



A F A R A K

G R O U P

**Q3 2015
Interim Results**

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Afarak at a Glance Q3 2015

Key Figures: Q3/15 vs Q3/14

Revenue ▲
44.8 EURM +10.3%

EBITDA ▼
1.3 EURM -0.8 EURM

EBIT ▼
-0.7 EURM -1.2 EURM

Profit ▼
-1.0 EURM -0.3 EURM

Afarak Group

Higher revenue from both Speciality Alloys segment and FerroAlloys segment

Lower sales prices and increase in cost of production in both segments

Group results negatively effected by unrealised exchange losses on loan balances

Speciality Alloys

Revenue marginally higher complemented by higher trading activity sourced to third party

Same operating performance level when extraordinary items (write-down of EUR0.3m in Q3/15 and profit on disposal of EUR1.2m in Q3/14) are excluded

The positive result of Q2 2015 has led to a strong cash flow from operations in Q3 2015 where cash flow from operations was EUR 9.9 million

FerroAlloys

Revenue significantly higher due to increase in sales volumes at Mecklenburg mine and Vlakpoort mine

EBITDA increased as a result of a weaker South African Rand on the conversion of costs and due to improved performance by the joint venture

Production: Q3/15 vs Q3/14

Tonnage mined ▲
127,004 tonnes +154%

Processing ▼
19,348 tonnes -4.0%

Afarak Group

Main increase in mining as a result of having all mines operational

Focusing on reducing stockpiles in all segments

Speciality Alloys

Increase in mining activity at TMS as mines were in operation as opposed to same period last year

Inventory management at EWW led to a decrease in production of processed material

FerroAlloys

Normal mining operations at Mecklenburg as opposed to last year; bulk sampling at Vlakpoort

Processing volumes remained at the same levels as those registered same period last year

Group Financial Performance

FOCUS ON

Revenue

Q3 ▲	Q1-Q3 ▲
44.8 EURM 40.6 EURM (2014) +10.3%	138.5 EURM 131.1 EURM (2014) +5.7%

EBITDA

Q3 ▼	Q1-Q3 ▲
1.3 EURM 2.1 EURM (2014) -0.8 EURM	13.5 EURM 8.4 EURM (2014) +5.1 EURM
EBITDA Margin	
2.8% 5.1% (2014)	9.8% 6.4%(2014)

EBIT

Q3 ▼	Q1-Q3 ▲
-0.7 EURM 0.5 EURM (2014) -1.2 EURM	8.1 EURM 2.9 EURM (2014) 5.2 EURM
EBIT Margin	
-1,5% 1.3% (2014)	5.0% 5.8%(2014)

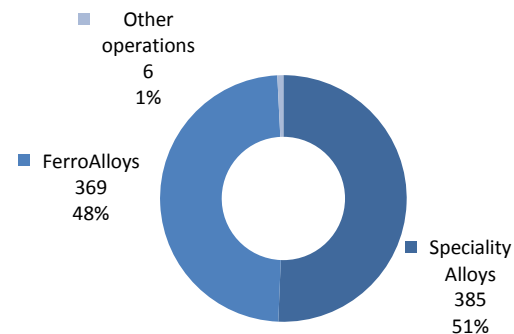
Profit for the period

Q3 ▼	Q1-Q3 ▲
-1.0 EURM -0.7 EURM (2014)	7.0 EURM 0.8 EURM (2014)

LTI

Q3	Q1-Q3
4 1 (2014)	13 12 (2014)

