Interim Financial Statements

Q2 2018

DIFFICULT CONDITIONS IN FERRO-ALLOY SEGMENT IMPACT OVERALL FINANCIAL PERFORMANCE

The second quarter presented some serious challenges for Afarak, mainly concerning the operations in South Africa. Unfortunately, our mining teams in Stellite and Mecklenburg came across some difficulties throughout the quarter. As a mining company, we cannot always predict the geology. The unexpected quality of ore mined affected downstream processing at Mogale, cost of production and pricing of both mined and processed materials. In addition, the unfavorable exchange rate movements also impacted our bottom-line.

Guy Konsbruck
CEO

AFARAK

DIFFICULT CONDITIONS IN FERRO-ALLOY SEGMENT IMPACT OVERALL FINANCIAL PERFORMANCE

Quarter two of 2018 was particularly difficult for Afarak. The FerroAlloys segment showed a bad performance and negatively affected the Group's financial result. This was mainly due to low quality ore bodies encountered, which had a significant impact on the operations in South Africa

		Q2/18	Q2/17	Q1/18	H1/18	H1/17	2017
Revenue	EUR million	54.3	47.4	50.2	104.5	104.1	198.8
EBITDA	EUR million	1.2	4.8	-0.7	0.5	17.5	18.0
EBIT	EUR million	-0.4	3.3	-2.4	-2.8	14.4	11.4
Earnings before taxes	EUR million	-3.3	1.0	-2.5	-5.8	7.8	4.2
Profit from continuing operations	EUR million	-2.7	1.4	-1.9	-4.6	5.6	5.2
Profit from discontinued operations	EUR million	0.0	1.5	0.0	0.0	1.5	1.5
Profit	EUR million	-2.7	2.9	-1.9	-4.6	7.1	6.7
Earnings per share	EUR	-0.01	0.01	-0.1	-0.02	0.02	0.02
EBITDA margin	%	2.2	10.2	-1.4	0.5	16.8	9.0
EBIT margin	%	-0.8	7.0	-4.7	-2.7	13.8	5.7
Earnings margin	%	-6.2	2.0	-5.0	-5.6	7.5	2.1
Personnel (end of period)		1,032	923	1,015	1,032	923	1,017

QUARTER TWO 2018 HIGHLIGHTS

- The Company increased its sales of processed material by a high 24.8%, to 25,929 (Q2/2017: 20,773) tonnes and revenues rose by 14.6% to EUR 54.3 (Q2/2017: 47.4) million;
- Mining output also grew on account of the new mining activity at Vlakpoort and a comparatively year-on-year better performance at Mecklenburg, which still remained below expectations. Overall, tonnage mined increased by 36.4%, to 150,852 (Q2/2017: 110,630) tonnes;
- The Group's EBITDA stood at EUR 1.2 (Q2/2017: 4.8) million and the EBITDA margin was 2.2% (Q2/2017: 10.2%);
- EBIT was EUR -0.4 (Q2/2017: 3.3) million, with the EBIT margin at -0.8% (Q2/2017: 7.0%);
- Profit for the period from continuing operations totalled EUR -2.7 (Q2/2017: 1.4) million, affected largely by unrealised foreign exchange losses;
- Cash flow from operations stood at EUR -4.8 (Q2/2017: -7.3) million, while further EUR 2.6 million was invested in projects and equipment. Net interest-bearing debt increased to EUR 10.5 (-5.0) (31 March 2018: 3.3) million, partly offsetting operating losses, capital expenditure and a relative increase in working capital committed;
- Cash and cash equivalents at 30 June totalled EUR 5.5 (30 June 2017: 11.7) (31 March 2018: 10.5) million

FIRST HALF 2018 HIGHLIGHTS

- Revenues remained stable at the same level of a year earlier;
- Whereas revenue in the Speciality Alloys segment was buoyant and expanded by 16.6%, to EUR 51.3 (H1/2017: EUR 44.0) million, revenue in the FerroAlloys segment contracted by close to 10.0%;
- Profitability was impacted by the negative performance of the FerroAlloys segment, due to the interplay of lower market prices and specific adverse conditions that the plants faced in South Africa;
- EBITDA for the first half of 2018 contracted, compared to the historically high result posted in the equivalent period in 2017, to EUR 0.5 (17.5) million. The share of joint venture profit for the period amounted to EUR -1.4 (4.1) million;
- Profit for the first half stood at EUR -4.6 (7.1) million.

