) million, as at 31 December 2018.

Based on the resolution at the AGM on 29 May 2018, the Board is authorised to buy-back up to a maximum of 15,000,000 of its own shares. This authorisation is valid until 29 November 2019. The Company did not carry out any share buy-backs during the fourth quarter of 2018.

Furthermore, based on the resolution at the EGM on 12 November 2018, the Board is authorised to decide on the acquisition of a maximum of 31,500,000 own shares by a voluntary takeover bid made to Afarak's shareholders at a price of EUR 1.015 per share. This authorisation is valid until 31 May 2019. The Company did not carry out any share buy-backs during the fourth quarter of 2018.

RISKS & UNCERTAINTIES

Afarak´s financial performance is dependent on the general market conditions of the mining, smelting and minerals processing business. Global stainless-steel demand also carries direct influence on the company. In particular, the chrome ore prices as well as the benchmark settlements have been extremely volatile in the past. This situation is likely to continue going forward.

Changes in foreign exchange rates, if adverse, could have a negative impact on the Group's profitability, in particular changes in US Dollar/South African Rand. To better manage its foreign exchange US Dollar/South African Rand exposure, the Group constantly evaluates its current and potential exposures and the need to enter into forward contract arrangements. The Group also manages its cash flows to minimise the time during which the Group is exposed to exchange movements.

Afarak's processing operations in Germany and South Africa are intensive users of energy, primarily electricity. Fuel and energy prices globally have been characterised by volatility and cost inflation. In South Africa the majority of the electricity supply, price and availability are controlled by one entity, Eskom. Increased electricity prices and/or reduced, or uncertain electricity supply, or allocation may negatively impact Afarak's current operations, which could have an impact on the Group's financial performance.

CORPORATE GOVERNANCE

ANNUAL GENERAL MEETING

The Company's Annual General Meeting ("AGM') was held at 29 May 2018. 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 2017. The AGM resolved that no dividend would be paid for 2017.

The AGM authorized the board of Directors to decide at its discretion on the distribution of assets from the invested unrestricted equity fund in quarter four 2018 as follows: The total amount of the capital redemption shall be a maximum of EUR 0.02 per share. The authorization is valid until the opening of the next Annual General Meeting. The Board of Directors can also decide not to use this authorization. The Board of Directors shall have a right to decide on other terms and conditions related to asset distribution.

The AGM resolved that the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership. Board Members shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work in accordance with the company's travel rules.

The AGM resolved that the Board of Directors would comprise of five members: Dr Jelena Manojlovic, Mr Barry Rourke and Mr Ivan Jakovcic, Mr Thorstein Abrahamsen and Mr Guy Konsbruck were re-elected.

The AGM resolved that authorised public accountant firm Ernst & Young Oy is re-elected as the Auditor of the Company for the year 2018.

The AGM authorised the Board of Directors to resolve upon acquiring a maximum of 15,000,000 of the Company’s own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision of the Annual General Meeting.

BOARD OF DIRECTORS

On 29 May 2018, Afarak announced that Dr Jelena Manojlovic was unanimously elected as Chairman of the Board of Board of Directors. Following the election of the new Board, the Board Committees were now as follows:

Audit and Risk Management Committee
Barry Rourke (Chair) and Thorstein Abrahamsen
Nomination and Remuneration Committee
Ivan Jakovcic (Chair), Dr Jelena Manojlovic and Barry Rourke
Safety, Health and Environment Committee
Thorstein Abrahamsen (Chair) and members of Management

On 31 July 2018, Afarak announced that Mr Ivan Jakovcic had submitted his resignation from the Board of Directors. Mr Thorstein Abrahamsen assumed the vacant position on the Nomination and Remuneration Committee.

REPORTING

EVENTS DURING THE REVIEW PERIOD

On 1 February 2018, the Company received a copy of a letter sent by Joensuun Kauppa ja Kone Oy to the Finnish Financial Supervisory Authority informing it that it is withdrawing from the petition presented by a group of shareholders on 18 September 2017. Out of the group of shareholders holding 10.79 per cent shareholding that presented the petition, Joensuun Kauppa ja Kone Oy held 4.73 per cent.

