Interim Financial Statements

Q1 2018

RESILIENT PERFORMANCE DESPITE CHALLENGING BUSINESS CONDITIONS

Afarak managed to minimise the impact of a number of external factors that impinged on the sector and company during the first three months of the year. The charge chrome benchmark price for quarter one 2018 was 30% lower than a year earlier and 15% less than quarter four 2017. This decline led to lower revenues and profitability levels. Furthermore, cost pressures also impacted on profitability as raw materials such as graphite electrodes and ferrosilicon all increased significantly. Profitability was further impacted by a weakening of the US dollar and a strengthening of the South African Rand. Efforts were made to minimise overheads, hedge the foreign exchange exposures and, where appropriate, postpone the sales of materials. During the quarter, the Company continued to prove its resilience to weak market conditions primarily through its cost consciousness and through its lean and effective management structure.

Guy Konsbruck
CEO

AFARAK

RESILIENT PERFORMANCE DESPITE CHALLENGING BUSINESS CONDITIONS

HIGHLIGHTS IN THE FIRST QUARTER OF 2018

- Compared to a year earlier, benchmark price fell by 30% leading revenues to decline by 11.5% to EUR 50.2 (Q1/2017: 56.7) million.
- Processed material sold decreased by 16.6% to 23,284 (Q1/2017: 27,916) tons
- Tonnage mined increased by 63.4% to 139,478 (Q1/2017: 85,352) tons.
- Unfavourable exchange rate movements and a significant increase in raw material costs, negatively impacted profitability.
- EBITDA was EUR -0.7 (Q1/2017: 12.7) million and the EBITDA margin was -1.4% (Q1/2017: 22.4%).
- EBIT was EUR -2.4 (Q1/2017: 11.1) million and the EBIT margin was -4.7% (Q1/2017: 19.6%).
- Profit for the period from continuing operations totalled EUR -1.9 (Q1/2017: 4.2) million, with cash flow from operations standing at EUR 1.2 (Q1/2017: 8.5) million and liquid funds at 31 March were EUR 10.5 (31 March 2017: 16.2) (31 December 2017: 10.7) million. Capital expenditure for the first quarter of 2018 totalled EUR 1.8 (0.6) million

Key Group figures

		Q1/18	Q1/17	Q4/17	2017
Revenue	EUR million	50.2	56.7	50.6	198.8
EBITDA	EUR million	-0.7	12.7	2.6	18.0
EBIT	EUR million	-2.4	11.1	1.2	11.4
Earnings before taxes	EUR million	-2.5	6.9	1.8	4.2
Profit from continuing operations	EUR million	-1.9	4.2	3.5	5.2
Profit from discontinued operations	EUR million	0.0	0.0	0.0	1.5
Profit	EUR million	-1.9	4.2	3.5	6.7
Earnings per share	EUR	-0.01	0.01	0.01	0.02
EBITDA margin	%	-1.4	22.4	5.2	9.0
EBIT margin	%	-4.7	19.6	2.3	5.7
Earnings margin	%	-5.0	12.1	3.5	2.1
Personnel at the end of the period		1,015	906	1,017	1,017

MARKET SENTIMENT FOR THE SECOND QUARTER 2018

The charge chrome benchmark price for quarter two rose by 20% to USD1.42 per pound. This increase is expected to improve results for quarter two, compared to the first quarter. Apart from improved prices, the Company is also expected to experience higher sales volumes throughout the second quarter. For reference, the exceptionally high benchmark of Q2 2017 was USD1.54 per pound. Despite the higher benchmark, market prices for the sales of Chrome

Ore have come under pressure during the month of April, confirming the challenging market conditions.

CEO GUY KONSBRUCK

"Afarak managed to minimise the impact of a number of external factors that impinged on the sector and company during the first three months of the year.

The charge chrome benchmark price for quarter one 2018 was 30% lower than a year earlier and 15% less than quarter four 2017. This decline led to lower revenues and profitability levels. Furthermore, cost pressures also impacted on profitability as raw materials such as graphite electrodes and ferrosilicon all increased significantly. Profitability was further impacted by a weakening of the US dollar and a strengthening of the South African Rand. In addition, several technical issues, including breakdowns and temporary stoppages of processing equipment in our South African mining operations, caused lower production outputs from the previous quarter, ultimately affecting raw material supply to Mogale, as well as revenues from sales of chrome ore to the market.