MARKET SENTIMENT FOR THE THIRD QUARTER 2018

The third quarter is typically driven by seasonal effects. During the summer period in the northern hemisphere, general activity tends to slow down. In the southern hemisphere, winter shut-downs are scheduled for maintenance. Quarter three ferrochrome benchmark price contracted to USD 138 c/lb, from USD 142 c/lb in quarter two. Hence it is higher than in quarter three 2017. On the other side, Chrome Ore prices in China have already contracted below levels of USD180/MT in July and August

CEO GUY KONSBRUCK

"The second quarter presented some serious challenges for Afarak, mainly concerning the operations in South Africa. Unfortunately, our mining teams in Stellite and Mecklenburg came across some difficulties throughout the quarter. As a mining company, we cannot always predict the geology. The unexpected quality of ore mined affected downstream processing at Mogale, cost of production and pricing of both mined and processed materials. In addition, the unfavorable exchange rate movements also impacted our bottom-line.

The interplay of these factors led to an overall poor financial performance in the FerroAlloys segment.. The growth in revenues we achieved, despite lower prices compared to a year earlier, did not translate into improved profitability.

The Speciality Alloys business segment fully met our expectations. The mines in Turkey continued to perform well and the additional plant investments have led to an increase in productivity and outputs. Processing levels at our EWW plant in Germany continued to increase. We also enjoyed increased demand for our products. Currency exposures, particularly the weakening of the US Dollar, negatively affected our profitability, though.

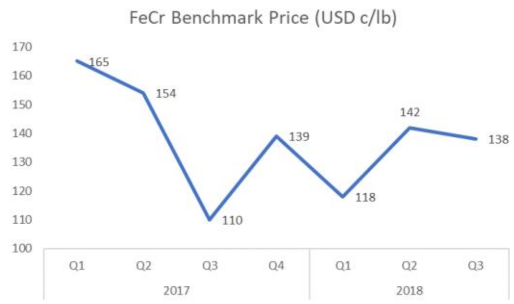
In South Africa, the financial performance of the FerroAlloys segment heavily impacted the Group's results. Operational issues, which were beyond control of local and Group management, lead to this unsatisfactory situation. As a natural resource company, we are dependent on the resources we mine. Unfortunately, during the quarter, our mining teams came across inferior quality ore bodies which led to a number of challenges throughout the processing stages and also when selling the end products.

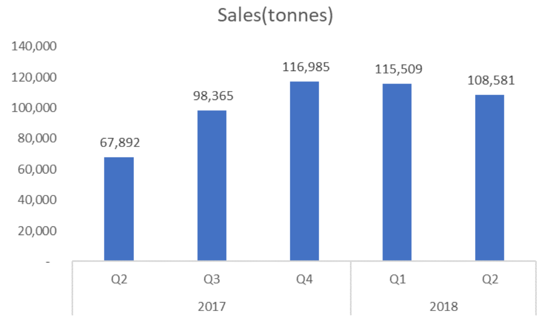
On behalf of management, I would like to thank the teams across all our operations especially the teams in South Africa for their commitment and effort during this challenging period. Local management was aligned to optimize solutions and focus on cost-cutting and control initiatives.

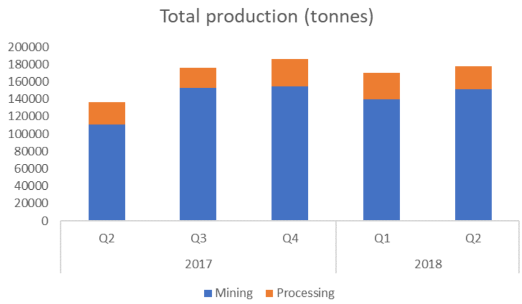
Despite the challenges, Afarak continued with planned investments and project development and remained committed towards sustainability. During the quarter we continued with our efforts to invest in health and safety and it is with great satisfaction that we report that the safety performance in South Africa has improved considerably. We remain determined to protect our workers across our plants and business units. Our commitment to support local communities in their socio-economic development remains unaltered as we continued to support a number of initiatives.