On 1 February 2018, Afarak Group received a notification from a group of shareholders, representing 10.86% of shares and voting rights, that they withdrew their demand for an extraordinary general meeting and demand for resolutions and proposals for decisions they had presented on the 8th

November 2017. The resolutions presented by the shareholders and inserted as Agenda items 9, 10 and 11 in the invitation to the Extraordinary General Meeting published on 15th December 2017 that were withdrawn are:

- Agenda Item 9. Demand for conducting a special audit in the Company
- Agenda Item 10. Dismissal of the Board of Directors.
- Agenda Item 11. Election of a new Board of Directors.

On 1 February 2018, the Nomination and Remuneration Committee of Afarak Group proposed to the Extraordinary General Meeting that Dr Jelena Manojlovic, Ivan Jakovcic, Thorstein Abrahamsen and Barry Rourke will be re-elected. The Committee also proposed Guy Konsbruck, the current CEO, to replace Thomas Hoyer who was not seeking re-election.

On 5 February 2018, the Company held its Extraordinary General Meeting. The resolutions presented by a minority group of shareholders related to the demand for conducting a special audit and the dismissal of the Board of Directors were withdrawn. The EGM resolved that the Board of Directors would start working on preparing a plan for delisting from the Helsinki Stock Exchange. The EGM resolved that the Board of Directors would comprise of five (5) members: Dr Jelena Manojlovic (UK citizen), Mr Barry Rourke (UK citizen), Mr Ivan Jakovcic (Croatian citizen) and Mr Thorstein Abrahamsen (Norwegian citizen) were re-elected. Mr Guy Konsbruck (Luxembourg citizen) was elected. Following the EGM, the Board of Directors held a meeting in which Dr Jelena Manojlovic was unanimously reappointed as the Chairman.

On 22 February 2018, the Company announced the details of a communication that it had received from FIN-FSA.

On 14 March 2018, the Company announced that its application for new order mining rights on its Vlakpoort site has been granted in terms of Section 23(1) of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) as amended by Mineral and Petroleum Resources Development Amended Act, 2008 (Act 49 of 2008) by the Department of Mineral Resources (DMR) in South Africa. The Vlakpoort Mine is situated on the Northern part of the western limb of the Bushveld complex in South Africa. The surface right was acquired in 2011 after the prospecting right was granted to Destiny Springs Investments 11 a subsidiary of Afarak by the DMR. Since then, extensive exploration work was conducted which included geological drilling, trenching and bulk sampling of the LG5 and LG 6 seams. The property has a minimum proven resource of 6.656m tons of chrome and 330,314 ounces of PGMs. This includes the underground potential. The resource consists of the LG1-6, MG1-4 and the UG1- 2 and Merensky reefs.

On 4 April 2018, Afarak announced that the European benchmark ferrochrome price has been settled at USD142 cents per pound for the second quarter of 2018, an increase of 20.3% from the USD118 cents per pound price in the first quarter of 2018. This price is however lower than benchmark for quarter two 2017.

On 11 April 2018, Afarak announced an update on its planning for the delisting process that was approved by shareholders on 5 February, 2018. The Company also announced that, whilst the commitments given by Kermas and Atkey still remained valid, Joensuun Kauppa ja Kone Oy had withdrawn its support for the delisting process.

On 24 April 2018, the Board announced that the major shareholders, Kermas Ltd and Atkey Ltd, who proposed the delisting process, had informed the Board that they are withdrawing their initiative since there is no longer a common aspiration towards it amongst other shareholders, who initially supported this initiative. Accordingly, the Company has put on hold its plans to delist from Finland and for a public offering for a buy-back of its own shares and has also halted plans for re-domiciliation.

On 4 May 2018, the Company issued a profit warning that it expected to post a negative EBITDA in the broad region of €1 million for the quarter, due to a range of market-induced factors, which affected the profitability of operations during quarter one 2018.

On 17 May 2018, Afarak announced that it has signed a Sale Purchase Agreement for Magnohrom, a leading refractory material company with ore mines and production facilities in Kraljevo, Serbia. Following the completion of the 2-year sintered magnesite test project at the Magnohrom plant, Afarak has acquired the operation and the mining rights for various magnesite mines with confirmed reserves of over 4 million tons of ore. Afarak Group has acquired the business for EUR 1.0 million.

On 2 July 2018, Afarak announced that with reference to several recent inaccurate news reports in different media sources, the Company is not aware of any large transactions of its shares.