Efforts were made to minimise overheads, hedge the foreign exchange exposures and, where appropriate, postpone the sales of materials. During the quarter, the Company continued to prove its resilience to weak market conditions primarily through its cost consciousness and through its lean and effective management structure.

The benchmark price for quarter two has rebounded and with expected higher sales volumes, various operational investments are set to materialise. Mining in Vlakpoort is set to commence in quarter two whilst in Mogale, Afarak will also start producing foundry grade ore."

MARKET DEVELOPMENTS

- General economic activity continued to increase throughout the first three months of the year primarily driven by investments in heavy-industry and infrastructure projects across the developed and emerging economies. This had a positive effect on the demand for stainless steel and associated commodities.
- Strong growth came from China, India and Europe due to higher demand from infrastructure, industry, consumer goods and energy-related segments. This strong demand is expected to continue in the coming months.
- The chrome ore market was strong in the first three months of the year. In Q2, a build-up in stock inventory in China and a reduction in demand from ferrochrome producers has caused a set-back in ore prices again.
- The ferrochrome market was particularly weak in the first quarter of 2018. With a substantial contraction in benchmark price, Western ferrochrome producers limited their supply in anticipation to the second quarter. The benchmark for Q2 has been set at USD1.42 per pound, which is 20% higher than the benchmark for Q1 2018, though 7.8% lower than a year earlier.

FINANCIAL PERFORMANCE

REVENUE AND PROFITABILITY

Key Group highlights

		Q1/18	**Q1/17**	**y-o-y**	**Q4/17**	**2017**
Revenue	EUR million	50.2	56.7	-11.5%	50.6	198.8
Speciality Alloys	EUR million	24.9	21.7	14.6%	24.3	89.4
FerroAlloys	EUR million	24.9	34.1	-27.0%	25.6	106.1
EBITDA	EUR million	-0.7	12.7	-105.6%	2.6	18.0
Speciality Alloys	EUR million	2.7	4.7	-42.3%	3.2	12.6
FerroAlloys	EUR million	-2.2	9.2	-123.7%	2.0	11.4
EBIT	EUR million	-2.4	11.1	-121.5%	1.2	11.4
Speciality Alloys	EUR million	2.2	4.2	-47.2%	2.8	11.1
FerroAlloys	EUR million	-3.4	8.0	-142.2%	1.0	6.4
Profit from continuing operations	EUR million	-1.9	4.2	-144.5%	3.5	5.2
Profit from discontinuing operations	EUR million	0.0	0.0		0.0	1.5
Profit	EUR million	-1.9	4.2	-144.5%	3.5	6.7
EBITDA margin	%	-1.4	22.4		5.2	9.0
EBIT margin	%	-4.7	19.6		2.3	5.7

PERFORMANCE COMPARED TO QUARTER ONE 2017

- Revenue for the first quarter of 2018 decreased by 11.5% to EUR 50.2 (56.7) million compared to the equivalent period in 2017.
- Strong sales of Speciality Alloys partly mitigated the contraction in sales volumes and revenues in the FerroAlloys segment.
- Revenues in both segments-were negatively affected by the weakening of the US dollar on conversion to the Euro.
- A significant increase in raw material costs also negatively impacted the profitability of the FerroAlloys segment.
- EBITDA for the first quarter of 2018 decreased, compared to the equivalent period in 2017, to EUR -0.7 (12.7) million. The share of joint venture profit for the period amounted to EUR -1.0 (3.4) million, largely due to the lower than planned volumes of production.
- Profit for the first quarter was EUR -1.9 (4.2) million.

PERFORMANCE COMPARED TO QUARTER FOUR 2017

- The combination of factors relating to lower sales prices and volumes; higher raw material costs and unfavourable currency movements led to a fall in profitability.
- On the segment level, the challenges faced by the FerroAlloys units outweighed gains registered in the Speciality Alloys segment.

SALES OF PROCESSED MATERIAL

Sales, tons

	Q1/18	Q1/17	Q4/17	2017
Total	23,284	27,916	25,371	101,598
Ferroalloys	15,383	22,721	17,915	76,258
Speciality alloys	7,901	5,195	7,456	25,340

PERFORMANCE COMPARED TO QUARTER ONE 2017

- The Group's sales from processing decreased by 16.6% to 23,284 (Q1/2017: 27,916) tons, mainly on account of management's decision not to force sales of the FerroAlloys segment under such weak market conditions.
- On the other hand, compared to the first quarter last year, sales volumes in the Speciality Alloys segment increased by 52.1%, particularly due to increases in demand for special grade and standard grade ferrochrome.

