Afarak

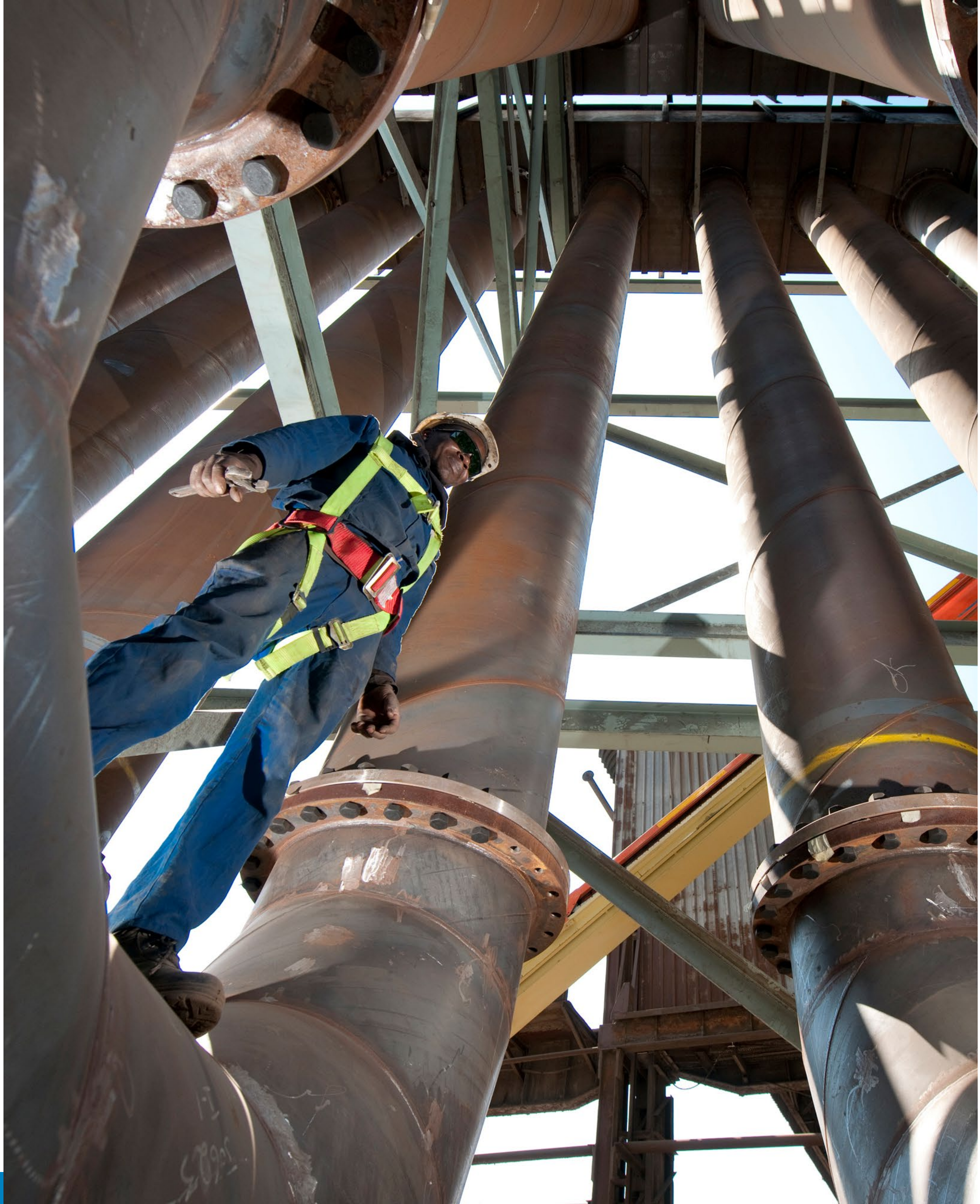
Annual Report

2019

We are Afarak

the speciality alloy producer

A vertically-integrated producer of speciality alloys, Afarak is a global organisation with operations in South Africa, Turkey and Germany. Afarak is listed on the NASDAQ OMX Helsinki Stock Exchange and the London Stock Exchange.



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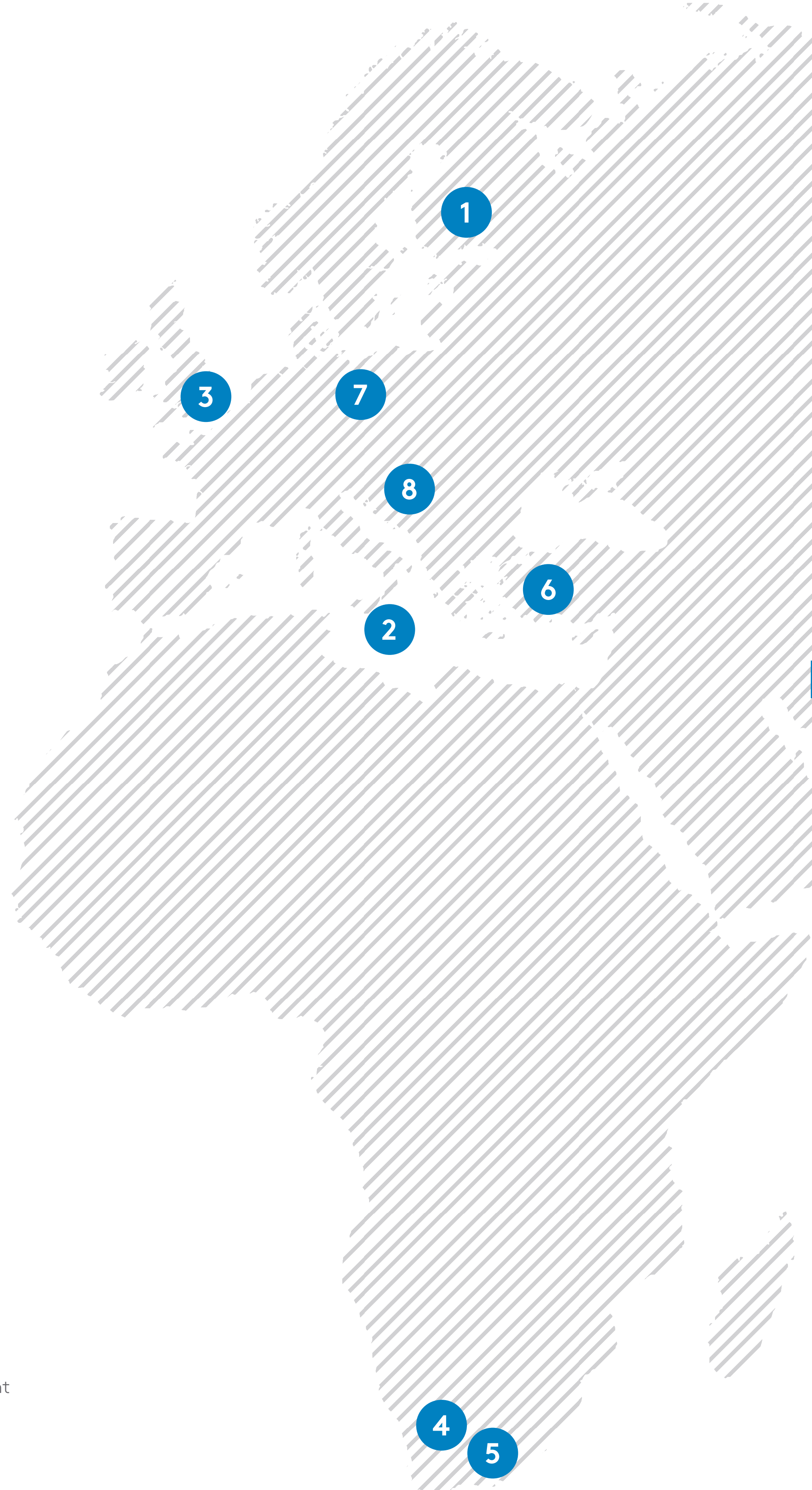


1. **HELSINKI**
   Registered office, Primary listing
2. **MALTA**
   Corporate Office
3. **LONDON**
   Secondary listing
4. **SOUTH AFRICA**
   Mines – Ferroalloys mines
5. **SOUTH AFRICA**
   Mogale – Ferroalloys processing plant
6. **TURKEY**
   Mines – Speciality alloys mines
7. **GERMANY**
   EWW – Speciality alloys processing plant
8. **SERBIA**
   Magnohrom - mines in Kraljevo

SEGMENTS

FERROALLOYS

FeCr
Mc FeCr

Products

End-user Industry

Stainless steel

SPECIALITY ALLOYS

LLL FeCr
ELC FeCr
HCr FeCr

Products

End-user Industry

Aerospace
Renewable Energy
Automotive
Oil & Gas

CEO Report

2019 IN REVIEW

2019 was a bad year for the complete Ferro-Chrome industry, particularly so, in South Africa. Whereas our Specialty segment performed very well, and our implemented resilience strategies worked out to counterbalance falling market prices, our ferro-chrome segment has been struggling. Benchmark falling quarter by quarter, unfavorable Rand/$ exchange rates, very expensive energy and continuous disruptions of energy supply made it very difficult to operate in South Africa. Afarak, as the smallest of the remaining producers resisted better than others, but heavy losses have been incurred, in spite of huge cost cutting efforts, including lay-offs and capacity reductions. We have temporarily discontinued mining operations in all mines. Some sites like Stellite and Zeerust continue to treat tailings, and/or toll-treat for third parties.

OUTLOOK

In recent months, we succeeded in further reducing cost and a certain outlook of improving markets glimpsed, when the coronavirus hit us all hard. It is difficult today to assess the final consequences that this crisis is going to have on the economy in general, and Afarak in particular. Our top priority today more than ever, is the protection of our colleagues' health and the preservation of our assets. So far, the consequences have been minimal for us outside South Africa, but we cannot exclude that things may get worse, especially if economical shut-downs would occur in certain key markets.

GROWTH STRATEGY

We have further enhanced the PGM recovery in the Stellite mine, and should resume production there by May. This is expected to become one of the most profitable units in Afarak.