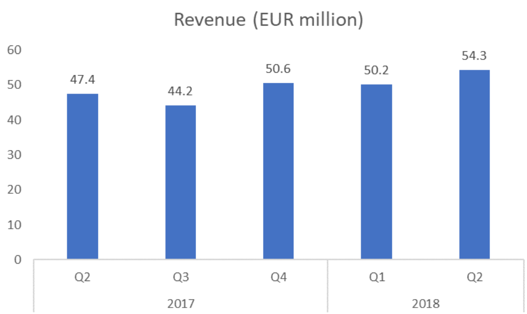
Moving forward, the third quarter always presents seasonal challenges to the industry. The market remains highly volatile. Although quarter three ferrochrome benchmark price contracted to USD 138 c/lb, from USD 142 c/lb in quarter two, it is higher than quarter three 2017. From an operational perspective, Mogale will be operating without furnace number 3, due to an unexpected maintenance activity. Mining activity will be adapted to the present poor demand. We will continue to prepare the underground operations in Mecklenburg. Our PGM plant project is completed and we will start production during the quarter, adding to our product range and further diversifying our revenue streams. Mogale has also completed two important investment projects, starting to operate its own metal recovery plant and a foundry grade chrome ore concentrate producing plant, in this quarter. Both these plants are expected to make a positive contribution to our revenues and profitability going forward"

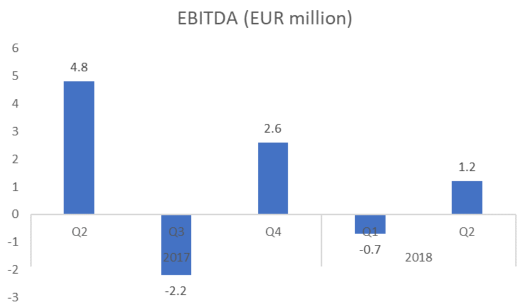
OVERVIEW OF RESULTS











MARKET OVERVIEW

Demand for stainless steel continued to increase at a fast pace. Oversupply of chrome, driven by the high prices in 2017, is not allowing chrome prices to rise in line with increased production costs, largely due to higher energy cost. In terms of ferrochrome, the European benchmark price for ferrochrome followed the Chinese spot prices up to USD 142 c/lb in Quarter 2, from USD 118 c/lb in the first quarter of 2018. For Quarter 3, the ferrochrome price decreased to USD 138 c/lb, due to a slowing down in stainless steel demand in China.

Q2 2018 COMPARED TO Q2 2017

Total Group sales increased by 60.0% to 108,581 (Q2/2017: 67,892) tonnes and revenues rose by 14.6% to EUR 54.3 (Q2/2017: 47.4) million. Mining output also increased on account of the new mining activity at Vlakpoortand the comparatively better performance at Mecklenburg, which still remained below expectations. Processing production was broadly stable. This positive performance did not fully translate into EBITDA since the FerroAlloys sector underperformed.

Q2 2018 COMPARED TO Q1 2018

Revenues for the Group increased to EUR 54.3 (50.2) million, on account of higher sales prices. This result translated into an improved EBITDA of EUR 1.2 (-0.7) million. This was primarily driven by a positive performance in the Specialty Alloys segment.

FIRST HALF 2018 COMPARED TO FIRST HALF 2017

Revenues remained stable, at the same level of a year earlier. However, profitability was affected by the negative performance of the FerroAlloys segment, due to the interplay of lower market prices and specific adverse conditions that the plants faced in South Africa. EBITDA for the first half of 2018 contracted, compared to the record high result posted in the equivalent period in 2017, to EUR 0.5 (17.5) million. The share of joint venture profit for the period amounted to EUR -1.4 (4.1) million.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

Speciality Alloys key figures

		Q2/18	Q2/17	Q1/18	H1/18	H1/17	2017
Revenue	EUR million	26.4	22.2	24.9	51.3	44.0	89.4
EBITDA	EUR million	3.9	3.7	2.7	6.6	8.4	12.6
EBIT	EUR million	3.5	3.4	2.2	5.7	7.6	11.1
EBITDA margin	%	14.8	16.7	10.8	12.9	19.0	14.1
EBIT margin	%	13.1	15.1	8.9	11.1	17.3	12.4
Sales	Tonnes	7,989	6,426	7,901	15,890	11,621	25,340
Total production	Tonnes	23,554	22,997	24,580	48,134	41,884	82,271
Mining	Tonnes	15,582	16,876	15,758	31,340	26,918	53,120
Processing	Tonnes	7,972	6,121	8,822	16.794	14,966	29,151
Personnel		514	428	495	514	428	483

PERFORMANCE COMPARED TO QUARTER TWO 2017

The higher sales volumes and revenues achieved were only partly reflected in EBITDA, which increased marginally to EUR 3.9 (3.7) million.

Achievements:

- Higher sales volumes of processed ferrochrome material led to an increase in revenue of 18.6%, to EUR 26.4 (22.2) million, despite the lower prices;
- Sales volumes in the Speciality Alloys segment increased by 24.3%, particularly due to increases in demand for special grade and standard grade ferrochrome;
- Production increased by 2.4%, to 23,554 (22,997) tonnes for the second quarter of 2018, driven by the fast growth in processing volumes;
- Processing tonnages increased by 30.2% primarily due to lower volumes in 2017, following the last year’s temporary shut-down at the EWW plant in Germany, due to maintenance.