PERFORMANCE COMPARED TO QUARTER FOUR 2017

- Lower sales volumes in the FerroAlloys segment, a decrease of 14.1% in tonnage sold, were only partly offset by stronger sales in the specialty segment, an increase of 6.0% in tonnage sold when compared to the previous quarter.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

Speciality alloys key figures

		Q1/18	Q1/17	y-o-y	Q4/17	2017
Revenue	EUR million	24.9	21.7	14.6%	24.3	89.4
EBITDA	EUR million	2.7	4.7	-42.3%	3.2	12.6
EBIT	EUR million	2.2	4.2	-47.2%	2.8	11.1
EBITDA margin	%	10.8	21.5		13.2	14.1
EBIT margin	%	8.9	19.4		11.6	12.4
Total production	Tons	24,580	18,888	30.1%	20,075	82,271
Mining	Tons	15,758	10,043	56.9%	12,504	53,120
Processing	Tons	8,822	8,845	-0.3%	7,571	29,151
Personnel		495	431		483	483

PERFORMANCE COMPARED TO QUARTER ONE 2017

- Revenue for the first quarter increased by 14.6% to EUR 24.9 (21.7) million.
- The increase in revenue is mainly attributable to strong sales volumes of ferrochrome processed material.
- Profitability was negatively impacted by the weakening of the US dollar on conversion to the Euro.
- Production increased by 30.1% to 24,580 (18,888) tons for the first quarter of 2018, as both mining and processing activities were at full capacity throughout the quarter.
- Processing levels at the EWW plant in Germany decreased marginally during the quarter.

PERFORMANCE COMPARED TO QUARTER FOUR 2017

- Revenue increased marginally on account of higher sales volumes.
- Operationally, the business segment continued to achieve productivity gains.
- The profit margins were hit mainly by the weakening of the US dollar against the Euro.
- Both mining and processing tonnages further improved by 26.0% and 16.5% respectively.

FERROALLOYS BUSINESS

Ferroalloys key figures

		Q1/18	Q1/17	y-o-y	Q4/17	2017
Revenue	EUR million	24.9	34.1	-27.0%	25.6	106.1
EBITDA	EUR million	-2.2	9.2	-123.7%	2.0	11.4
EBIT	EUR million	-3.4	8.0	-142.2%	1.0	6.4
EBITDA margin	%	-8.7	26.9		8.0	10.8
EBIT margin	%	-13.6	23.4		3.9	6.0
Total production	Tons	145,630	94,416	54.2%	166,099	529,273
Mining	Tons	123,720	75,309	64.3%	142,142	450,794
Processing	Tons	21,910	19,107	14.7%	23,957	78,479
Personnel		452	398		434	434

PERFORMANCE COMPARED TO QUARTER ONE 2017

- Revenue for the first quarter decreased to EUR 24.9 (34.1) million, representing a decrease of 27.0% compared to the equivalent period in 2017.
- With the lower benchmark price, sales revenues were impacted.
- Substantially higher production costs, primarily raw materials such as graphite electrodes led to lower profitability levels.
- Profitability was also negatively impacted by the weakening of the US dollar.
- Such negative factors, along with the loss incurred by the joint venture, caused EBITDA for the first quarter to decrease to EUR -2.2 (9.2) million and EBIT to decrease to EUR -3.4 (8.0) million.
- Production grew to 145,630 (94,416) tons in the first quarter of 2018, representing a significant increase of 54.2% when compared to the same period in 2017.
- This was mainly driven by the additional tonnages at the Mecklenburg mine, where it operated at higher levels from the comparable quarter, when it was still ramping up.

PERFORMANCE COMPARED TO QUARTER FOUR 2017

- Financially, results contracted due to the combined effects of lower sales prices and substantial raw material cost increases.
- Operationally, performance declined too, with total production falling by 12.3% to 145,630 (166,099) tons.
- Mining recorded the largest fall in productivity, due to mine-specific challenges and stoppages from unplanned maintenance breaks at Stellite.
- Mecklenburg continues to present operational challenges, however following various investments and improvements, it is expected to reach its production forecast levels.
- Mogale's production declined by 8.5% because of poor market conditions and as a direct result of the above stated problems encountered by the mines.