If the expected 40% export tax on South African Cr Ore materializes, we expect a recovery of the market and we are ready and prepared to resume mining operations within short time frames.

The same applies for our smelters both in Germany and South Africa, who could go back to full production within weeks. Our Magnesia project in Serbia is another asset with very big potential. Our focus today resides in raising the capital to start creating positive returns there.

THANK YOU

The times are very tough, and we have received enormous commitment and support from our staff across the organisation. I cannot thank them enough. I also wish to extend my deepest thanks to our board members, who help us with valuable advice and support on continuous basis.

GUY KONSBRUCK
CEO

The Ferrochrome and Chrome Ore market

Afarak Group operates primarily in the chrome ore market.

Globally, most of the chrome ore is used in metallurgical applications. However, chrome ore is also used, though to a much lesser extent, in refractories, as foundry sands and as a chemical grade as shown below. Afarak produces ferrochrome which is the main type of chrome used in metallurgical applications, in turn mainly driven by the demand for stainless steel.

Therefore, chrome ore and ferrochrome are very much correlated to the developments of the stainless-steel industry.

2019 Review

The global expansion has weakened with global average growth for 2019 estimated at 2.9%. The tariff increases in the United States and China had a bearing with the latter economy slowing down faster than expected. Growth is expected to contract further in 2020.

STAINLESS STEEL

The Stainless steel production in China, which represents 57% of the world production, grew by about 10% at the expense of the rest of the world last year, with major declines in non-Chinese output, whilst the global stainless steel production grew by 2.2% in 2019, coming from a long period trend of 5,5%, and is expected to grow at the same 2% rate during 2020.

Looking at the main economies in the world, based on the 2019 figures from different sources, Europe decreased of about 8% , USA of about 7% , Japan of about 7% and India of about 7%.

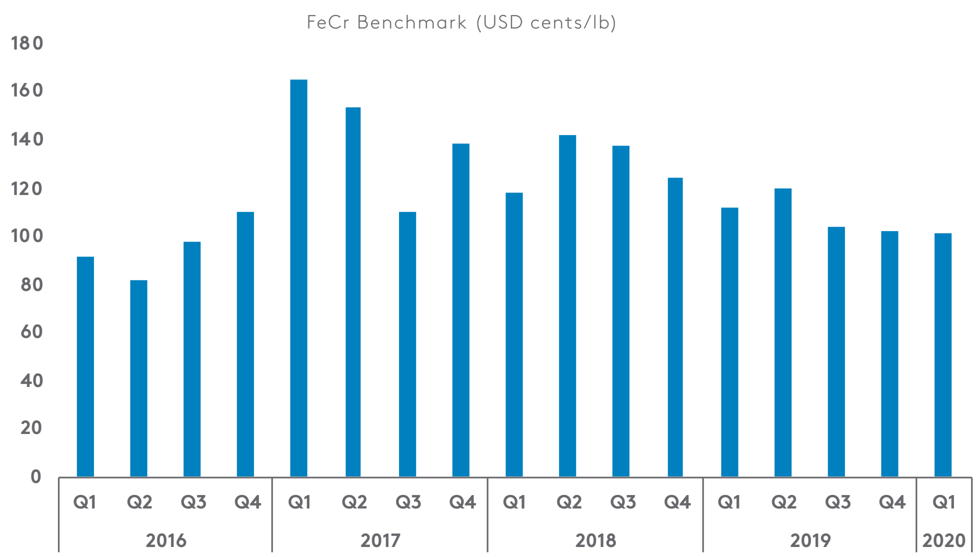
These trends are not only due to a general weak economic situation with weak demand on the end users' side, but also to the competition from imported products as well as in many other Countries.

By the end of 2019 the global purchasing manager indices started to recover in many areas, including China, giving signs that the global growth was reaching the bottom but the spread of the coronavirus has brought even more uncertainty about the trends of the World economy.

During the first quarter of 2020 the Stainless Steel output is projected to fall 7 %YoY but the impact from the latest developments related to the COVID-19 virus outbreak is still unknown. According to SMM, stainless-steel production in China in January decreased by 13.06%, while other market sources mention 17% drop from the previous month.

While is very difficult to predict the trend of the virus spread and the recovery of the economies , some forecasters are predicting a possible world production fall in 2020 ,which might lead to further price pressure on the Chrome raw materials as the stainless market accounts for more than 80% of Chrome units, so the trend in this market is closely followed also by the trend of the Chrome units.

FERROCHROME



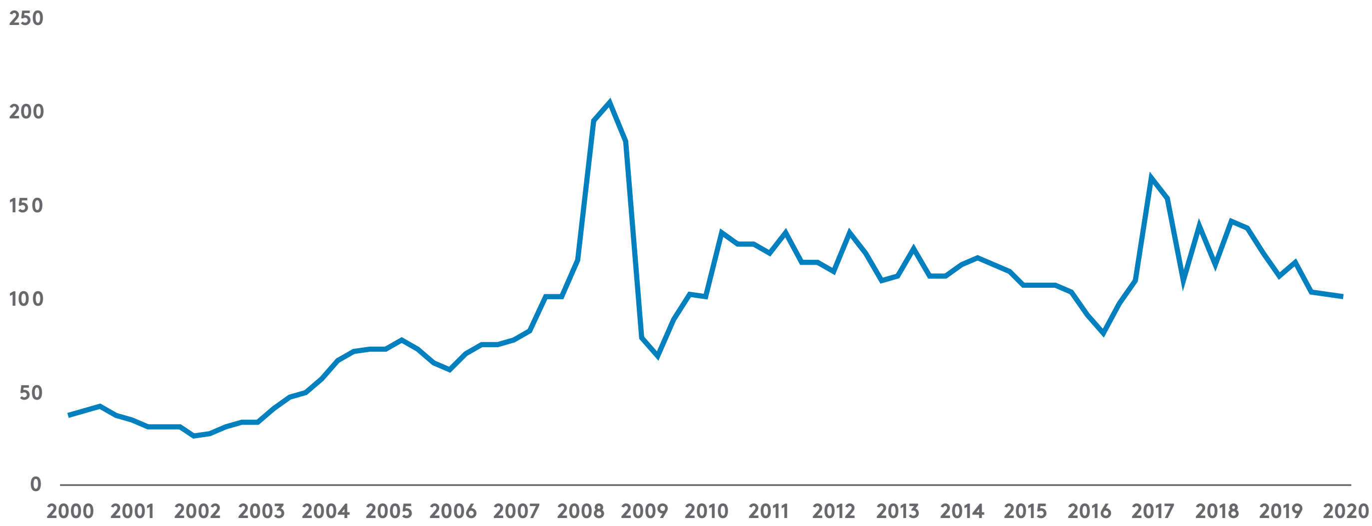
Cr ore and ferrochrome prices have been under sharp downward pressure in 2019, reflecting a weakening demand in China and an excessive production, the global ferrochrome production rose around 9%YoY in H1 2019. Reported Chinese ferrochrome production was running over 20% higher YoY up until July and falling prices led to cuts from loss making South African and Chinese supply. It is estimated that the global ferrochrome production was then cut by around 8%YoY in 2019.

Despite the higher ferrochrome production, chrome ore prices have weakened as South African exports have continued to grow (+6%YoY) and China's ferrochrome producers have drawn down 1Mt of port stocks over the past year. Ore prices have fallen faster in $US terms than Rand terms and serious production cuts did not materialise.

European Ferrochrome benchmark prices were cut by 16c/lb, in the third quarter, to $1.04/lb reflecting lower China prices, and were then cut by a further 2c/lb for fourth quarter deliveries. These are the lowest EBM levels experienced since the end of 2009. Most likely, this is the low point of the cycle. Expected production cuts will probably succeed in stabilsing prices during 2020.

In the medium term, the price for ore needs to hold at levels that will allow sufficient new supply in South Africa which, in turn, largely depends on the ZAR-USD exchange rate. Incremental units from South Africa will become more expensive to produce, suggesting that a price above $200/t CFR China is still likely over the medium term.

FeCr Benchmark (USD cents/lb)



The general expectation in the industry is that prices recover during 2020, however this could be impacted by a macroeconomic incidence, such as the present corona virus epidemic which has already started disrupting production output in China and which extended to other parts of the world, could create further damage that currently cannot be forecasted. The company is currently doing all efforts to manage the situation.

In view of this volatility, building resilience is a key goal for Afarak. Apart from enhancing its vertical-integration, Afarak continues to take measures and undertake investments that will allow it to produce higher value-added products and offer a broader product portfolio.

The Group has taken a conservative view for 2020 and is prepared for weak market conditions, though still expecting lower losses when compared to 2019.

Group Operational Review

Operationally, 2019 presented lower sales and lower production for the Group. In the Speciality Alloys sector, the tonnages gained from the mining sector were partly offset by the contracting in processing activity to address inventory level and lower demand. In the FerroAlloys segment lower mining and processing activity was experienced during the year, mainly driven by Mogale not being in full operation with only one furnace operating. In addition, sales volumes contracted from a year earlier in both the Speciality Alloys and FerroAlloys segments.