Challenges

- Weakening of the US Dollar against Euro negatively impacted financial performance.

PERFORMANCE COMPARED TO QUARTER ONE 2018

Increased revenues, driven by higher sales prices, led to an expansion in EBITDA to EUR 3.9 (2.7) million, also reflecting the relative strengthening of the US dollar.

Achievements:

- Revenue for the second quarter increased by 5.8% to EUR 26.4 (24.9) million, on account of higher sales prices, compared to the previous quarter;
- Sales volume increased to 7,989 (7,901) tonnes.

Challenges:

- Production decreased slightly, by 4.2% to 23,553 (24,580) tonnes for the second quarter of 2018.

FERROALLOYS BUSINESS

FerroAlloys key figures

		Q2/18	Q2/17	Q1/18	H1/18	H1/17	2017
Revenue	EUR million	27.8	24.1	24.9	52.7	58.3	106.1
EBITDA	EUR million	-1.1	2.0	-2.2	-3.3	11.2	11.4
EBIT	EUR million	-2.3	0.8	-3.4	-5.7	8.8	6.4
EBITDA margin	%	-4.1	8.3	-8.7	-6.3	19.2	10.8
EBIT margin	%	-8.4	3.4	-13.6	-10.8	15.1	6.0
Sales	Tonnes	17,940	14,347	15,383	33,323	37,068	76,258
Total production	Tonnes	153,795	113,734	145,630	299,425	208,150	529,273
Mining	Tonnes	135,270	93,755	123,720	258,990	169,064	450,794
Processing	Tonnes	18,525	19,979	21,910	40,435	39,086	78,479
Personnel		437	404	452	437	404	434

PERFORMANCE COMPARED TO QUARTER TWO 2017

Strong increases in sales volumes and revenues were offset by the weakening of the US Dollar against the Euro and a number of challenges that the business units encountered during the quarter. EBITDA was negatively impacted and stood at EUR -1.1 (2.0) million.

Achievements:

- Volume-driven growth in sales, led to a strong increase of 15.2% in revenue, to EUR 27.8 (24.1) million;
- Sales volumes increased by 25.0%, mainly due to increases in demand for charge chrome material;
- Production grew to 153,795 (113,734) tons in the second quarter of 2018, representing a significant increase of 35.2%, when compared to the same period in 2017, due to additional tonnages at Mecklenburg and Vlakpoort.

Challenges:

- Profitability was negatively impacted, due to the interplay of a number of factors, including the weakening of the US Dollar against the Euro. Some interruptions of production rhythms also reduced the financial results;
- Mining teams came across a challenging geological area, which resulted in inferior quality ore, which in-turn disrupted processing flows at Mogale, affected the cost of production, volumes and pricing of both mined and processed materials;
- Profitability was also negatively impacted by the result of the joint venture. Afarak's share of profit amounted to EUR -0.4 (0.7) million.

PERFORMANCE COMPARED TO QUARTER ONE 2018

EBITDA improved to EUR -1.1 (-2.2) million, reflecting higher sales volumes and revenues.

Achievements:

- Higher sales volumes and improved benchmark for ferrochrome drove revenue for the second quarter up by 11.6%, to EUR 27.8 (24.9) million;
- A strong increase in the demand for both medium carbon ferrochrome and charge chrome material led the sales volumes in the FerroAlloys segment to expand by 16.6%;
- The interplay of higher revenues, positive effects from the relative strengthening of the US dollar and weakening of the South African rand, led to a better EBITDA;
- Production increased by 5.6%, to 153,795 (145,630) tons, when compared to the previous quarter;
- The increase in production is mainly attributable to additional tonnages at the Vlakpoort mine, which commenced mining activity as from May and is expected to continue contributing positively to increased production during the third and fourth quarter. The

increase was dampened by a 15.4% contraction in processing activity, due to weak market conditions.