JOINT VENTURE

Joint venture key figures (Afarak's share)

		Q1/18	Q1/17	y-o-y	Q4/17	2017
Revenue	EUR million	4.5	5.3	-14.9%	4.7	16.8
EBITDA	EUR million	-0.4	3.3	-112.7%	-0.2	4.0
EBIT	EUR million	-0.7	3.1	-122.3%	-0.5	3.0
Financial income & expense	EUR million	-0.3	0.3	-220.1%	-0.7	0.2
Profit for the period	EUR million	-1.0	3.4	-129.3%	-1.4	3.1
EBITDA margin	%	-9.3	62.5		-4.3	23.6
EBIT margin	%	-15.5	59.1		-9.9	17.6

PERFORMANCE COMPARED TO QUARTER ONE 2017

- Afarak's share of joint venture revenue for the first quarter decreased to EUR 4.5 (5.3) million compared to the equivalent period in 2017, representing a decrease of 14.9%.
- The decline was mainly driven by the significantly lower selling prices.
- Profitability was further dampened by an increase in rehabilitation provision amounting to EUR 0.6 (0.0) million.
- Afarak's share of joint venture's total profit for the first quarter amounted to EUR -1.0 (3.4) million.

PERFORMANCE COMPARED TO QUARTER FOUR 2017

- Despite relatively good market conditions regarding chrome ore prices and demand, mining recorded a fall in productivity, compared to the previous quarter, due to mine-specific challenges, including stoppages from unplanned maintenance breaks at Stellite.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 31 March 2018 stood at EUR 262.0 (270.3) (31 December 2017: 259.9) million and net assets totalled EUR 169.2 (181.2) (31 December 2017: 172.4) million. During the quarter, currency movements negatively affected Afarak's balance sheet, with the translation reserve moving by EUR -1.4 (1.0) million. The Group's cash and cash equivalents, as at 31 March 2018, totalled EUR 10.5 (16.2) million (31 December 2017: 10.7). Operating cash flow in the first quarter was EUR 1.2 (8.5) million.

Cash during the quarter remained at the same level of the previous quarter. The equity ratio remained strong at 64.6% (67.1%) (31 December 2017: 66.3%). Afarak's gearing at the end of the first quarter increased marginally to 2.0% (-6.1%) (31 December 2017: 0.7%), with interest-bearing debt totalling EUR 13.9 (5.0) (31 December 2017: 11.9) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the first quarter of 2018 totalled EUR 1.8 (0.6) million. In the Speciality Alloys segment, TMS resumed its investment in the fines tailing processing plant at Kavak. In the FerroAlloys segment, the Group continued its investment in both the secondary spirals project and the PGM project in South Africa.

UNALLOCATED ITEMS

For the first quarter of 2018, the EBITDA from unallocated items was EUR -1.2 (-1.1) million. EBITDA included EUR -0.2 (0.2) million relating to net operating expenditure incurred by the Group on taking over the management of a sintered magnesite plant as a test project in Serbia.

PERSONNEL

At the end of the first quarter 2018, Afarak had 1,015 (906) employees. The increase in workforce is mainly driven by higher employment at the mines in Turkey. During the quarter, the Group was employing 56 employees on a temporary basis, down from 70 a year earlier, running the operation of a sintered magnesite plant on a test project in Serbia. The average number of employees during the first quarter of 2018 was 1,008 (888).

SUSTAINABILITY

In the first three months of 2018, no fatalities were recorded. During the first quarter 2018 there were 15 (Q1/2017: 10) recordable injuries, of which 6 (Q1/2017: 2) were lost-time injuries. These injuries resulted in 169 (Q1/2017: 112) lost days due to injury, increasing the lost time injury frequency rate to 8.7 from 4.0 a year earlier. The increase was driven by two main events. Unfortunately, a worker sustained serious injuries in an accident at EWW and also, in South Africa, health & safety data on workers working for sub-contractors started to be included in the Company's statistics. This has the effect of inflating 2018 data when compared to 2017.

The Company continues to invest continuously in improving its safety equipment and in introducing enhanced policies and procedures together with training initiatives across all its plants.

From a sustainability perspective, the Group continued its support to local communities and to environmental protection & sustainability. Work is progressing on installing a 2.8MW heat recovery unit at Mogale, which will reduce CO2 emissions and reduce electricity costs too. We are engaged with our host communities with various social initiatives primarily targeting education and infrastructure investment.