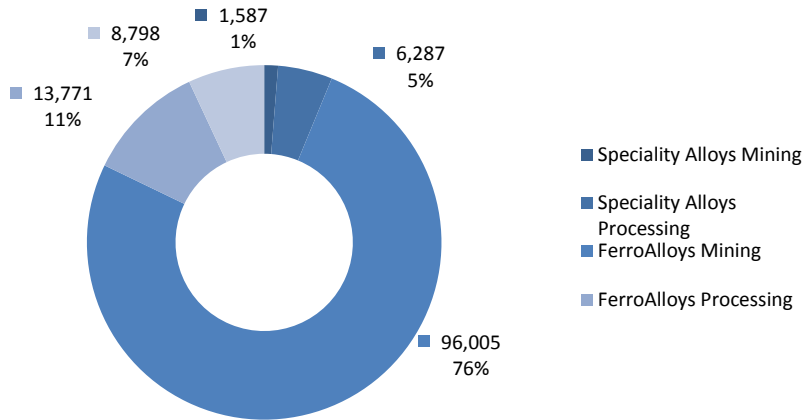
Group employees



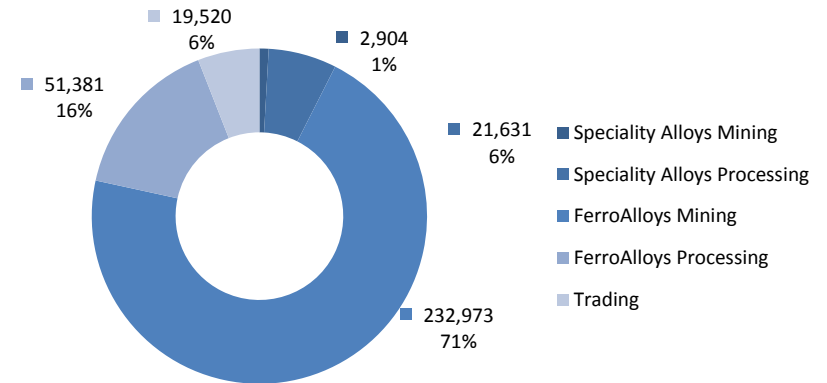
ZERO HARM

Group Sales

Sales (mt) Q3 2015



Sales (mt) Q1-Q3/2015



Processing material

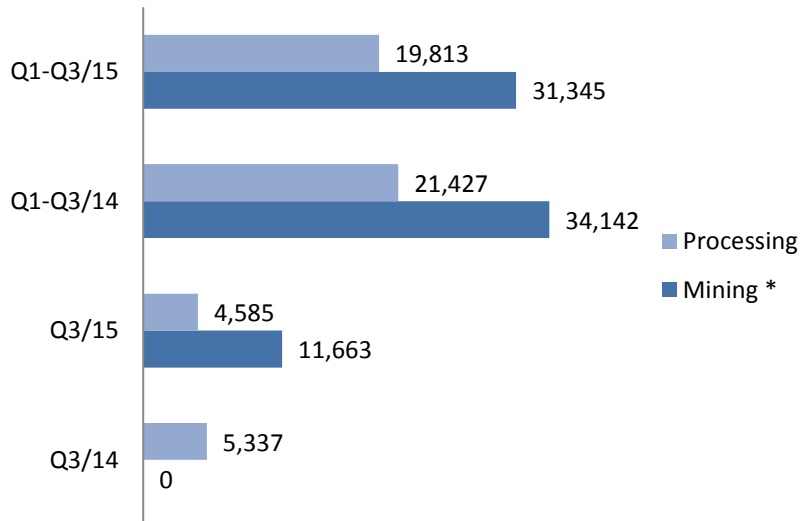
- The Group's processed material sold, which includes all the products produced at the Mogale Alloys and EWW processing plants, was 20,058 (Q3/2014: 26,347) tonnes, decrease of 23.9% compared to the equivalent period in 2014.
- During the third quarter, the FerroAlloys segment material was affected by the maintenance shutdown at Mogale.
- In the Speciality Alloys segment there was a decrease in sales volumes as a result of lower demand.

Mining material

- The mining material was 97,592 (Q3/2014: 34,846) tonnes, an increase of 180.1% compared to Q3 2014. This includes TMS, Stellite, Mecklenburg, and Vlakpoort.
- This increase was mainly attributable to the FerroAlloys segment where all mines were in operation, and the addition of the new mine Vlakpoort.
- Sales of Turkish lumpy chrome ore impacted revenue negatively due to the lower demand from China.

Segment Production: Speciality Alloys

Production (mt)



* Mining includes both chromite concentrate and lumpy ore production.

For the third quarter of 2015 production increased to 16,248 (2014: 5,337) tonnes, compared to the equivalent period in 2014.