JOINT VENTURE

Joint venture key figures (Afarak's share)

		Q2/18	Q2/17	Q1/18	H1/18	H1/17	2017
Revenue	EUR million	4.1	3.2	4.5	8.6	8.5	16.8
EBITDA	EUR million	0.1	0.5	-0.4	-0.3	3.8	4.0
EBIT	EUR million	-0.2	0.3	-0.7	-0.9	3.4	3.0
Financial income & expense	EUR million	-0.3	0.3	-0.3	-0.6	0.6	0.2
Profit for the period	EUR million	-0.4	0.7	-1.0	-1.4	4.1	3.1
EBITDA margin	%	2.5	16.3	-9.3	-3.7	44.9	23.6
EBIT margin	%	-3.9	9.7	-15.5	-10.0	40.3	17.6

PERFORMANCE COMPARED TO QUARTER TWO 2017

The increased revenues were not translated into profitability, due to issues relating to quality of ore mined during the period. Afarak's share of joint venture's total profit for the second quarter amounted to EUR -0.4 (0.7) million.

Achievements:

- Afarak's share of joint venture revenue for the second quarter increased to EUR 4.1 (3.2) million, compared to the equivalent period in 2017, representing an increase of 27.4%, on account of higher sales volumes both at the Stellite mine and the Mecklenburg mine.

PERFORMANCE COMPARED TO QUARTER ONE 2018

Afarak's share of joint venture's total profit for the second quarter improved and amounted to EUR -0.4 (-1.0) million.

Challenges

- Contraction in sales volumes at Stellite led to a fall in Afarak's share of joint venture revenue for the second quarter to EUR 4.1 (4.5) million compared to the previous quarter, representing a decrease of 8.3%.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 30 June 2018 stood at EUR 262.8 (264.7) (31 March 2018: 262.0) million and net assets totalled EUR 165.6 (175.7) (31 March 2018: 169.2) million. During the quarter, currency movements had a slight effect on Afarak's balance sheet, with the translation reserve moving by EUR -0.9 (-3.4) million. The Group's cash and cash equivalents, as at 30 June 2018, totalled EUR 5.5 (11.7) million (31 March 2018: 10.5). Operating cash flow in the second quarter was EUR -4.8 (-7.3) million.

The equity ratio remained strong at 63.0% (66.4%) (31 March 2018: 64.6%). Afarak's gearing at the end of the second quarter increased to 6.3% (-2.8%) (31 March 2018: 2.0%), driven by the expansion in the interest-bearing debt to EUR 16.0 (6.7) (31 March 2018: 13.9) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the second quarter of 2018 totalled EUR 2.8 (1.8) million. Capital expenditure in the Speciality Alloys segment was incurred to sustain Group operations. In the FerroAlloys segment, the Group finalised its investment in the secondary spirals project; resumed its investment in the PGM project and is in the process of commencing the chemical grade project.

During the quarter under review, Afarak 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.

PERSONNEL

At the end of the second quarter 2018, Afarak had 1,032 (923) employees. The average number of employees during the second quarter of 2018 was 1,020 (928). The increase in workforce is mainly driven by higher employment at the mines in Turkey and at Mogale plants in South Africa. During the quarter, the Group employed 55 employees running the newly-acquired operation of a sintered magnesite plant in Serbia.

UNALLOCATED ITEMS

For the second quarter of 2018, the EBITDA from unallocated items was EUR -1.6 (-0.9) million. EBITDA included EUR -0.3 (0.2) million, relating to net operating expenditure incurred by the Group from the management of the sintered magnesite plant in Serbia.

SUSTAINABILITY

The health and safety of our employees across business unites remains our central focus. No fatalities were recorded during the quarter under review. In terms of lost-time injuries, an improvement was registered with the number declining to 3 (5). As a result, the lost-time injury frequency rate fell to 4.3 (9.1). The improvement processes that was spearheaded by local management at Mogale is leading to tangible improvements as no injuries were reported during the quarter, a first for the Unit. On the other hand, management is now focused on improving health and safety practices in the TMS mines in Turkey, given the fast expansion of the unit in terms of employees and assets.

Our efforts with local host communities have continued into the quarter, with the subvention of funds to support local projects and infrastructural 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 such communities.

From the environmental perspective, further investments were made in the plants in Turkey in terms of water conservation and management. Work is also progressing on installing a 2.8MW heat recovery unit at Mogale, which will reduce CO2 emissions and help reduce electricity costs too.

SHARES & SHAREHOLDERS

On 30 June 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 30 June 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 total number of shares outstanding, excluding the treasury shares held by the Company on 30 June 2018, was 260,186,534 (259,295,978).