On 3 July 2018, Afarak announced that the European benchmark ferrochrome price has been settled at USD138 cents per pound for the third quarter of 2018, down 2.8% from the USD142 cents per pound in the previous quarter. This price is however 25.5% higher than benchmark for quarter three 2017 which stood at USD110 cents per pound.

On 10 July 2018, Afarak Group informed the shareholders about a communication from the Finnish Financial Supervision Authority. The Company noted that it is not a party to the matter.

On 31 July 2018, Afarak announced that Mr Ivan Jakovcic had submitted his resignation from the Board of Directors.

On 1 August 2018, Afarak announced that Afarak Mogale had reported an unexpected failure in Furnace Three. The fault related to the transformer of the furnace and repairs were expected to last up to 14 weeks. This results in a reduction in capacity and production of approximately 7,000 tonnes.

On 24 August 2018, Afarak announced that it had received a request to convene an Extraordinary General Meeting from a minority group of shareholders representing 11.09% of shares and voting rights.

On 7 September 2018, Afarak notified the market of managers’ transactions.

On 7 September 2018, the Company announced that it had replied to the Regional State Administrative Agency for Southern Finland following the request for a special audit by a minority Group of shareholders.

On 12 September 2018, Afarak notified the market of managers’ transactions.

On 21 September 2018, Afarak announced that it had received a request from shareholder LNS Ltd to convene an extraordinary meeting of shareholders to authorise the Board of Directors to plan, decide and to execute the swap of Afarak’s shares by a voluntary takeover bid to be made by Afarak to Afarak’s shareholders.

On 21 September 2018, Afarak issued an invitation to an Extraordinary General Meeting which was held on 12 November 2018.

On 12 September 2018, Afarak notified the market of managers’ transactions.

On 26 October 2018, Afarak notified the market that it was granted Section 11 mining consent related to its Zeerust Chrome Mine.

On 26 October 2018, the Company announced that it had received a communication from minority shareholders. The minority group are proposing Mauri Kauppi, Esa Hukkanen, Markku Kankaala, Tomi Hyttinen and Mikael Nikander as Directors.

On 31 October 2018, Afarak announced that it received a request from LNS Ltd to further clarify the request made by LNS Ltd on 21 September 2018. In its clarification, LNS asked for the the share offer price to be paid by Afarak in the Takeover Bid shall be EUR 1.015 per share ("Share Offer Price"); no share consideration as a payment of the Share Offer Price would be available in the Takeover Bid, only the cash consideration of EUR 1.015 per share and that the total amount of cash consideration in the Takeover Bid to be paid by Afarak shall be limited to EUR 28,404,000.00. However, the Board at its discretion shall have the right to waive this limitation.

On 9 November 2018, the Board of Afarak announced that as part of the buy-back process, it will formally assess and provide its view on whether the company has secured sufficient resources to execute the proposed transaction. The Board has furthermore received information from two shareholders, LNS Ltd and ATKEY Ltd, that neither of them will sell their shares according to the proposed offer, if the offer is executed.

On 12 November 2018, Afarak communicated the resolutions of the Extraordinary General Meeting held on the same day. The Board was authorised to decide on the acquisition of a maximum of 31,500,000 of its own shares by a voluntary takeover bid made to Afarak's shareholders in accordance with the Finnish Securities Markets Act so that:

1. The share offer price to be paid by Afarak in the Takeover Bid shall be EUR 1.015 per share. No share consideration as a payment of the Share Offer Price would be available in the Takeover Bid, only the cash consideration of EUR 1.015 per share. Each shareholder of Afarak shall also have the right not to participate in the Takeover Bid and to continue as a shareholder in Afarak.
2. The total amount of cash consideration in the Takeover Bid to be paid by Afarak shall be limited to EUR 28,404,000.00. However, the Board at its discretion shall have the right to waive this limitation.
3. Shares acquired by Afarak are cancelled as part of the settling of the implementation sale, initially on the settlement date, meaning that the Shares will not be held by Afarak. Thus, the restrictions set out in the Finnish Limited Liability Companies Act on the acquisition of own shares, under which an acquisition of own shares shall not be made so that the amount of shares in the possession of the company exceeds 10 per cent of all shares, does not restrict the making of the Takeover Bid.
4. The Shares are acquired using Afarak's unrestricted equity.
5. The payment of the Share Offer Price shall take place by the end of March 2019, if practically possible.
6. The authorisation is proposed to include the right for the Board to decide on all other matters related to the Takeover Bid.
7. The authorisation is proposed to remain valid until 31 May 2019.