Group Sales
81,802mt
(100,567mt)

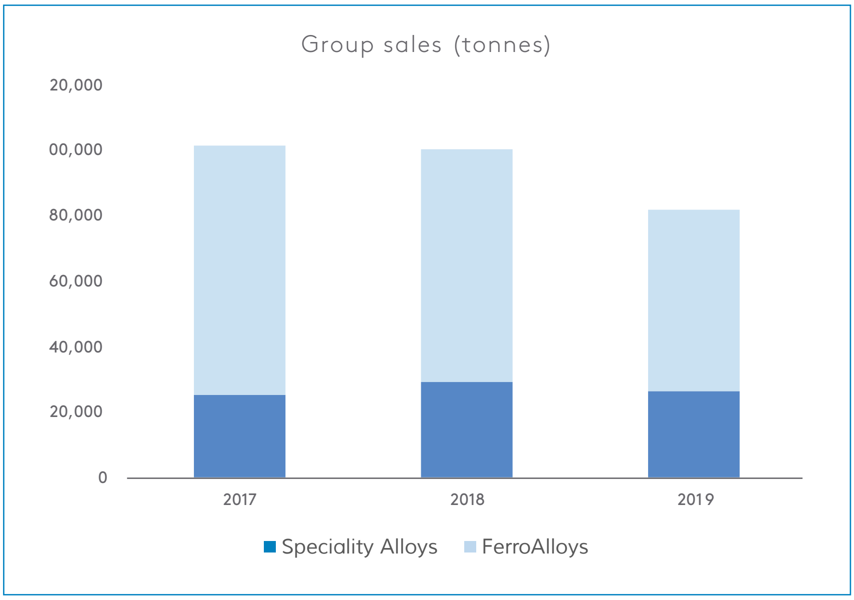
Group Mining
357,557mt
(549,410mt)

Group Processing
69,217mt
(102,120mt)

Human Resources
905
(942)

SALES

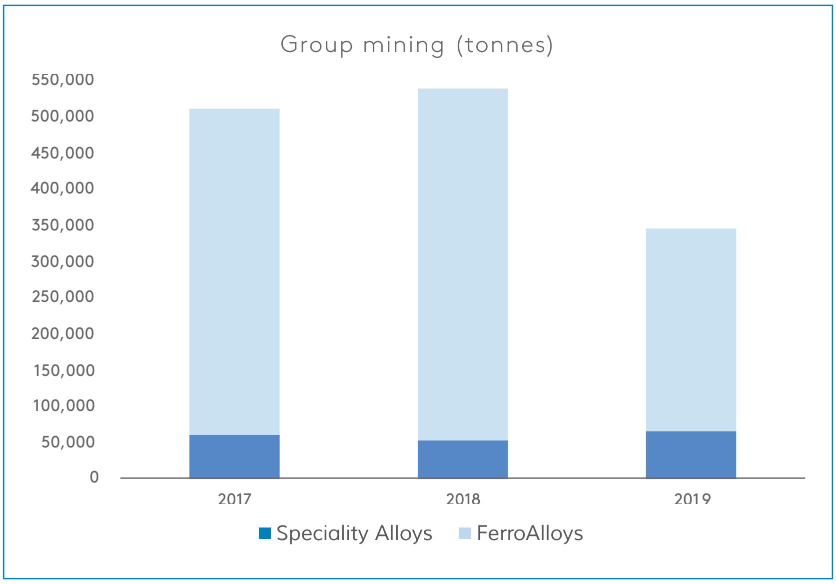
Sales volumes dropped in both the Speciality Alloys and FerroAlloys segments. The Group processing sales stood at 81,802 (100,567) tonnes, representing a contraction of 18.7% when compared to a year earlier. Sales of Speciality Alloys contracted by 2,858 tonnes on account of lower demand. In the FerroAlloys segment, the lower ferrochrome benchmark prices and adverse industry conditions, forced us to change production strategy which led to a decrease of 15,907 tonnes from a year earlier in the FerroAlloys Segment.



GROUP MINING

When compared to a year earlier, Group mining activity decreased by 34.9% and stood at 357,557 (549,410) tonnes, with growth registered in the Turkish mines offset by the lower mining activity in South African mines.

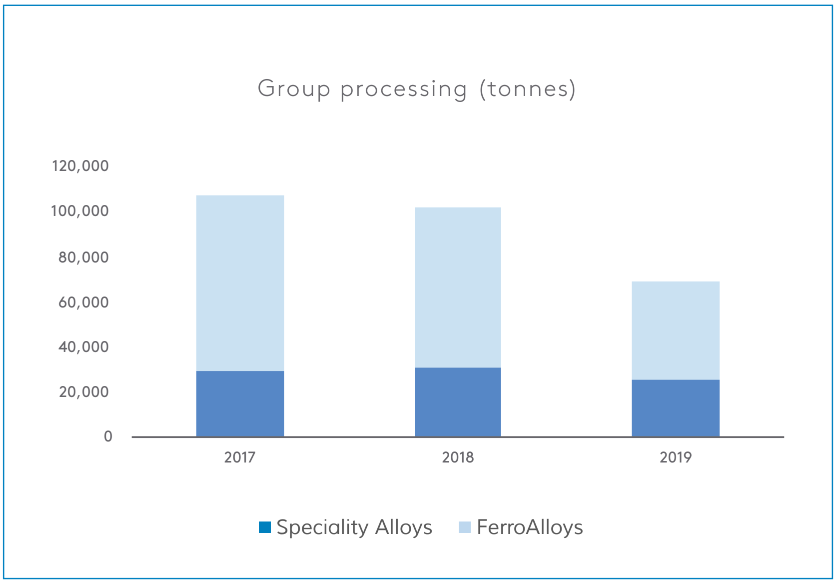
Annual mining levels in the Speciality Alloys segment expanded by 16.7% to 75,251 (64,461) tonnes on account of productivity gains in the mines in Turkey. In the FerroAlloys segment, the mines in South Africa recorded lower mining activity during 2019 of 41.8% to 282,306 (484,949) tonnes due to the weak market conditions. This was mainly driven by significantly lower mining activity at Stellite, and Mecklenburg mine being temporarily closed since the second quarter of 2019. In 2019, Vlakpoort increased its mining activity when compared to prior year and minor mining activity started at Zeerust mine.



GROUP PROCESSING

Group processing for 2019 decreased by 32.2% to 69,217 (102,120) tonnes in both the Speciality Alloys and FerroAlloys segments.

The contraction in Group processing was driven by lower activity in both the Speciality Alloys and FerroAlloys segments. During 2019, processing levels in the Speciality Alloys segment contracted by 17.5% to 25,515 (30,927) tonnes to manage inventory levels and to address lower demand. Processing levels in the FerroAlloys decreased by 38.6% to 43,702 (71,193) tonnes. The interplay of several operational issues in South Africa led to this decline. These were further impacted by the closure of the P2 and P3 furnace in Mogale and extended maintenance shutdown at furnace P1 for replacement of the roof.



HUMAN RESOURCES

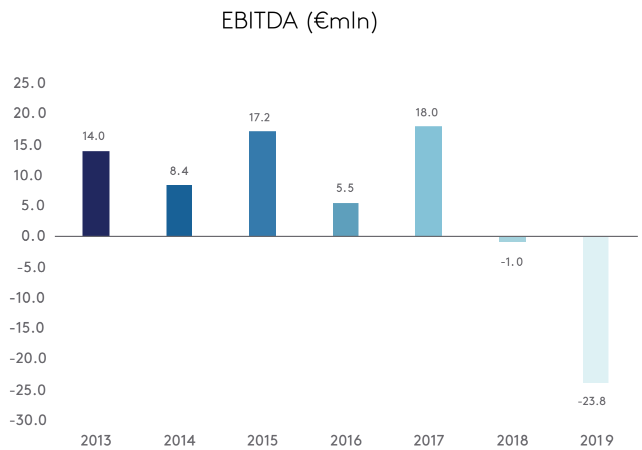
At the end of 2019, Afarak had 905 (942) employees. The average number of employees during the 2019 was 1,022 (932).

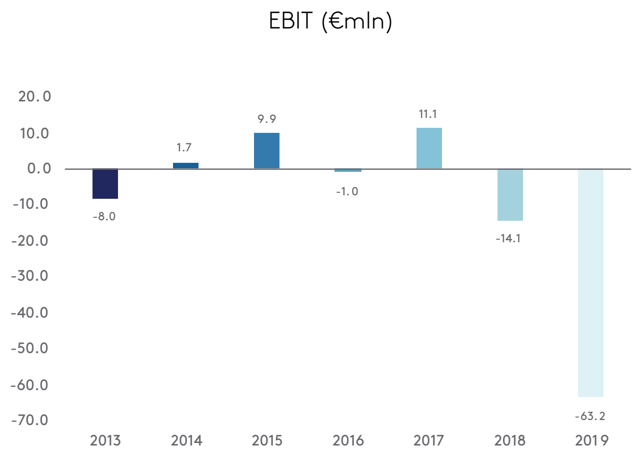
Group Financial Performance

2019 marked a particularly disruptive and difficult year for Afarak. The unforeseen challenges in the South African assets were exacerbated by the lower average ferrochrome benchmark prices. These factors led to the Group posting further poor results when compared to 2018.

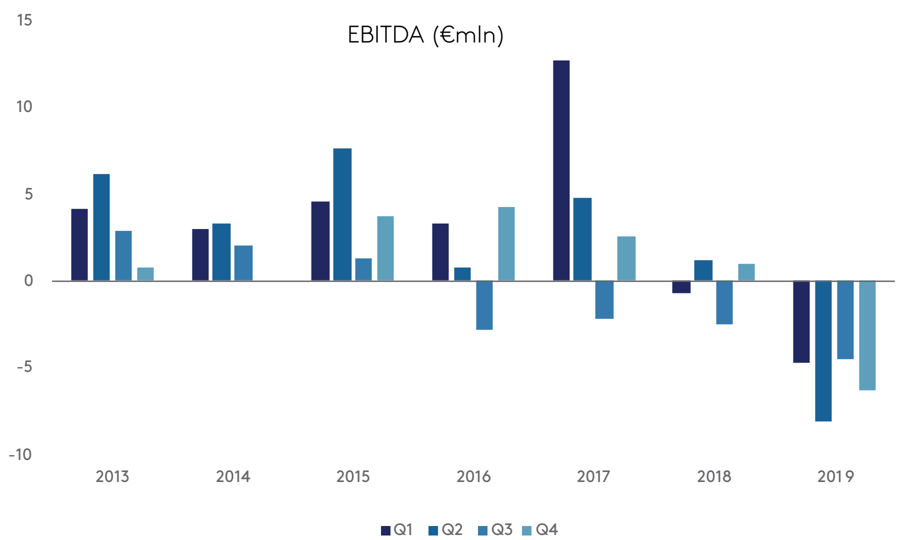
REVENUE	PROFIT	EBIT	EBITDA
€144.9 mln	**€-58.9 mln**	**€-63.2 mln**	**€-23.8 mln**
[€194.0 mln]	[€-18.6 mln]	[€-14.1 mln]	[€-1.0 mln]

The adverse selling prices and the higher unabsorbed costs as a result of lower production during 2019 led to a drop in EBITDA to EUR -23.8 (-1.0) million. Results were also negatively impacted by an impairment write-down on goodwill and other long-term assets related to Mogale business of EUR 32.0 (6.5) million.