At the beginning of the period under review, the Company’s share price was EUR 0.97 on NASDAQ Helsinki and GBP 0.88 on the London Stock Exchange. At the end of the review period, the share price was EUR 1.01 and GBP 0.88 respectively. During the second quarter of 2018, the Company’s share price on NASDAQ Helsinki ranged from EUR 0.90 to 1.20 per share and the market capitalisation, as at 30 June 2018, was EUR 265.7 (1 January 2018: 222.3) million. For the same period on the London Stock Exchange, the share ranged from GBP 0.80 to 0.93 per share and the market capitalisation was GBP 230.2 (1 January 2018: 190.7) million, as at 30 June 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 second 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 on 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 on 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 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 has submitted his resignation from the Board of Directors.

REPORTING

EVENTS DURING THE 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.

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.

EVENTS SINCE THE

END OF REVIEW PERIOD

On 2 July 2018, Afarak announced that with reference to several recent inaccurate news reports in different media sources, the Company stated that it 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. Danko Koncar has informed the Company that he has already appealed to the decision.

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

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

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

H1/2018 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	51,251	52,728	1,723	-1,249	104,453
EBITDA	6,588	-3,304	-2,782	0	502
EBIT	5,681	-5,710	-2,789	0	-2,818
Segment's assets	144,555	132,682	16,509	-30,925	262,821
Segment's liabilities	60,130	51,975	6,328	-21,228	97,205

H1/2017 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	43,952	58,278	2,851	-1,017	104,064
EBITDA	8,366	11,161	-2,003	0	17,524
EBIT	7,585	8,824	-2,004	0	14,405
Segment's assets	145,032	132,296	13,673	-26,269	264,732
Segment's liabilities	44,682	58,190	2,550	-16,351	89,071

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

	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Sales (tons)									
Mining	40,618	19,559	55,212	51,972	41,427	67,339	85,698	85,289	79,646
Processing	28,214	18,023	23,906	27,916	20,773	27,538	25,371	23,284	25,929
Trading	7,262	12,256	8,619	5,333	5,692	3,488	5,916	6,936	3,006
Total	**76,094**	**49,838**	**87,737**	**85,221**	**67,892**	**98,365**	**116,985**	**115,509**	**108,581**
Average rates									
EUR/USD	1.116	1.116	1.107	1.065	1.083	1.114	1.130	1.229	1.210
EUR/ZAR	17.198	16.683	16.265	14.081	14.306	14.706	15.049	14.710	14.891
Euro (million)	**Q2/16**	**Q3/16**	**Q4/16**	**Q1/17**	**Q2/17**	**Q3/17**	**Q4/17**	**Q1/18**	**Q2/18**
Revenue*	39.5	28.9	44.4	56.7	47.4	44.2	50.6	50.2	54.3
EBITDA	0.8	-2.8	4.3	12.7	4.8	-2.2	2.6	-0.7	1.2
EBITDA margin	2.0%	-9.8%	9.6%	22.4%	10.2%	-4.9%	5.2%	-1.4%	2.2%
EBIT	-0.9	-4.5	2.7	11.1	3.3	-4.2	1.2	-2.4	-0.4
EBIT margin	-2.2%	-15.7%	6.1%	19.6%	7.0%	-9.4%	2.3%	-4.7%	-0.8%

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	**Q2/18**	**Q2/17**	**H1/18**	**H1/17**	**FY2017**
Revenue	**54,284**	**47,380**	**104,453**	**104,064**	**198,814**
Other operating income	1,150	1,048	1,543	1,269	4,343
Operating expenses	-53,852	-44,260	-104,121	-91,869	-188,255
Depreciation and amortisation	-1,643	-1,507	-3,320	-3,119	-6,017
Impairment	0	0	0	0	-554
Share of profit from joint ventures	-375	652	-1,373	4,060	3,068
Operating profit	**-436**	**3,313**	**-2,818**	**14,405**	**11,399**
Financial income and expense	-2,907	-2,362	-3,016	-6,572	-7,158
Profit before tax	**-3,343**	**951**	**-5,834**	**7,833**	**4,241**
Income tax	601	431	1,229	-2,266	951
Profit for the period from continuing operations	**-2,742**	**1,382**	**-4,605**	**5,567**	**5,192**
Discontinued operations					
Profit for the period from discontinued operations	0	1,519	0	1,519	1,519
Profit for the period	**-2,742**	**2,901**	**-4,605**	**7,086**	**6,711**
Profit attributable to:					
Owners of the parent	-2,692	2,848	-4,346	6,424	6,261
Non-controlling interests	-50	53	-259	662	450
Total	-2,742	2,901	-4,605	7,086	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	0.02	0.02
Diluted earnings per share, EUR	-0.01	0.01	-0.02	0.02	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR ‘000	**Q2/18**	**Q2/17**	**H1/18**	**H1/17**	**FY2017**
Profit for the period	**-2,742**	**2,901**	**-4,605**	**7,086**	**6,711**
Other comprehensive income					
Remeasurement of defined benefit pension plans	0	0	0	0	-196
Exchange differences on translating foreign operations – Group	-777	-3,122	-1,986	1,326	-2,028
Exchange differences on translating foreign operations – Associate and JV	-205	-470	-426	-762	-608
Other comprehensive income, net of tax	**-982**	**-3,592**	**-2,412**	**564**	**-2,832**
Total comprehensive income for the period	**-3,724**	**-691**	**-7,017**	**7,650**	**3,879**
Total comprehensive income attributable to:					
Owners of the parent	-3,607	-587	-6,702	7,143	3,518
Non-controlling interests	-117	-104	-315	507	361