SHARES & SHAREHOLDERS

On 31 March 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 March 2018, the Company had 2,854,161 (3,744,717) own shares in treasury, which was equivalent to 1.09% (1.42%) of the issued share capital. The decrease in the own shares in treasury relate to share transfers undertaken by the Company. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 March 2017, was 260,186,534 (259,295,978).

At the beginning of the period under review, the Company's share price was EUR 0.85 on NASDAQ Helsinki and GBP 0.73 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.97 and GBP 0.88 respectively. During the first quarter of 2018 the Company's share price on NASDAQ Helsinki ranged from EUR 0.85 to 1.15 per share and the market capitalisation, as at 31 March 2018, was EUR 254.6 (1 January 2018: 222.3) million. For the same period on the London Stock Exchange the share ranged from GBP 0.73 to 0.88 per share and the market capitalisation was GBP 230.2 (1 January 2018: 190.7) million, as at 31 March 2018.

Based on the resolution at the AGM on 23 May 2017, the Board is authorised to buy-back up to a maximum of 15,000,000 of its own shares. This authorisation is valid until 12 November 2018. The Company did not carry out any share buy-backs during the first 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

BOARD OF DIRECTORS

On 5 April 2018, Afarak announced that during the Extraordinary General Meeting the Board of Directors would comprise of five (5) members as follows:

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.

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 Annual 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 right 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.

EVENTS SINCE THE END OF REVIEW PERIOD

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.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

Q1/2018 3 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	24,898	24,915	925	-569	50,169
EBITDA	2,694	-2,169	-1,230	0	-705
EBIT	2,228	-3,379	-1,231	0	-2,382
Segment's assets	135,515	139,349	12,749	-25,637	261,976
Segment's liabilities	53,982	50,241	2,112	-13,574	92,761

Q1/2017 3 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	21,732	34,132	1,328	-508	56,684
EBITDA	4,666	9,168	-1,129	0	12,705
EBIT	4,220	8,002	-1,130	0	11,092
Segment's assets	138,239	134,482	12,893	-15,342	270,272
Segment's liabilities	43,439	57,813	3,206	-15,416	89,042

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

	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Sales (tons)									
Mining	22,959	40,618	19,559	55,212	51,972	41,427	67,339	85,698	85,289
Processing	26,952	28,214	18,023	23,906	27,916	20,773	27,538	25,371	23,284
Trading	10,177	7,262	12,256	8,619	5,333	5,692	3,488	5,916	6,936
Total	**60,088**	**76,094**	**49,838**	**87,737**	**85,221**	**67,892**	**98,365**	**116,985**	**115,509**
Average rates									
EUR/USD	1.102	1.116	1.116	1.107	1.065	1.083	1.114	1.130	1.229
EUR/ZAR	17.455	17.198	16.683	16.265	14.081	14.306	14.706	15.049	14.710
Euro (million)	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**Q1/17**	**Q2/17**	**Q3/17**	**Q4/17**	**Q1/18**
Revenue*	40.8	39.5	28.9	44.4	56.7	47.4	44.2	50.6	50.2
EBITDA	3.3	0.8	-2.8	4.3	12.7	4.8	-2.2	2.6	-0.7
EBITDA margin	8.0%	2.0%	-9.8%	9.6%	22.4%	10.2%	-4.9%	5.2%	-1.4%
EBIT	1.7	-0.9	-4.5	2.7	11.1	3.3	-4.2	1.2	-2.4
EBIT margin	4.2%	-2.2%	-15.7%	6.1%	19.6%	7.0%	-9.4%	2.3%	-4.7%