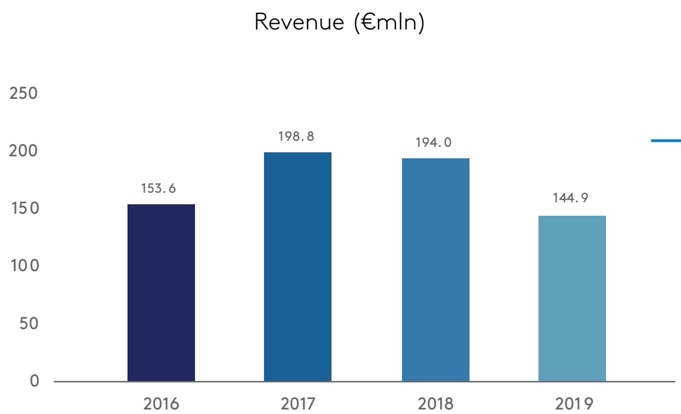


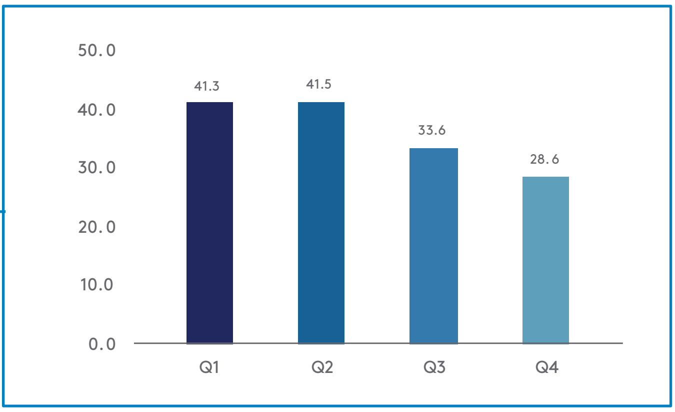
Seasonality remains a key issue effecting our business, with the third quarter being the period impacting us with the electricity winter tariffs in South Africa and the summer slow down in Europe. As a control measure we conduct periodic maintenance during that time. In 2019, the poor performance throughout the year was mainly due to lower ferrochrome benchmark prices and higher unabsorbed costs as a result of lower production.



2019 PERFORMANCE

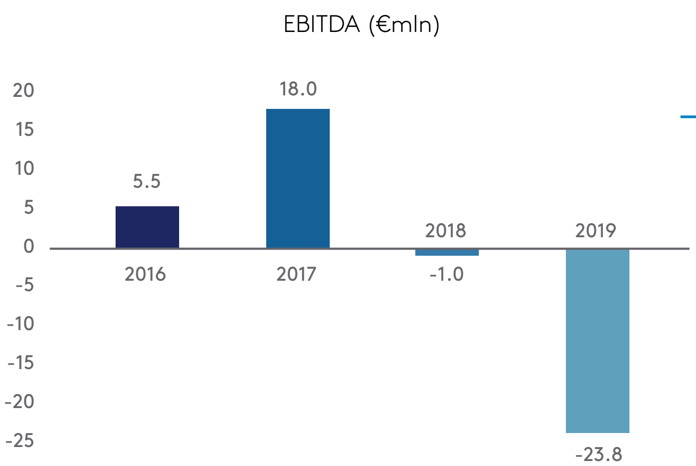
Afarak Group faced a challenging year. The Group revenue for the year decreased significantly by 25.3% and stood at EUR 144.9 (194.0) million. Revenues in both segments were lower when compared to prior year. In the Speciality Alloys segment revenue decreased by 14.2% and in the FerroAlloys segment revenue dropped by 36.3%.

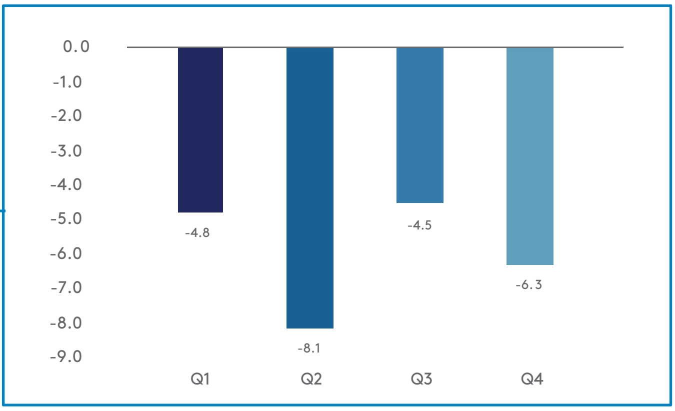




In 2019, revenues in the Speciality Alloys segment decreased to EUR 82.5 (96.1) million due to the unfavourable low carbon ferrochrome selling prices, together with lower sales volumes throughout 2019. In the FerroAlloys segment, the adverse average benchmark prices in 2019 and a contraction in sales volumes caused revenues to decline to EUR 61.8 (97.0) million.

Due to the challenging environment of the FerroAlloys segment in South Africa, profitability for the year was hard-hit when compared to a year earlier. Lower average market prices and adverse conditions in South Africa, primarily relating to lower mining activity and Mogale not being in full operation led to a significant contraction in EBITDA. On the other hand, the performance of the Speciality Alloys segment also negatively affected the Group results. This was mainly driven by lower demand which had an impact on low Carbon FeCr prices and sales volumes, leading to lower Ferrochrome production to manage inventory level, and as a result incurring additional unabsorbed costs. Profitability was also negatively impacted by an impairment write-down on goodwill related to Mogale business of EUR 32.0 (6.5) million. Such negative factors led to a drop in Group EBITDA to EUR -23.8 (-1.0) million.





The full year EBITDA from unallocated items was EUR -7.0 (-5.5) million. The increase is mainly due to provision of EUR 1.5 million was accounted for a penalty payment imposed by FIN-FSA relating to an alleged delay in opening an insider register and additional legal and professional fees incurred amounting to EUR 0.5 million higher than last year mainly due to the repurchase of own shares. EBITDA included EUR -0.9 (-0.6) million, relating to net operating expenditure incurred by the Group in Magnohrom.

EUR MILLION	Q1	Q2	Q3	Q4	FY19	FY18
Revenue	41.3	41.5	33.6	28.6	**144.9**	194.0
EBITDA	-4.8	-8.1	-4.5	-6.3	**-23.8**	-1.0
EBITDA margin	-11.6%	-19.6%	-13.5%	-22.1%	**-16.4%**	-0.5%
EBIT	-6.6	-31.1	-10.1	-15.4	**-63.2**	-14.1
EBIT margin	-16.1%	-74.9%	-29.9%	-53.8%	**-43.6%**	-7.3%
Profit for the period	-7.5	-21.6	-16.3	-13.9	**-58.9**	-18.6

BALANCE SHEET, CASH FLOW AND FINANCING

The performance registered during 2019 had an impact on the Group's balance sheet however management remained focused on prudent cash management.

On 31st July 2019, the Company completed the public tender offer of purchasing own shares. As a result of completing the offer equity of the Company decreased by EUR 26.4 million. Major changes in Balance sheet during the year related to changes resulting from the impairment test reviews of South African minerals processing; a prepayment of USD 30.0 million in relation to an off-take agreement and the acquisition of Synergy Africa.

ROE	ROCE	Equity ratio	Gearing ratio
-52.2%	**-33.0%**	**33.3%**	**74.0%**
(-11.5%)	(-6.0%)	(58.3%)	(8.2%)

Inventories	Turnover-on-inventory	Trade receivables	Cash balance
€30.0 mln	**4.8**	**€12.4 mln**	**€5.4 mln**
(€56.9 mln)	(3.4)	(€27.2 mln)	(€12.1 mln)

The Group's total assets on 31 December 2019 stood at EUR 223.6 (258.6) million and net assets totaled EUR 74.5 (150.9) million. During the year the translation differences on conversion of foreign denominated subsidiaries moved by EUR -3.0 (-2.5) million. The Group's cash and cash equivalents, as at 31 December 2019, totalled EUR 5.4 (12.1) million. Cash flow from operations during the year was EUR -2.1 (3.1) million.

The equity ratio was 33.3% (58.3%). Afarak's gearing at the end of 2019 increased to 74.0% (8.2%), driven by the expansion in the interest-bearing debt to EUR 60.1 (24.4) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the full year of 2019 totalled EUR 5.0 (7.7) million, with the major part being in the Speciality Alloys segment, were TMS continued investing in the new fines tailing plant at Kavak mine, EWW refurbishment of the furnace feeding system and minor investments in the South African operational mines.

Afarak acquired 49% balance of Synergy Africa Ltd previously a joint venture. Afarak now holds 100% of Synergy Africa Ltd and the Joint Venture agreement was terminated. Afarak acquired full control over its mining assets and is now consolidating Synergy Africa as a subsidiary as from 1st April 2019.

The purchase price allocation of the acquisition is presented below. The figures on the table represent the 100% of the assets and liabilities of Synergy Africa which is consolidated into Afarak Group's financial statements.

EUR million	Book value	Fair Value adjustments	Fair Value
Non-current assets	7.6	69.7	77.3
Net working capital	-5.5	0.0	-5.5
Deferred tax	0.0	-19.5	-19.5
Provision	-6.8	0.0	-6.8
Loans	-37.2	0.0	-37.2
Non-controlling interest	3.0	-11.4	-8.4
Net Assets	**-38.8**	**38.8**	**0.0**
Cost of acquisition	0.0		
Net assets acquired	0.0		
Cash flow effect			
Cash consideration paid	0.0		
Cash acquired	0.7		
Net cash	**0.7**		

Intercompany Loans are now eliminated and external loans are now consolidated.