Processing



- Decrease in processing was mainly due to lower production at EWW, in order to manage the level of stockpiles

Mining

- Mining activity at TMS was limited due to disruptions at Tavas mine due to the development of the new plant
- Despite mining operations at TMS being disrupted, the increase in mining activity at TMS was a result of having the mines in operation as opposed to same period last year
- In 2014 TMS mines were closed due to strike notification

Segment Performance: Speciality Alloys

Revenue

Q3 	Q1-Q3 
24.5 EURM 24.3 EURM (2014) +1.0%	74.3 EURM 75.2 EURM (2014) -1.3%

- Even though aggregate sales volumes remained stable, a higher demand for normal low carbon ferrochrome outweighed the lower demand for specialised low carbon ferrochrome
- Revenue was positively affected by higher trading activity of material which was sourced by third parties

EBITDA

Q3 	Q1-Q3 
1.4 EURM 3.0 EURM (2014) -1.6 EURM	9.3 EURM 6.7 EURM (2014) +2.6 EURM

EBITDA Margin

5.7% 12.3% (2014)	12.5% 8.9% (2014)
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- Despite EBITDA being lower, this segment performed at the same levels as last year as when excluding extraordinary items
- The reduction in production continued to negatively affect EBITDA as cost per tonne in Euro

EBIT

Q3 	Q1-Q3 
0.7 EURM 2.4 EURM (2014) -1.7 EURM	7.4 EURM 4.9 EURM (2014) +2.5 EURM

EBIT Margin

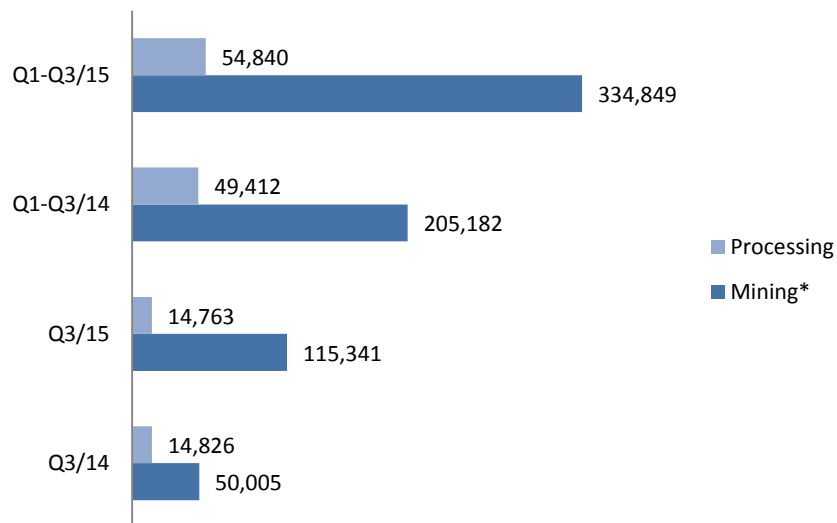
2.8% 10.0% (2014)	10.0% 6.5% (2014)
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Employees

Q1-Q3
385
367 (2014)

Segment Production: FerroAlloys

Production (mt)



* Mining includes both chromite concentrate and lumpy ore production.

Production increased substantially to 130,104 (2014: 64,831) tonnes in the third quarter of 2015, compared to the same period in 2014.

Processing

- Processing at Mogale Alloys was slightly lower than last year due to the maintenance shutdown of part of the plant during the third quarter of 2015.

Mining

- Operations at both Mecklenburg and Stellite mine operated at scheduled levels during the third quarter of this year as opposed to same period in 2014.
- At the end of the second quarter Afarak commenced the bulk sampling at Vlakpoort mine.

Segment Performance: FerroAlloys

Revenue

Q3 ▲	Q1-Q3 ▲
20.2 EURM 16.3 EURM (2014) +24.1%	64.0 EURM 55.9 EURM (2014) +14.7%

Significant increase in revenue:

- Sales volumes of material from the Mecklenburg mine
- Sales volumes generated by the Vlakpoort mine
- Increase in trading of third party material

EBITDA

Q3 ▲	Q1-Q3 ▲
0.7 EURM -0.2 EURM (2014) +0.9 EURM	6.4 EURM 3.4 EURM (2014) +3.0 EURM

EBITDA Margin

3.6% -1.3% (2014)	10.1% 6.2% (2014)
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EBITDA increased as a result of:

- Weaker South African Rand on conversion of costs
- Improved performance by the joint venture
- Joint venture losses incurred mainly due to unrealised difference on exchange losses

EBIT

Q3 ▲	Q1-Q3 ▲
-0.5 EURM -1.2 EURM (2014) +0.7 EURM	2.8 EURM -0.3 EURM (2014) +3.1 EURM

EBIT Margin

-2.5% -7.6% (2014)	4.4% -0.5% (2014)
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Employees

Q1-Q3
369
330 (2014)