The authorisation granted to the Board is conditional on the fulfilment of all of the following conditions:

- Afarak receives a legally valid preliminary ruling provided by the Central Tax Board according to which the provisions of Section 29 of the Finnish Act on Assessment Procedure on disguised dividend does not apply to the acquisition of own shares by Afarak in the Takeover Bid, meaning that the taxation of a shareholder taking part in the Takeover Bid was carried out in Finland normally in accordance with provisions on the taxation of capital gains;
- Afarak receives the required funding for the acquisition of the shares in the Takeover Bid on market terms which are approved by the Board; and
- The Financial Supervisory Authority approves the offer document drawn up by Afarak with respect to Takeover Bid in accordance with the Securities Markets Act.

The EGM also resolved that the Board of Directors shall not be dismissed and that the current Board shall continue in its position.

On 18 December 2018, the Company published the financial calendar for 2019.

On 20 December 2018, the Company completed a share-based compensation to its former CEO Alistair Ruiters.

On 20 December 2018, Afarak as from January 2, 2019 it was transferred to the midcap segment of the NASDAQ's Exchange.

EVENTS SINCE THE END OF THE REVIEW PERIOD

On 11 January 2019, the Board of Directors announced that Melvin Grima was appointed as the Group's Chief Financial Officer.

On 12 January 2019, the Company announced that it had completed a share-based compensation to Guy Konsbruck as part of the CEO's contract.

On 20 February 2019, the Board of Directors issued a profit warning due to an impairment write-down of EUR 6.5 million on the goodwill of the Mogale business.

DISTRIBUTION PROPOSAL

The Board of Directors proposes to the Annual General Meeting which will be held on 21 May 2019 that no distribution would be paid in 2019.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

FY 2018 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	96,148	97,046	3,318	-2,499	194,013
EBITDA	12,605	-8,114	-5,508	0	-1,017
EBIT	10,771	-19,323	-5,540	0	-14,092
Segment's assets	156,874	118,706	16,480	-33,446	258,614
Segment's liabilities	69,731	65,504	5,853	-33,322	107,766

FY 2017 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	89,419	106,094	5,338	-2,037	198,814
EBITDA	12,572	11,423	-6,025	0	17,970
EBIT	11,054	6,378	-6,033	0	11,399
Segment's assets	143,349	135,109	13,693	-32,210	259,941
Segment's liabilities	60,610	44,881	2,867	-20,782	87,576

RESULTS DEVELOPMENT

	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
Sales (tons)									
Mining	55,212	51,972	41,427	67,339	85,698	85,289	79,547	50,099	66,316
Processing	23,906	27,916	20,773	27,538	25,371	23,284	25,929	25,521	25,833
Trading	8,619	5,333	5,692	3,488	5,916	6,936	3,006	2,686	2,956
Total	**87,737**	**85,221**	**67,892**	**98,365**	**116,985**	**115,509**	**108,482**	**78,306**	**95,105**
Average rates *									
EUR/USD	1.079	1.065	1.102	1.175	1.177	1.229	1.192	1.163	1.141
EUR/ZAR	15.003	14.081	14.542	15.486	16.096	14.710	15.072	16.363	16.295
USD/ZAR	13.906	13.225	13.195	13.184	13.671	11.967	12.650	14.070	14.276
Euro (million)	**Q4/16**	**Q1/17**	**Q2/17**	**Q3/17**	**Q4/17**	**Q1/18**	**Q2/18**	**Q3/18**	**Q4/18**
Revenue	44.4	56.7	47.4	44.2	50.6	50.2	54.3	42.6	47.0
EBITDA	4.3	12.7	4.8	-2.2	2.6	-0.7	1.2	-2.5	1.0
EBITDA margin	9.6%	22.4%	10.2%	-4.9%	5.2%	-1.4%	2.2%	-5.9%	2.1%
EBIT	2.7	11.1	3.3	-4.2	1.2	-2.4	-0.4	-4.3	-7.0
EBIT margin	6.1%	19.6%	7.0%	-9.4%	2.3%	-4.7%	-0.8%	-10.0%	-14.9%