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	**Q1/18**	**Q1/17**	**FY2017**
Revenue	**50,169**	**56,684**	**198,814**
Other operating income	393	221	4,343
Operating expenses	-50,270	-47,609	-188,255
Depreciation and amortisation	-1,677	-1,613	-6,017
Impairment	0	0	-554
Share of profit from joint ventures	-997	3,409	3,068
Operating profit	**-2,382**	**11,092**	**11,399**
Financial income and expense	-108	-4,210	-7,158
Profit before tax	**-2,490**	**6,882**	**4,241**
Income tax	627	-2,697	951
Profit for the period from continuing operations	**-1,863**	**4,185**	**5,192**
Discontinued operations			
Profit for the period from discontinued operations	0	0	1,519
Profit for the period	**-1,863**	**4,185**	**6,711**
Profit attributable to:			
Owners of the parent	-1,653	3,576	6,261
Non-controlling interests	-210	609	450
Total	-1,863	4,185	6,711
Earnings per share for profit attributable to the shareholders of the parent company, EUR			
Basic earnings per share, EUR	-0.01	0.01	0.02
Diluted earnings per share, EUR	-0.01	0.01	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	**Q1/18**	**Q1/17**	**FY2017**
Profit for the period	**-1,863**	**4,185**	**6,711**
Other comprehensive income			
Remeasurement of defined benefit pension plans	0	0	-196
Exchange differences on translating foreign operations – Group	-1,209	4,449	-2,028
Exchange differences on translating foreign operations – Associate and JV	-221	-293	-608
Other comprehensive income, net of tax	**-1,430**	**4,156**	**-2,832**
Total comprehensive income for the period	**-3,293**	**8,341**	**3,879**
Total comprehensive income attributable to:			
Owners of the parent	-3,094	7,729	3,518
Non-controlling interests	-199	612	361

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	**31.3.2018**	**31.3.2017**	**31.12.2017**
ASSETS			
Non-current assets			
Goodwill	62,188	64,525	62,409
Other intangible assets	15,987	18,143	16,205
Property, plant and equipment	47,069	44,726	45,806
Other non-current assets	32,840	36,561	25,441
Non-current assets total	**158,084**	**163,955**	**149,861**
Current assets			
Inventories	54,850	43,755	49,944
Trade receivables	24,876	32,352	24,006
Other receivables	13,628	14,044	25,428
Cash and cash equivalents	10,538	16,166	10,702
Current assets total	**103,892**	**106,317**	**110,080**
Total assets	**261,976**	**270,272**	**259,941**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	23,642	23,642	23,642
Share premium reserve	25,740	25,740	25,740

Paid-up unrestricted equity reserve	230,987	235,335	230,835
Legal Reserve	121	153	131
Translation reserves	-20,775	-12,634	-19,334
Retained earnings	-91,271	-92,140	-89,618
Equity attributable to owners of the parent	**168,444**	**180,096**	**171,396**
Non-controlling interests	**771**	**1,134**	**969**
Total equity	**169,215**	**181,230**	**172,365**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	3,356	6,105	4,460
Provisions	9,457	10,920	9,180
Share of joint venture losses	14,986	13,118	13,778
Pension liabilities	19,836	20,012	19,936
Financial liabilities	5,631	7,012	5,716
Non-current liabilities total	**53,266**	**57,167**	**53,070**
Current liabilities			
Trade payables	21,346	16,883	16,504
Other current liabilities	18,149	14,992	18,002
Current liabilities total	**39,495**	**31,875**	**34,506**
Total liabilities	**92,761**	**89,042**	**87,576**
Total equity and liabilities	**261,976**	**270,272**	**259,941**