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	**30.6.2018**	**30.6.2017**	**31.12.2017**
ASSETS			
Non-current assets			
Goodwill	61,940	63,331	62,409
Other intangible assets	14,175	16,912	16,205
Property, plant and equipment	45,425	43,761	45,806
Other non-current assets	28,199	27,709	25,441
Non-current assets total	**149,739**	**151,713**	**149,861**
Current assets			
Inventories	58,113	51,751	49,944
Trade receivables	28,449	32,852	24,006
Other receivables	21,047	16,685	25,428
Cash and cash equivalents	5,473	11,731	10,702
Current assets total	**113,082**	**113,019**	**110,080**
Total assets	**262,821**	**264,732**	**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	231,123	230,306	230,835
Legal Reserve	111	148	131
Translation reserves	-21,690	-16,068	-19,334
Retained earnings	-93,964	-89,250	-89,618
Equity attributable to owners of the parent	**164,962**	**174,518**	**171,396**
Non-controlling interests	**654**	**1,143**	**969**
Total equity	**165,616**	**175,661**	**172,365**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	3,827	5,621	4,460
Provisions	8,878	10,551	9,180
Share of joint ventures' losses	15,625	12,977	13,778
Pension liabilities	19,735	19,926	19,936
Financial liabilities	5,045	5,890	5,716
Non-current liabilities total	**53,110**	**54,965**	**53,070**
Current liabilities			
Trade payables	20,650	16,507	16,504
Other current liabilities	23,445	17,599	18,002
Current liabilities total	**44,095**	**34,106**	**34,506**
Total liabilities	**97,205**	**89,071**	**87,576**
Total equity and liabilities	**262,821**	**264,732**	**259,941**

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

EUR '000	**30.6.2018**	**30.6.2017**	**31.12.2017**
Cash and cash equivalents	**5,473**	**11,731**	**10,702**
Interest-bearing receivables			
Current	10,931	3,508	3,508
Non-current	18,895	19,032	26,435
Interest-bearing receivables	**29,826**	**22,540**	**29,943**
Interest-bearing liabilities			
Current	13,734	4,022	9,393
Non-current	2,234	2,723	2,548
Interest-bearing liabilities	**15,968**	**6,745**	**11,941**
NET TOTAL	**19,331**	**27,526**	**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	5,291	54
Disposals	-237	0
Reclass between items	343	0
Effect of movements in exchange rates	-6,989	-8,240
Acquisition cost 30.6.2018	82,627	212,659
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	**H1/18**	**H1/17**	**FY2017**
Profit for the period	-4,605	7,086	6,711
Adjustments to profit for the period	7,654	8,479	8,887
Changes in working capital	-6,636	-15,139	-14,855
Discontinued operations	0	809	809
Net cash from operating activities	**-3,587**	**1,235**	**1,552**
Acquisition of subsidiaries and associates, net	-1,003	0	0
Acquisition of non-controlling interest	-240	-666	-727
Capital expenditure on non-current assets, net	-5,352	-2,305	-7,601
Other investments, net	-42	-246	-591
Proceeds from repayments of loans and loans given	0	8,875	8,851
Net cash used in investing activities	**-6,637**	**5,658**	**-68**
Capital Redemption	0	-5,186	-5,186
Proceeds from borrowings	4,622	664	2,832
Repayment of borrowings, and other financing activities	-2,841	-3,255	-3,894
Movement in short-term financing activities*	3,282	3,003	6,470
Net cash used in financing activities	**5,063**	**-4,774**	**222**
Net increase in cash and cash equivalents	**-5,161**	**2,119**	**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 1-6/2017 + comprehensive income				1,481	6,424		7,905	662	8,567
Share of OCI in associates and JV				-762			-762		-762
Translation differences							0	-155	-155
Share-based payments			250		3		253		253
Capital Redemption			-5,186				-5,186		-5,186
Acquisition of non-controlling interest					286		286	-3,515	-3,229
Other changes in equity						-12	-12		-12
Equity at 30.6.2017	**23,642**	**25,740**	**230,306**	**-16,068**	**-89,250**	**148**	**174,518**	**1,143**	**175,661**
Profit for the period 7-12/2017 + comprehensive income				-3,420	-163		-3,583	-212	-3,795
Share of OCI in associates and JV				154			154		154
Translation differences							0	66	66
Share-based payments			529		3		532		532
Capital redemption							0		0
Acquisition of non-controlling interest					-15		-15	-28	-43
Remeasurements of defined benefit pension plans					-196		-196		-196
Other changes in equity					3	-17	-14		-14
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 1-6/2018 + comprehensive income				-1,930	-4,346		-6,276	-259	-6,535
Share of OCI in associates and JV				-426			-426		-426
Translation differences								-56	-56
Share-based payments			288				288		288
Other changes in equity						-20	-20		-20
Equity at 30.6.2018	**23,642**	**25,740**	**231,123**	**-21,690**	**-93,964**	**111**	**164,962**	**654**	**165,616**