Fair valuation of former Synergy Africa joint venture resulted in a EUR 7.1 million accounting gain.

During the second quarter, Afarak also acquired a further 49% of the shares in Zeerust Chrome Mine, in exchange for total consideration of two million shares in Afarak Group Plc, amounting to Eur 1,654,000. Of which 26% are to be transferred to a prospective BEE partner and therefore Afarak holds and consolidate 74% interest in the company.

Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. This has not yet been executed as there need to be an approval from South Africa Reserve bank and it is expected to be executed in 2020.

TRADING INFORMATION

Afarak Group Plc's shares are listed on the main market of the London Stock Exchange and on NASDAQ Helsinki. Afarak shares are traded on the London Stock Exchange under the trading code AFRK and on the NASDAQ Helsinki under code AFAGR. The ISIN code is FI0009800098 and the trading takes place in Pound Sterling (GBP) and in Euros (EUR).

SHARE PERFORMANCE AND TRADING

During the financial year 2019, the price of Afarak Group's share in London Stock Exchange varied between GBP 0.38 (2018: 0.73) and GBP 0.78 (2018: 0.93) and in NASDAQ Helsinki between EUR 0.40 (2018: 0.67) and EUR0.97 (2018: 1.20). Afarak's share closed in London at the end of the financial year at GBP 0.38 (2018: 0.73) and Helsinki at EUR 0.53 (2018: 0.73). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 252,041,814 (2018: 263,040,695) shares of GBP 94.5 (2018: 190.7) million and EUR 133.8 (2018: 191.0) million.

A total of 248,862 (2018: 28,124) Afarak shares were traded in London and 42,304,860 (2018: 29,237,916) shares in Helsinki during the financial year, representing 0.10% (2018: 0.01%) of stock in London and 16.78% (2018: 11.12%) in Helsinki.

SHAREHOLDERS

On 31 December 2019, the Company had a total of 5,952 shareholders (6,266 shareholders on 31 December 2018), of which eight were nominee-registered. The registered number of shares on 31 December 2019 was 252,041,814 (2018: 263,040,695).

LARGEST SHAREHOLDERS ON 31 DECEMBER 2019

	Shareholder	Shares	%
1	Skandinaviska Enskilda Banken AB	144,331,083	57.3 %
2	Hino Resources Co. Ltd	36,991,903	14.7 %
3	Afarak Group Plc	13,677,599	5.4 %
4	Hanwa Company Limited	9,000,000	3.6 %
5	Joensuun Kauppa ja Kone Oy	6,950,736	2.8 %
6	Nordea Bank ABP	5,639,428	2.2 %
7	Kankaala Markku Olavi	3,576,867	1.4 %
8	Hukkanen Esa Veikko	1,901,840	0.8 %
9	OP Life Assurance Company Ltd	1,066,658	0.4 %
10	Taloustieto Incrementum Ky	1,020,606	0.4 %
	Total	**224,156,720**	**88.9 %**
	Other Shareholders	27,885,094	11.1 %
	Total shares registered	**252,041,814**	**100.0 %**

Afarak Group Plc's Board members and Chief Executive Officer owned in total 1,150,000 (2018: 800,000) Afarak Group Plc shares on 31 December 2019, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.5% (2018: 0.3%) of the total number of registered shares on 31 December 2019.

SHAREHOLDERS BY CATEGORY 31 DECEMBER 2019

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1 - 100	1,061	17.83%	52,595	0.02%
101 - 1000	2,582	43.38%	1,225,518	0.49%
1001 - 10000	1,839	30.90%	6,067,445	2.41%
10001 - 100000	426	7.16%	11,623,502	4.61%
100001 - 1000000	34	0.57%	8,916,034	3.54%
1000001 - 1000000	7	0.12%	29,156,135	11.57%
10000001 -	3	0.05%	195,000,585	77.37%
Total	**5,952**	**100%**	**252,041,814**	**100%**
of which nominee-registered	8	0.13%	151,421,335	60.08%
Total outstanding			**252,041,814**	**100%**

SHAREHOLDERS BY SHAREHOLDER TYPE ON 31 DECEMBER 2019

	% of share capital
Finnish shareholders	**21.59%**
of which:	
Companies and business enterprises	9.84%
Banking and insurance companies	0.81%
Non-profit organisations	0.00%
Households	10.94%
Foreign shareholders	78.41%
Total	100.00%
of which nominee-registered	60.08%

Speciality Alloys Segment

2019 in Review

Specialty Alloys segment continued to perform in a satisfactory way, given the circumstances. Low Carbon ferrochrome prices have also been under pressure, which resulted in lower revenue and lower Ferrochrome production to manage inventory levels and to address lower demand, has led to additional unabsorbed costs. Nonetheless, the Speciality Alloys segment performance was good overall, which indicates stability and consistency within this segment.

REVENUE

€82.5mln

(€96.1mln)

EBITDA

€6.8mln

(€12.6mln)

EBIT

€4.5mln

(€10.8mln)

MINING PRODUCTION

75,251mt

(64,461mt)

PROCESSING PRODUCTION

25,515mt

(30,927mt)

SALES OF PROCESSED MATERIALS

26,609mt

(29,467mt)

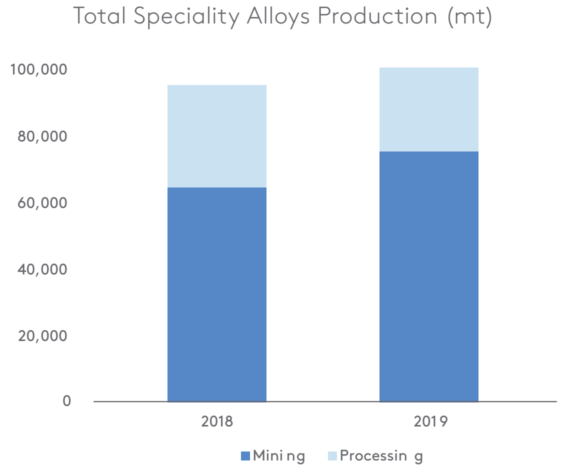
PERSONNEL

534

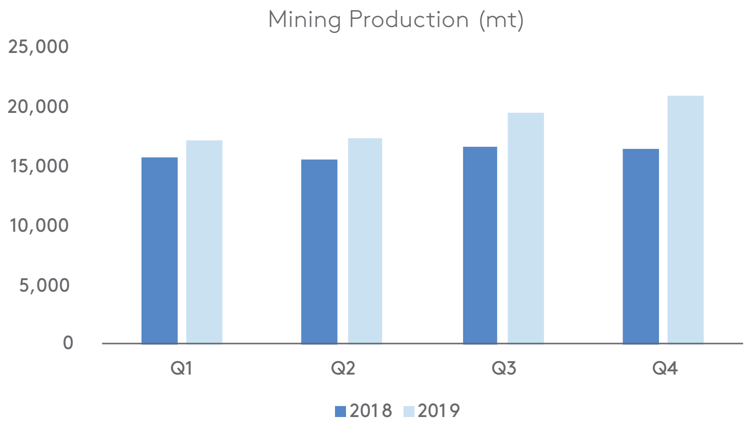
(526)

PRODUCTION

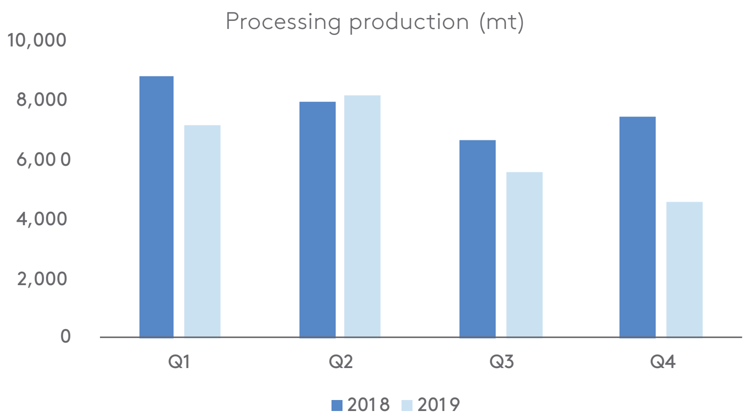
Total production levels during 2019 increased by 5.6% to 100,765 (95,388) tonnes driven by an increase in mining tonnages, which was partly offset by the lower production of processed material, were there was an earlier shutdown to manage inventory level. The mining activity at both



Turkish mines increased significantly by 16.7% during the year when compared to prior year.

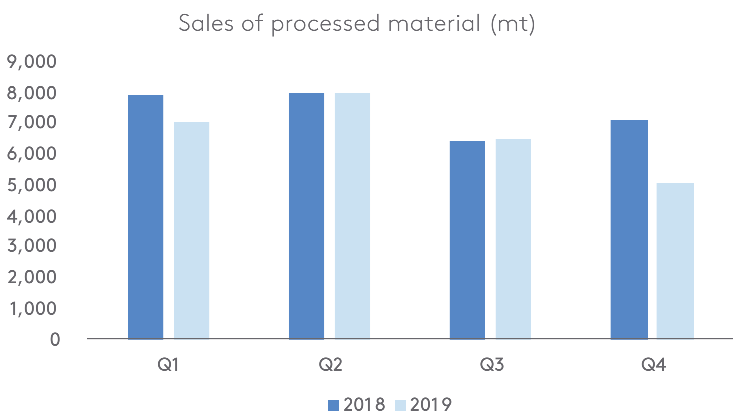


The production of processed material decreased by 17.5% following various temporary shutdowns during the year to manage inventory level.