* Average rates in the respective quarters

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	**Q4/18**	**Q4/17**	**FY2018**	**FY2017**
Revenue	**47,008**	**50,597**	**194,013**	**198,814**
Other operating income	1,692	390	4,624	4,343
Operating expenses	-46,821	-47,014	-196,961	-188,255
Depreciation and amortisation	-1,429	-1,470	-6,532	-6,017
Impairment	-6,543	13	-6,543	-554
Share of profit from joint ventures	-904	-1,363	-2,693	3,068
Operating profit	**-6,997**	**1,153**	**-14,092**	**11,399**
Financial income and expense	-1,711	619	-4,449	-7,158
Profit before tax	**-8,708**	**1,772**	**-18,541**	**4,241**
Income tax	-2,432	1,715	-42	951
Profit for the period from continuing operations	**-11,140**	**3,487**	**-18,583**	**5,192**
Discontinued operations				
Profit for the period from discontinued operations	0	0	0	1,519
Profit for the period	**-11,140**	**3,487**	**-18,583**	**6,711**
Profit attributable to:				
Owners of the parent	-10,961	3,699	-18,056	6,261
Non-controlling interests	-179	-212	-527	450
Total	-11,140	3,487	-18,583	6,711
Earnings per share for profit attributable to the shareholders of the parent company, EUR				
Basic earnings per share, EUR	-0.04	0.00	-0.07	0.01
Diluted earnings per share, EUR	-0.04	0.00	-0.07	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	**Q4/18**	**Q4/17**	**FY2018**	**FY2017**
Profit for the period	**-11,140**	**3,487**	**-18,583**	**6,711**
Other comprehensive income				
Remeasurement of defined benefit pension plans	-577	-196	-577	-196
Exchange differences on translating foreign operations – Group	1,330	3,811	-2,208	-2,028
Exchange differences on translating foreign operations – Associate and JV	183	650	-340	-608
Other comprehensive income, net of tax	**936**	**4,265**	**-3,125**	**-2,832**
Total comprehensive income for the period	**-10,204**	**7,752**	**-21,708**	**3,879**
Total comprehensive income attributable to:				
Owners of the parent	-10,030	7615	-21,111	3,518
Non-controlling interests	-174	137	-597	361

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	**31.12.2018**	**31.12.2017**
ASSETS		
Non-current assets		
Goodwill	56,245	62,409
Other intangible assets	13,475	16,205
Property, plant and equipment	44,984	45,806
Deferred tax asset	3,935	3,641
Other non-current assets	22,703	21,800
Non-current assets total	**141,342**	**149,861**
Current assets		
Inventories	56,965	49,944
Trade receivables	27,223	24,006
Other receivables	20,952	25,428
Cash and cash equivalents	12,132	10,702
Current assets total	**117,272**	**110,080**
Total assets	**258,614**	**259,941**

EUR '000	**31.12.2018**	**31.12.2017**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	23,642	23,642
Share premium reserve	25,740	25,740
Paid-up unrestricted equity reserve	231,292	230,835
Legal Reserve	98	131
Translation reserves	-21,811	-19,334
Retained earnings	-108,485	-89,618
Equity attributable to owners of the parent	**150,476**	**171,396**
Non-controlling interests	**372**	**969**
Total equity	**150,848**	**172,365**
Liabilities		
Non-current liabilities		
Deferred tax liabilities	3,435	4,460
Provisions	8,876	9,180
Share of joint ventures' losses	16,871	13,778
Pension liabilities	20,106	19,936
Financial liabilities	4,783	5,716
Non-current liabilities total	**54,071**	**53,070**
Current liabilities		
Trade payables	20,512	16,504
Other current liabilities	33,183	18,002
Current liabilities total	**53,695**	**34,506**
Total liabilities	**107,766**	**87,576**
Total equity and liabilities	**258,614**	**259,941**

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

EUR '000	**31.12.2018**	**31.12.2017**
Cash and cash equivalents	**12,132**	**10,702**
Interest-bearing receivables		
Current	10,786	3,508
Non-current	19,198	26,435
Interest-bearing receivables	**29,984**	**29,943**
Interest-bearing liabilities		
Current	22,330	9,393
Non-current	2,103	2,548
Interest-bearing liabilities	**24,433**	**11,941**
NET TOTAL	**17,683**	**28,704**