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	H1/18	H1/17	FY2017
Sales to joint ventures	640	469	1,063
Sales to other related parties	237	15	452
Purchases from joint ventures	-11,140	-9,380	-19,669
Purchases from other related parties	-548	0	0
Financing income from joint ventures	483	300	870
Financing expense to other related parties	0	-3	-6
Loan receivables from joint ventures	26,135	18,855	18,687
Loan receivables from other related parties	3,508	3,508	3,508
Trade and other receivables from joint ventures	3,812	15,042	14,038
Trade and other receivables from other related parties	110	91	89
Trade and other payables to joint ventures	263	72	655

FINANCIAL INDICATORS

	H1/18	H1/17	FY2017
Return on equity, % p.a.	-5.5%	6.4%	3.0%
Return on capital employed, % p.a.	-2.3%	18.1%	8.2%
Equity ratio, %	63.0%	66.4%	66.3%
Gearing, %	6.3%	-2.8%	0.7%
Personnel at the end of the period	1,032	923	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

	H1/18	H1/17	FY2017
TRY	4.9566	3.9391	4.1206
USD	1.2104	1.0830	1.1297
ZAR	14.8913	14.3063	15.049

Balance sheet rates

	30.6.2018	30.6.2017	31.12.2017
TRY	5.3385	4.0134	4.5464
USD	1.1658	1.1412	1.1993
ZAR	16.0484	14.9200	14.8054

FORMULAS FOR FINANCIAL INDICATORS

Financial ratios and indicators have been calculated with the same principles as applied in the 2016 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

		Q2/18	Q2/17	H1/18	H1/17	FY2017
Share price development in London Stock Exchange						
Average share price*	EUR	1.01	0.91	0.97	0.90	0.84
	GBP	0.89	0.79	0.85	0.77	0.74
Lowest share price*	EUR	0.91	0.78	0.82	0.64	0.63
	GBP	0.80	0.68	0.73	0.55	0.55
Highest share price*	EUR	1.05	1.07	1.05	1.07	1.06
	GBP	0.93	0.93	0.93	0.93	0.93
Share price at the end of the period**	EUR	0.99	0.88	0.99	0.88	0.82
	GBP	0.88	0.78	0.88	0.78	0.73
Market capitalisation at the end of the period**	EUR million	259.8	231.8	259.8	231.8	214.9
	GBP million	230.2	203.9	230.2	203.9	190.7
Share trading development						
Share turnover	thousand shares	1	12	27	50	66
Share turnover	EUR thousand	1	11	27	43	56
Share turnover	GBP thousand	1	9	24	37	49
Share turnover	%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Share price development in NASDAQ Helsinki						
Average share price	EUR	1.03	0.96	1.00	0.93	0.91
Lowest share price	EUR	0.90	0.76	0.85	0.72	0.72
Highest share price	EUR	1.20	1.15	1.20	1.15	1.15
Share price at the end of the period	EUR	1.01	0.85	1.01	0.85	0.85
Market capitalisation at the end of the period	EUR million	265.7	223.6	265.7	223.6	222.3
Share trading development						
Share turnover	thousand shares	6,149	21,117	18,827	46,504	64,867
Share turnover	EUR thousand	6,336	20,221	18,756	43,195	58,773
Share turnover	%	2.3 %	8.0 %	7.2 %	17.7 %	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.