Segment Performance: FerroAlloys – Joint Venture share of profit

Revenue

Q3	Q1-Q3
2.7 EURM 1.1 EURM (2014) +141.9%	8.1 EURM 5.0 EURM (2014) +60.9%

- The substantial increase in revenue was mainly due to the increase in sales volumes from the Mecklenburg mine

EBITDA

Q3	Q1-Q3
0.4 EURM -0.2 EURM (2014) +0.6 EURM	1.3 EURM -0.1 EURM (2014) +1.4 EURM

EBITDA Margin

15.7% -20.8% (2014)	16.5% -2.4% (2014)
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- Higher production volumes during this quarter when compared to the same quarter of 2014 led to a decrease in the cost of production, increasing EBITDA
- Weakening of the Pound Sterling against the US Dollar during Q3 caused the JV to incur unrealised DOE primarily on its loan balance with its other shareholder

EBIT

Q3	Q1-Q3
0.2 EURM -0.5 EURM (2014) +0.7 EURM	0.5 EURM -0.8 EURM (2014) +1.3 EURM

EBIT Margin

7.3% -40.7% (2014)	6.3% -15.9% (2014)
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Profit for the period

Q3	Q1-Q3
-0.6 EURM -0.9 EURM (2014) +0.3 EURM	0.3 EURM -1.1 EURM (2014) +1.4 EURM

Investment Projects: Project Update

Tavas mine – New concentration plant

Production has started during the month of September.

Kavak mine – Upgrade of the concentration plant

The start up of the plant is scheduled for Q4 2015.

As previously communicated, TMS expects that the annual production volume to increase by 15,600 tonnes following the full production of these plants

Vlakpoort mine – New mining operation

The bulk sampling commenced in June 2015 and continued throughout Q3 2015

Mining right expected to be issued during Q4 2015

Safety, Health and Sustainable Development

- Afarak has set up a Health Safety, Environment and Community Committee (HSEC) with the aim of ensuring that the Group operations address the social, environment, health and safety requirements of all our stakeholders.
- We comply with all relevant legal obligations concerning Safety, Health and Environment in all our operating jurisdictions.

Our Global Market Review

Stainless Steel

- European stainless crude production was 5% lower in the first half of 2015 when compared to the same period of the previous year
- European stainless steel market affected by antidumping duties imposed on Chinese and Taiwanese cold rolled stainless steel products
- Confidence still remains amongst the European Stainless Steel producers as a number have made further investments

Ferrochrome

- Chinese continue to increase production levels and are now the largest global producer
- Seasonal electricity supply problems in South Africa and the closure or business rescue of several South African producers widening the production gap with China
- RCS Ltd, Afarak's sales and marketing arm, again has been successful in securing new long term agreement to the aerospace suppliers

Silico Manganese

- Prices have plummeted to lows not seen since the last recession in 2009 as a result of the global oversupply and intense competition in the market
- During Q3 2015, customers have continued to see weak market conditions with volumes below those seen in the second quarter
- Despite facing pricing pressures, Mogale Alloys sales are fully committed until the end of the year

Chrome Ore

- Chinese imports of Chrome ore units have increased compared to the same period last year
- South Africa remains the largest exporter to China with higher volumes compared to last year. Turkish volumes to China have decreased. Prices for high grade and low grade ores are lower
- Some producers have cut output. This may not impact on the depressed market situation

Our Outlook for 2015

- The global growth in stainless steel production is expected to lead an increase in demand for chrome products in 2015. However, as occurred in 2014 where the chrome industry has not been able to increase chrome product prices it is unclear whether this upswing in prices will occur in 2015.
- Mogale Alloys started production of medium carbon ferrochrome during the fourth quarter of 2014, this is expected to make a positive contribution towards the Company's profit margins in 2015.
- In the Speciality Alloys division Afarak expects to continue to see an increase in raw materials costs.
- The strengthening of the US dollar is expected to improve the financial performance of the Company as compared to 2014.
- Afarak's Group expectations for 2015 are
 - Revenue to remain at the same levels of 2014
 - EBIT to significantly improve as compared to 2014
- Fluctuations of exchange rates between the Euro, the South African Rand, the Turkish Lira and the US Dollar can significantly impact the Company's financial performance.

Our Key Focus Areas

- Continue our policy of no compromise on price vs volume
- Deliver on our commitments on capex, costs and time frames
- Maintain a **Zero Harm** safety culture
- Continue our focus on niche products
- Invest in technology improvements and plant efficiencies
- Create value for all investors and stakeholders