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

EUR '000	**Property, plant and equipment**	**Intangible assets**
Acquisition cost 1.1.2018	84,219	220,845
Additions	9,348	418
Business combination	-2,262	-1
Disposals	602	398
Reclass between items	641	0
Effect of movements in exchange rates	-9,992	-8,515
Acquisition cost 31.12.2018	82,556	213,145
Acquisition cost 1.1.2017	81,422	224,337
Additions	7,412	261
Disposals	-197	-2
Reclass between items	-18	-139
Effect of movements in exchange rates	-4,400	-3,612
Acquisition cost 31.12.2017	84,219	220,845

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

EUR '000	**FY2018**	**FY2017**
Profit for the period	-18,583	6,711
Adjustments to profit for the period	19,048	8,887
Changes in working capital	2,604	-14,855
Discontinued operations	0	809
Net cash from operating activities	**3,069**	**1,552**
Acquisition of subsidiaries and associates, net	-1,003	0
Acquisition of non-controlling interest	-457	-727
Capital expenditure on non-current assets, net	-7,497	-7,601
Other investments, net	141	-591
Proceeds from repayments of loans and loans given	-1,139	8,851
Net cash used in investing activities	**-9,955**	**-68**
Capital Redemption	0	-5,186
Proceeds from borrowings	7,787	2,832
Repayment of borrowings, and other financing activities	-6,327	-3,894
Movement in short-term financing activities*	6,518	6,470
Net cash used in financing activities	**7,978**	**222**
Net increase in cash and cash equivalents	**1,092**	**1,706**

*This includes bank overdrafts, factoring and other trade receivable facilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR '000	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Equity at 31.12.2016	**23,642**	**25,740**	**235,242**	**-16,787**	**-95,963**	**160**	**172,034**	**4,151**	**176,185**
Profit for the period 1-12/2017 + comprehensive income				-1,939	6,261		4,322	450	4,772
Share of OCI* in associates and JV				-608			-608		-608
Translation differences								-89	-89
Share-based payments			779		6		785		785
Capital redemption			-5,186				-5,186		-5,186
Acquisition of non-controlling interest					271		271	-3,543	-3,272
Remeasurements of defined benefit pension plans					-196		-196		-196
Other changes in equity					3	-29	-26		-26
Equity at 31.12.2017	**23,642**	**25.740**	**230,835**	**-19,334**	**-89,618**	**131**	**171,396**	**969**	**172,365**
Profit for the period 1-12/2018 + comprehensive income				-2,137	-18,056		-20,193	-527	-20,720
Share of OCI* in associates and JV				-340			-340		-340
Translation differences								-70	-70
Share-based payments			457		-234		223		223
Remeasurements of defined benefit pension plans					-577		-577		-577
Other changes in equity						-33	-33		-33
Equity at 31.12.2018	**23,642**	**25,740**	**231,292**	**-21,811**	**-108,485**	**98**	**150,476**	**372**	**150,848**

*Other comprehensive income

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	**FY2018**	**FY2017**
Sales to joint ventures	1,190	1,063
Sales to other related parties	286	452
Purchases from joint ventures	-18,411	-18,340

Purchases from other related parties	-562	0
Financing income from joint ventures	964	870
Financing expense to other related parties	0	-6
Loan receivables from joint ventures	26,269	18,687
Loan receivables from other related parties	3,508	3,508
Trade and other receivables from joint ventures	7,280	14,038
Trade and other receivables from other related parties	77	89
Trade and other payables to joint ventures	1,105	655

Other related parties include sales and purchases from LL Resources made during Q1 2018 to Q3 2018. The Company sold its shareholding in business partner LL Resources during Q3 2018 and it is therefore no longer a related party.

FINANCIAL INDICATORS

	FY2018	**FY2017**
Return on equity, % p.a.	-11.5%	3.0%
Return on capital employed, % p.a.	-6.0%	8.2%
Equity ratio, %	58.3%	66.3%
Gearing, %	8.2%	0.7%
Personnel at the end of the period	1,061	1,017

EXCHANGE RATES

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

The key exchange rates applied in the accounts:

Average rates

	FY2018	**FY2017**
TRY	5.7077	4.1206
USD	1.1810	1.1297
ZAR	15.6186	15.049

Balance sheet rates

	31.12.2018	**31.12.2017**
TRY	6.0588	4.5464
USD	1.1450	1.1993
ZAR	16.4594	14.8054

FORMULAS FOR FINANCIAL INDICATORS

Financial ratios and indicators have been calculated with the same principles as applied in the 2017 financial statements. These principles are presented below.