SALES

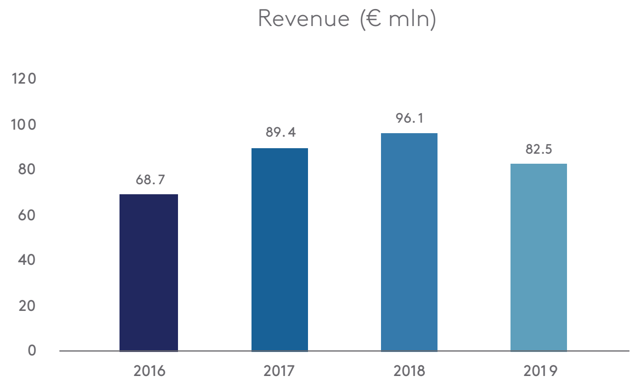
The unfavourable low carbon ferrochrome selling prices, together with lower sales volumes throughout 2019 resulted in a decrease in revenue for the full year.

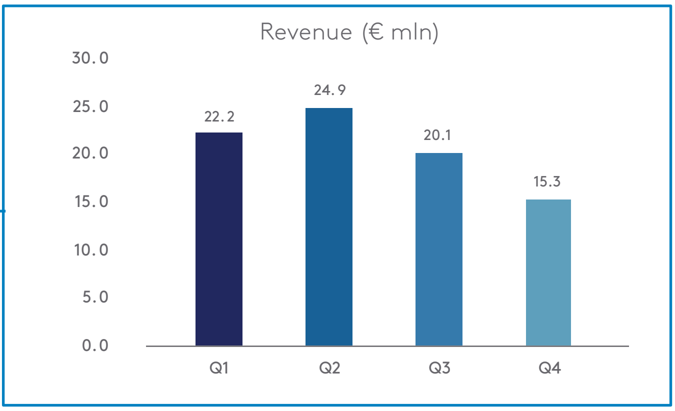


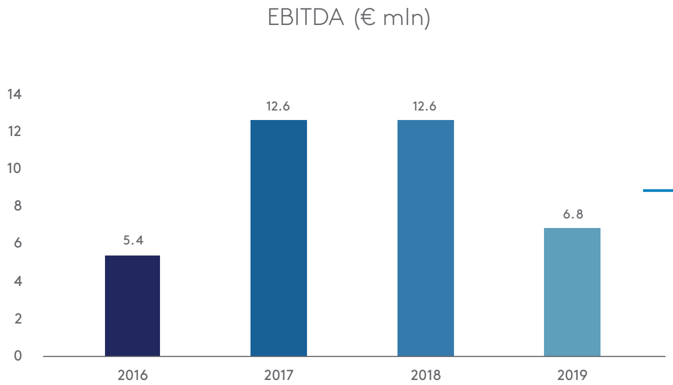
FINANCIAL PERFORMANCE

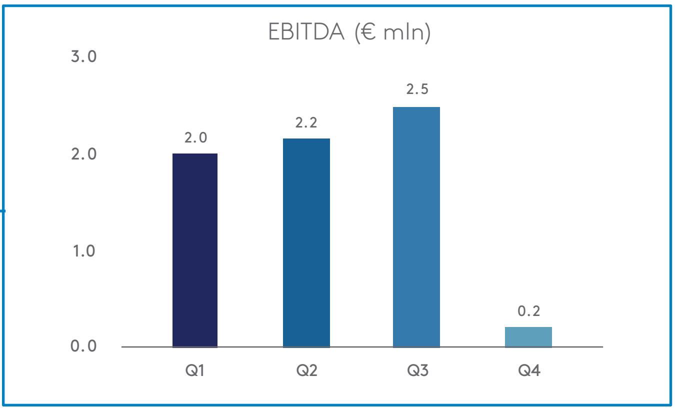
The unfavourable low carbon ferrochrome selling prices, together with lower sales volumes throughout 2019 resulted in a decrease in revenue for the full year by 14.2%, to EUR 82.5 (96.1) million. The lower Ferrochrome production to manage inventory levels and to address lower demand, has led to additional unabsorbed costs of EUR 2.1 million in 2019. The above factors negatively impacted profitability during 2019, which caused EBITDA to decrease to EUR 6.8 (12.6) million when compared to prior year.

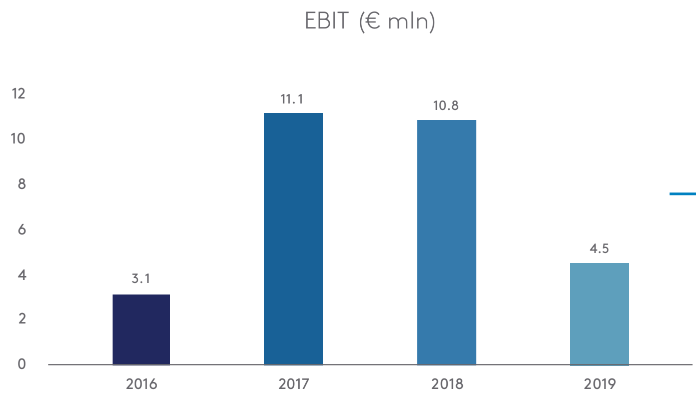
EUR MILLION	Q1	Q2	Q3	Q4	FY19	FY18
Revenue	22.2	24.9	20.1	15.3	82.5	96.1
EBITDA	2.0	2.2	2.5	0.2	6.8	12.6
EBITDA margin	9.0%	8.7%	12.4%	1.4%	8.3%	13.1%
EBIT	1.4	1.5	1.8	-0.3	4.5	10.8
EBIT margin	6.4%	6.1%	9.1%	-1.9%	5.4%	11.2%

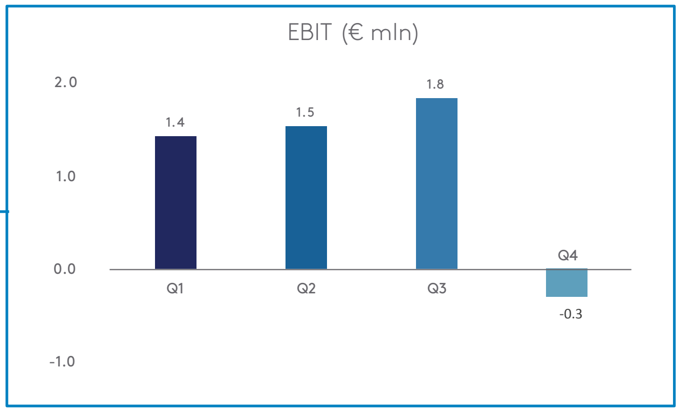












LOOKING AHEAD

Afarak will continue concentrating on specialities. Management is focused on optimising production costs. Through various initiatives and with the cooperation of its staff, Afarak is becoming much more responsive to market needs and trends.

FerroAlloys Segment

2019 in Review

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

REVENUE
€61.8mln
(€97.0mln)

EBITDA
€-23.6mln
(€-8.1mln)

EBIT
€-60.3mln
(€-19.3mln)

MINING PRODUCTION
282,306mt
(484,949mt)

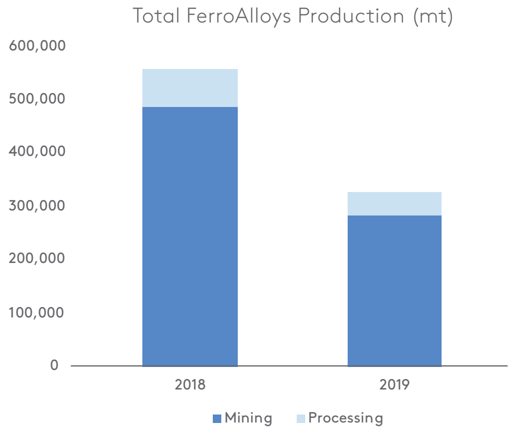
PROCESSING PRODUCTION
43,702mt
(71,193mt)

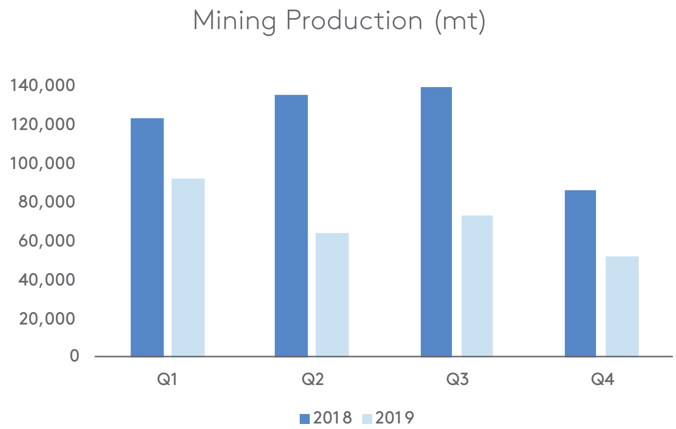
SALES OF PROCESSED MATERIALS
55,193mt
(71,100mt)

PERSONNEL
307
(324)

PRODUCTION

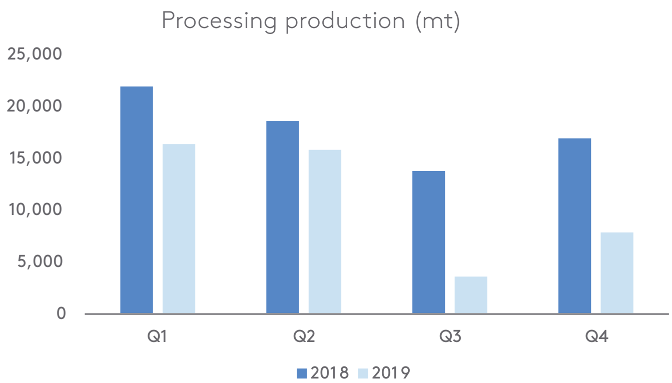
Operationally, the segment registered a decrease in total production by 41.4% to 326,008 (556,142) tonnes.