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

EUR '000	**31.3.2018**	**31.3.2017**	**31.12.2017**
Cash and cash equivalents	**10,538**	**16,166**	**10,702**
Interest-bearing receivables			
Current	3,508	3,508	3,508
Non-current	27,305	27,581	26,435
Interest-bearing receivables	**30,813**	**31,089**	**29,943**
Interest-bearing liabilities			
Current	11,340	2,237	9,393
Non-current	2,515	2,807	2,548
Interest-bearing liabilities	**13,855**	**5,044**	**11,941**
NET TOTAL	**27,496**	**42,211**	**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	2,546	38
Disposals	-211	0
Reclass between items	200	0
Effect of movements in exchange rates	-572	-4,258
Acquisition cost 31.3.2018	86,182	216,625
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	**Q1/18**	**Q1/17**	**FY2017**
Profit for the period	-1,863	4,185	6,711
Adjustments to profit for the period	2,331	4,525	8,887
Changes in working capital	696	-205	-14,855
Discontinued operations	0	0	809
Net cash from operating activities	**1,164**	**8,505**	**1,552**
Acquisition of non-controlling interest	-64	-612	-727
Capital expenditure on non-current assets, net	-2,431	-635	-7,601
Other investments, net	-52	-50	-591
Proceeds from repayments of loans and loans given	-423	776	8,851
Net cash used in investing activities	**-2,970**	**-521**	**-68**
Capital Redemption	0	0	-5,186
Proceeds from borrowings	3,029	0	3,063
Repayment of borrowings, and other financing activities	-792	-3,305	-4,067
Movement in short-term financing activities*	-342	1,856	6,412
Net cash used in financing activities	**1,895**	**-1,449**	**222**
Net increase in cash and cash equivalents	**89**	**6,535**	**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 1-3/2017 + comprehensive income				4,446	3,576		8,022	609	8,631
Share of OCI in associates and JV				-293			-293		-293
Translation differences								3	3
Share-based payments			93		1		94		94
Acquisition of non-controlling interest					246		246	-3,629	-3,383
Other changes in equity						-7	-7	0	-7
Equity at 31.3.2017	**23,642**	**25,740**	**235,335**	**-12,634**	**-92,140**	**153**	**180,096**	**1,134**	**181,230**
Profit for the period 4-12/2017 + comprehensive income				-6,385	2,685		-3,700	-159	-3,859
Share of OCI in associates and JV				-315			-315		-315
Translation differences								-92	-92
Share-based payments			686		5		691		691
Capital redemption			-5186				-5186		-5186
Acquisition of non-controlling interest					25		25	86	111
Remeasurements of defined benefit pension plans					-196		-196		-196
Other changes in equity					3	-22	-19		-19
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 1-3/2018 + comprehensive income				-1,220	-1,653		-2,873	-210	-3,083
Share of OCI in associates and JV				-221			-221		-221
Translation differences								11	11
Share-based payments			152				152		152
Other changes in equity						-10	-10	1	-9
Equity at 31.3.2017	**23,642**	**25,740**	**230,987**	**-20,775**	**-91,271**	**121**	**168,444**	**771**	**169,215**

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	Q1/18	Q1/17	FY2017
Sales to joint ventures	402	343	1,063
Sales to other related parties	91	8	452
Purchases from joint ventures	-5	0	0
Purchases from other related parties	-540	0	0
Financing income from joint ventures	244	169	870
Financing expense to other related parties	0	-1	-6
Loan receivables from joint ventures	27,099	27,399	18,687
Loan receivables from other related parties	3,508	3,508	3,508
Trade and other receivables from joint ventures	4,750	8,564	14,038
Trade and other receivables from other related parties	118	96	89
Trade and other payables to joint ventures	201	71	655

FINANCIAL INDICATORS

	Q1/18	Q1/17	FY2017
Return on equity, % p.a.	-4.4%	9.5%	3.0%
Return on capital employed, % p.a.	-1.5%	25.7%	8.2%
Equity ratio, %	64.6%	67.1%	66.3%
Gearing, %	2.0%	-6.1%	0.7%
Personnel at the end of the period	1,015	906	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

	Q1/18	Q1/17	FY2017
TRY	4.6899	3.9378	4.1206
USD	1.2292	1.0648	1.1297
ZAR	14.7102	14.0814	15.049

Balance sheet rates

	31.3.2018	31.3.2017	31.12.2017
TRY	4.8976	3.8894	4.5464
USD	1.2321	1.0691	1.1993
ZAR	14.6210	14.2404	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

		Q1/18	Q1/17	FY2017

Share price development in London Stock Exchange				
Average share price*	EUR	0.92	0.88	0.84
	GBP	0.81	0.76	0.74
Lowest share price*	EUR	0.82	0.64	0.63
	GBP	0.73	0.55	0.55
Highest share price*	EUR	0.99	1.02	1.06
	GBP	0.88	0.88	0.93
Share price at the end of the period**	EUR	0.99	0.79	0.82
	GBP	0.88	0.68	0.73
Market capitalisation at the end of the period**	EUR million	260.3	207.5	214.9
	GBP million	230.2	177.6	190.7
Share trading development				
Share turnover	thousand shares	26	39	66
Share turnover	EUR thousand	26	32	56
Share turnover	GBP thousand	23	27	49
Share turnover	%	0.0 %	0.0 %	0.0 %
Share price development in NASDAQ Helsinki				
Average share price	EUR	0.98	0.90	0.91
Lowest share price	EUR	0.85	0.72	0.72
Highest share price	EUR	1.15	1.14	1.15
Share price at the end of the period	EUR	0.97	0.79	0.85
Market capitalisation at the end of the period	EUR million	254.6	207.8	222.3
Share trading development				
Share turnover	thousand shares	12,678	25,387	64,867
Share turnover	EUR thousand	12,420	22,974	58,773
Share turnover	%	4.8 %	9.7 %	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.