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

Return on capital employed, % = (Profit before taxes + financing expenses) / (Total assets - interest-free liabilities) average * 100

Equity ratio, % = Total equity / (Total assets - prepayments received) * 100

Gearing, % = (Interest-bearing debt - liquid funds) / Total equity * 100

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

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

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

Operating profit (EBIT) = Operating profit is the net of revenue plus other operating income, plus gain/loss on finished goods inventory change, minus employee benefits expense, minus depreciation, amortisation and impairment and minus other operating expense. Foreign exchange gains or losses are included in operating profit when generated from ordinary activities. Exchange gains or losses related to financing activities are recognised as financial income or expense.

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

ACCOUNTING POLICIES

This Interim Report is prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with Afarak's financial statements for 2017. Afarak has applied the same accounting principles in the preparation of this Interim Report as in its financial statements for 2017, except for the adoption of new standards and interpretations that become effective in 2018.

IFRS 15 Revenues from Contracts with Customers replaces existing standard regarding revenues. The standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Afarak adopted the new standard as from 1st January 2018 using the full retrospective method. Afarak has conducted an assessment of contracts with customers to determine the effects on revenue recognition. Revenue is recognised when the Group transfers the control to customer either over time or at the point of 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. In these cases, Afarak concluded that the freight in conjunction with these delivery terms may be regarded as a separate performance obligation but as they are limited in number, such freight will not be recognised separately from the sale. The conclusion of the assessment is that the adoption of IFRS 15 will have no material impact on the timing of the revenue recognition.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments - Recognition and Measurement. IFRS 9 introduced a model for the classification and valuation of financial instruments, an expected credit loss model, and a revised approach to hedge accounting. Classification and valuation under IFRS 9 are based on the business model that a company applies for its financial assets and on the contractual cash flows from the financial assets. Afarak has performed an analysis based on historical data and also assessed the trade receivable individually for credit risk. Based on this analysis management has concluded that a loss reserve shall not be reported for trade receivables as historically the Group did not have material recoverability issues. With respect to other financial assets Afarak applies the general approach. This general approach requires that the company determines the probability, default rate and assesses if there is an increase in credit risk at reporting date. IFRS 9 has no material effect on the provision and the classification of Afarak's financial instruments.

Amendments to IFRS 2 Share-based Payment address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. These amendments did not have any impact to the Group.

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

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

The Interim Report data are unaudited.

SHARE-RELATED KEY FIGURES

		Q4/18	Q4/17	FY2018	FY2017
Share price development in London Stock Exchange					
Average share price*	EUR	0.89	0.84	1.00	0.84
	GBP	0.78	0.74	0.89	0.74
Lowest share price*	EUR	0.82	0.83	0.82	0.63
	GBP	0.73	0.73	0.73	0.55
Highest share price*	EUR	0.88	0.94	1.05	1.06
	GBP	0.78	0.83	0.93	0.93
Share price at the end of the period**	EUR	0.81	0.82	0.81	0.82
	GBP	0.73	0.73	0.73	0.73
Market capitalisation at the end of the period**	EUR million	213.2	214.9	213.2	214.9
	GBP million	190.7	190.7	190.7	190.7
Share trading development					
Share turnover	thousand shares	1	14	28	66
Share turnover	EUR thousand	1	11	28	56
Share turnover	GBP thousand	0	10	25	49
Share turnover	%	0.0%	0.0 %	0.0%	0.0 %
Share price development in NASDAQ Helsinki					
Average share price	EUR	0.82	0.85	0.94	0.91
Lowest share price	EUR	0.67	0.76	0.67	0.72
Highest share price	EUR	0.92	0.93	1.20	1.15
Share price at the end of the period	EUR	0.73	0.85	0.73	0.85
Market capitalisation at the end of the period	EUR million	191.0	222.3	191.0	222.3
Share trading development					
Share turnover	thousand shares	4,737	8,255	29,238	64,867
Share turnover	EUR thousand	3,863	7,046	27,594	58,773
Share turnover	%	1.8	3.1 %	11.1%	24.7 %

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

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

Formulas for share-related key indicators

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

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

FORWARD LOOKING STATEMENTS

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

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