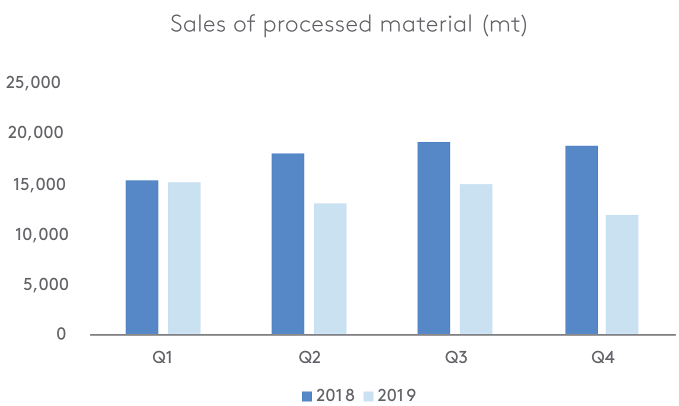
This decrease was mainly due to no mining activity at Mecklenburg mine, since the second quarter of 2019, due to lower mining activity at Stellite mine when compared to prior year. Marginal increase in mining activity was recorded in Vlakpoort mine when compared to 2018, and minor mining activity started at Zeerust Chrome mine in 2019.

During the second half of 2019, our processing plant, Mogale was not in full operation, as both AC furnaces P2 and P3 were switched off and an extended maintenance was carried out at furnace P1 for replacement of the roof. As a result, the processing levels at Mogale during 2019 were down by a 38.6% contraction and stood at 43,702 (71,193) tonnes.



SALES

The sales of processed material from the FerroAlloys segment declined by 15,907 tonnes throughout the year with a significant contraction as from the second quarter of 2019.

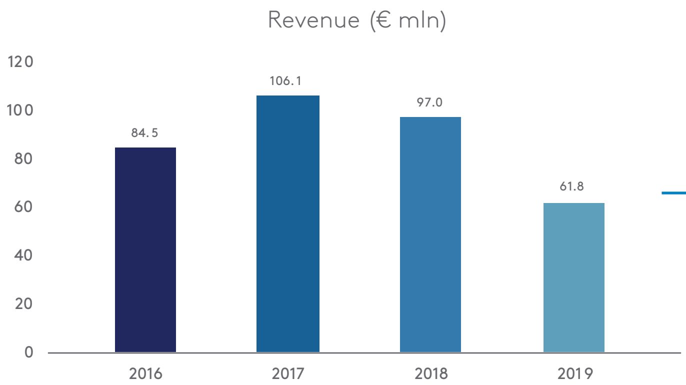


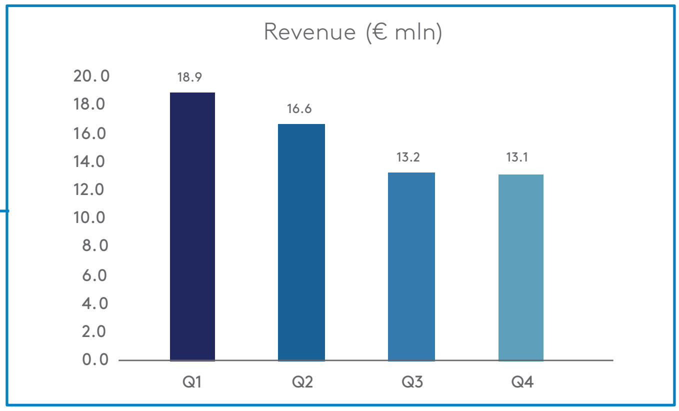
The contraction in sales of processed material is mainly due to the lower average ferrochrome benchmark prices. In addition, the decline in production levels did not support the sales function.

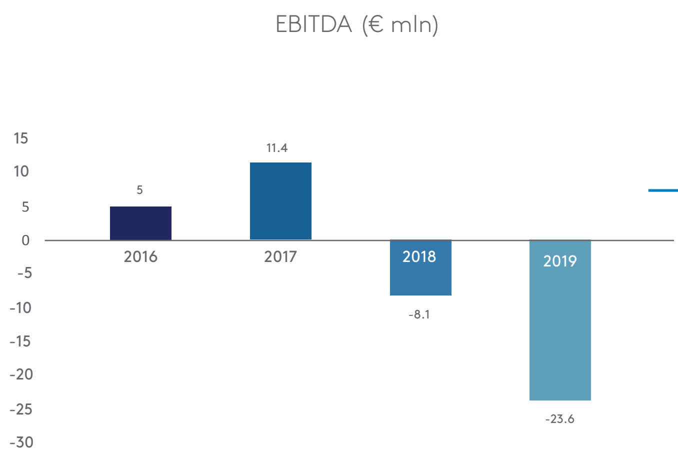
FINANCIAL PERFORMANCE

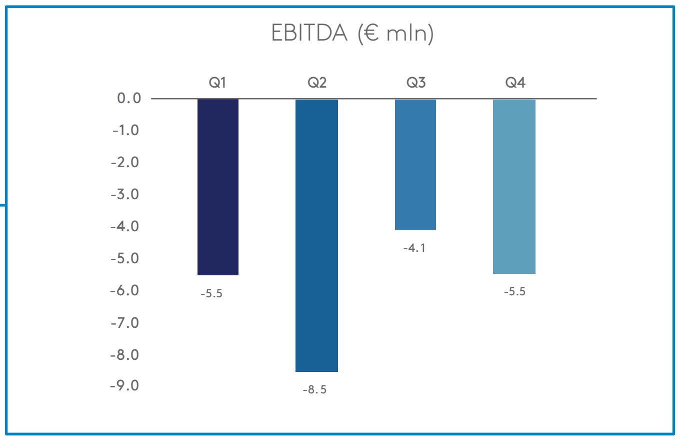
The adverse ferrochrome benchmark prices and the market conditions made 2019 a challenging and difficult year for the FerroAlloys segment.

EUR MILLION	Q1	Q2	Q3	Q4	FY19	FY18
Revenue	18.9	16.6	13.2	13.1	61.8	97.0
EBITDA	-5.5	-8.5	-4.1	-5.5	-23.6	-8.1
EBITDA margin	-29.2%	-51.4%	-31.0%	-41.5%	-38.2%	-8.4%
EBIT	-6.8	-30.9	-8.9	-13.7	-60.3	-19.3
EBIT margin	-36.0%	-185.7%	-67.8%	-104.6%	-97.6%	-19.9%

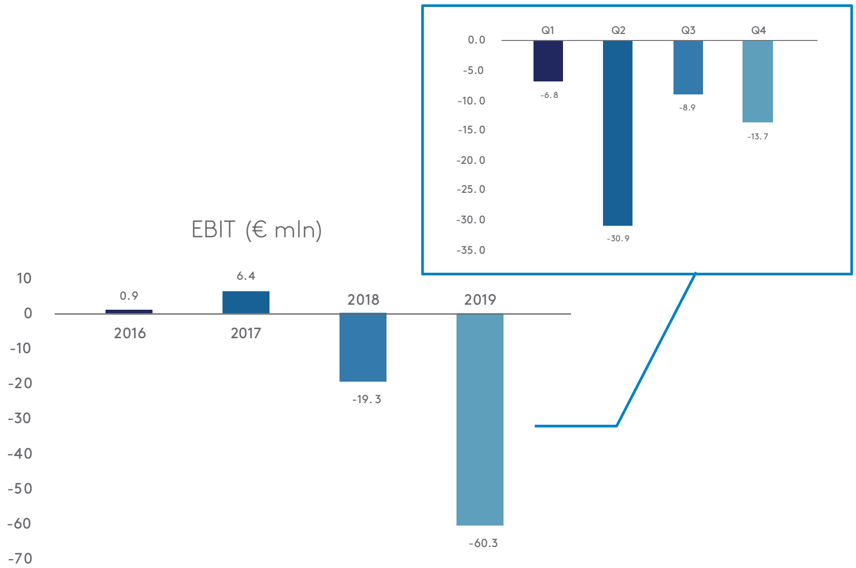








The lower ferrochrome benchmark prices negatively impacted sales volumes and revenues. During the year Mogale was not in full operation and the mines in South Africa recoded lower mining activity, which resulted in higher unabsorbed costs. Performance was impacted also by unsustainable energy costs and disruptive availability. During the year, profitability was further adversely impacted by an impairment on goodwill and other long term assets related to Mogale business of EUR 32.0 (6.5) million and an inventory theft at Mogale of EUR 2.1 million.



LOOKING AHEAD

The Group is responding to these challenging circumstances and is prepared for a longer period of subdued markets. We have cut maximum cost in the loss-making assets in South Africa and will do all that is necessary to achieve a break-even point. We have reduced headcount in both Stellite and Mogale. We have temporarily discontinued operations in the mines Mecklenburg, Zeerust and partially in Stellite. In Mogale only one furnace is currently operating. Market participants expect a higher benchmark in the foreseeable future. If this would not materialise, the company will assess the possibility of discontinuing charge chrome production temporarily.

Risk Management

Afarak's prudent approach to risk management is a crucial component of our continued success and is present in managing all aspects of our performance.

By understanding and managing risk, we provide greater certainty and confidence for our shareholders, employees, customers, suppliers and host communities. In fact, we believe that successful risk management can be a source of competitive advantage.

Our risks are viewed and managed on a Group-wide basis. As a truly global operation, managing diversity in our operations, portfolio of products, geographies, economies and currencies is a key characteristic of our risk management approach.

Risk management is one of the key responsibilities of the Board and its Audit and Health & Safety Committees.

2019 DEVELOPMENTS

2019 was a tough year for Afarak. The Audit and Risk Management Committee played a key role in monitoring the risk management function of the Group.

The Audit Committee, together with management, continued improving internal processes and procedures to mitigate critical risks. Certain production decisions were also taken in view of the lower benchmark prices.

A risk mitigation initiative was done in South Africa and further actions were taken to strengthen existing operations. The Company has cut maximum cost in the loss-making assets in South Africa and will do all that is necessary to achieve a break-even point. Headcount were reduced in both Stellite and Mogale and temporarily discontinued operations in the mines Mecklenburg, Zeerust and partially in Stellite. In Mogale, two furnaces P2 and P3 were switched off and is currently operating with one furnace.

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 have had a negative impact on Afarak's current operations. If this situation is not remedied quickly, it could lead to a discontinuation of our smelting activity in South Africa.

The evolution of the Coronavirus epidemic, which started disrupting production output in China and which extended to other parts of the world, could create further damage that currently cannot be forecasted. The Company is currently doing all efforts to manage the situation.

Management continued to work closely with the Units to provide continuous monitoring and oversight in accordance with the Group's risk management policy. Health & safety and the stated aim of 'Zero-Harm' will continue to be a central pillar of the Company's risk management strategy

PRINCIPAL RISKS

While a number of different risks may have an effect on the results and operations to various degrees, the following describes the key types of risks faced by Afarak in the normal course of business.

EXTERNAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Foreign exchange exposure	**• Direct risk – commercial cash flows and currency positions** **• Indirect risk – loss of competitiveness within the industry**	The Group constantly evaluates the need to enter into forward contract arrangements
Interest rate risks	**Changes in interest rates can** **• Influence the repayment of loans** **• Impact the profitability of investments** **• Alter the fair value of the Group's assets**	The Group constantly evaluates the need to enter into forward contract arrangements

Volatility of energy costs	**May negatively impact Afarak's current operations, particularly its processing plants, which could have a consequent effect on the Group's operating and financial results. It may also impact the plans to expand its operations and implement its growth strategy**	The Group constantly evaluates the need to enter into financial arrangements to mitigate such risk
Political and social risks	**• Changes in the mining, employment and fiscal regulatory environment may materially adversely affect the business and its financial results • Operations may be affected to varying degrees by government regulations**	Afarak seeks to maintain good relationships with stakeholders
Pandemic risk	**• Pandemic can cause significant disruption and may adversely affect demand and the business as a whole • Operations will also be affected if lockdown imposed**	In an event of a pandemic, Afarak will enforce necessary clothing protection and sanitation on site for the well-being of our employees, and will abide with local enforcements as they develop
Price risks	**The Group's processing operations are exposed to the availability, quality and price fluctuations in raw materials**	• The price risks on input materials and commodities are managed by pricing contracts so that, where possible, any changes in input materials and commodities may be absorbed in the sales prices • The Group's business units seek long-term contract agreements with known counterparties where possible
Price and demand volatility in the commodities markets	**The global market for Group's products may not progress or develop at the levels forecast and a drop in demand for the Group's products could have an adverse effect on the Group's revenues and profits**	• Using its strong customer interface and market intelligence to adjust its production volumes to match demand • Adapting its diverse product mix to meet customer requirements

FINANCIAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Liquidity risk - whether Afarak has sufficient liquidity to service and finance its operations and pay back loans	**Materialised liquidity risks may cause • Overdue interest expenses • Negative impact to the Group's relationship with its goods and service suppliers • Affect the pricing and other terms for input goods and services**	• The Group continuously assesses its working capital to ensure that it has sufficient funds to meet its liabilities • Prepares and assess forecast reports
Credit risks	**• Afarak's key customers are typically long business relationships including major international steel and stainless steel companies and some specialty agents selling to the steel sector. • Major changes in that industry's future outlook or profitability could increase the Group's credit risk**	• Afarak assesses the likelihood that a borrower will default on the debt obligations • Analyse credit limit

Acquisition and organic growth strategy risk	• **There is a risk that the investment will not perform as expected and the group will not achieve the desired future operating cash flows and profitable results from the investment** • **There is a risk that the Group might not be able to find the appropriate site or to obtain the necessary licences to develop and operate or to secure the required financing**	The Group's policy is to carry out extensive R&D Analysis to mitigate the risk that such investment will not be successful

OPERATIONAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Loss of key suppliers	**Adverse effect on operations, which could impact the Group's operating and financial results**	• Afarak carries out continuous financial health checks of key suppliers • Evaluations of key supplier controls in order to minimise the impact associate with disruption • Assess safety and security stock levels • Understand alternate supply options and how long it will take to employ alternatives
Competition & Rivalry	**May negatively impact Afarak's current operations which could have a consequent effect on the Group's operating and financial results. It may also impact the plans to expand its operations and implement its growth strategy**	Afarak continuously monitors industry trends and adjusts its growth strategy accordingly. Afarak builds its resilience through the development of niche growth areas.
Distribution network risk	**This may have adverse effect on operations which could impact the Group's operating and financial results**	To mitigate this risk Afarak has standard operating procedures in place for most foreseeable circumstances
Technology risk	**There may be advances in technology which the company is not aware off or has not kept abreast with which may eventually hinder the operating activity of the company and affect the financial results**	Afarak regularly assesses the latest technological equipment and software available on the market
Loss of key personnel or the engagement of inappropriate personnel	**Adverse effect on operations, particularly its processing plants, which could impact the Group's operating and financial results**	• Regularly re-assesses its remuneration policies and packages to attract and retain suitably skilled and qualified personnel • The remuneration commitee is focused on attracting and retaining such talent

COMPLIANCE RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Legal risks	**Legal disputes may relate to contractual or other liabilities or environmental or other regulatory matters**	The Group has legal teams wherever it operates and constantly reviews its contracts to ensure that it is duly safeguarded.
Employment legislation	**If not observed, may negatively impact Afarak's financial results**	Afarak regularly re-assesses its policies in terms of employment legislations
Tax risks	**Changes in tax laws and regulation, or a change in interpretation of the tax authorities in the different jurisdiction we operate in could have an adverse impact on Afarak's financial results**	Afarak keeps abreast with changes in tax regulation and external experts are appointed to assist in identifying potential tax liabilities and ensuring compliance with the tax legislation
Data protection risk	**If data protection legislation is not observed, the business may be adversely affected and have an impact on the financial results**	Data protection law is closely and regularly assessed in terms of the Group operations

SUSTAINABILITY RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Risk of mining and smelting accidents (fire, flooding, rock bursts, weather conditions, seismic events and other natural phenomena)	**This could affect both employees and operations, resulting in suspension of operations**	• "Zero Harm" policy • Health and safety guidelines, policies and procedures • Continuous employee training
Social risk	**Industry or social unrest and labour actions may materially adversely affect the business and its financial results by temporarily closing down operations**	Afarak seeks to resolve the matters with all stakeholders to reduce the impact on its operation
Environmental risks	• **Direct potential harm to the environment** • **Potential post-production rehabilitation or landscaping obligations**	• Environmental risks are managed closely and regularly assessed • Regular assessment of environmental liabilities • External experts are appointed to assist in identifying potential liabilities and ensuring compliance with environmental legislation

Sustainability

Afarak understands that sustainability is critical to any business and industry. We want to proceed in the right way at all levels of our business. Our sustainability initiatives are built around four main pillars that are integrated in our decision-making.

Our employee's safety is our top priority. It comes before anything else and we do not take any shortcuts. In this regard, we are constantly focusing on improving the health and well-being of our co-workers and care for the communities around our operation facilities. As a primary sector company, we feel committed to gradually minimising our ecological footprint.

The communities that host our operations are important stakeholders and we are proud of the reputation that we have built in the years of our co-operation.

OUR COMMITMENT

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

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

SAFETY

Afarak strives to achieve what we call "Zero Harm Policy" at all levels of our operations and provides its employees and contractors a safe and healthy work environment.

Afarak holds regular Board committees dedicated to health and safety with the aim of integrating the Group operations to address the social, environmental, health and safety position of all stakeholders. The programme focusing on pro-active safety and environmental measurements continued in 2019 aiming to achieve "Zero Harm".

During 2019, the Group's employees contributed approximately 2,333,048 working hours during which the company suffered 44 (15) accidents that caused loss of time. Lost Time Injury (LTI) is defined as any work-related injury or illness which prevents a person from doing any work the day after the accident.

We are proud that no fatalities happened on our sites for the second year running.

Fatal Injury
0
(0)

Lost Time Injury
44
(15)

Frequency Rate
18.9
(17.7)

Incidence Rate
52.6
(47.5)

Going forward, management remains focused on further improving the safety performance at Afarak through various initiatives and investments.

HEALTH

We are improving the conditions for our employees by providing a safe working environment as well as tackling important health issues such as HIV/AIDS (especially in South African operations). Along with safety, health is a top priority for Afarak.
By granting healthcare to our co-workers, we can actively contribute to their long-term well-being.

In our factories we assess, monitor and control the risks of our workers.

We also want our employees' physical capabilities to be compatible with the requirements of their respective jobs. To help achieve this goal, we conduct routine health checks on all sites. These checks include drug and alcohol testing. We are also reviewing the possibility of organising shifts in the mines to minimise any fatigue-related injuries.

To conclude, Afarak remains committed to investing in the health of its workforce and local community.

ENVIRONMENT

We aim to demonstrate our environmental responsibility by minimising our environmental impact. Our environmental intervention rests on four main pillars.

WATER MANAGEMENT

Water is a shared and limited resource. We aim to preserve water sources, manage and recycle our use of water whilst providing access to clean water.

In Turkey, the TMS management has continued to focus on improving health and safety practices in their mines in Turkey and has succeeded to implement the previous year's expansion in terms of employees and assets. Our investments in the plants in Turkey in terms of water conservation and management, have increased our ability to improve the protection of the environment.

WASTE MANAGEMENT

We intend to minimise the waste our activity produces. Most of the waste our activity generates is tailings from mining. Tailings are usually a big concern for mining companies. However, through our beneficiation stages, Afarak is able to recycle and yield more chrome content from mined goods, thus reducing the amount of tailings too. The new tailings plant in Kavak, Turkey now recycle mined goods, reduce volume of tailings, whilst increasing the yield of more chrome content from mined goods.

LAND REHABILITATION

We aim to manage our land responsibly throughout the lifecycle of our assets.

To this end, we are working on projects to rehabilitate mines we currently work in. We recognise that our activities impact the grounds on which we work. By reestablishing land, managing its biodiversity and considering the needs of locals, we can reduce the level of our environmental impact. The rehabilitation work in Mecklenburg benefit from the local tree and shrubbery nursery we have supported, as their supply trees and plants to Afarak will also support the local flora and fauna.

AIR EMISSIONS

Our activity carries an influence on air quality and CO_2 emissions. Our dependence on electricity is also a source for CO_2 emissions which we would like to decrease by shifting toward alternative sources of energy.

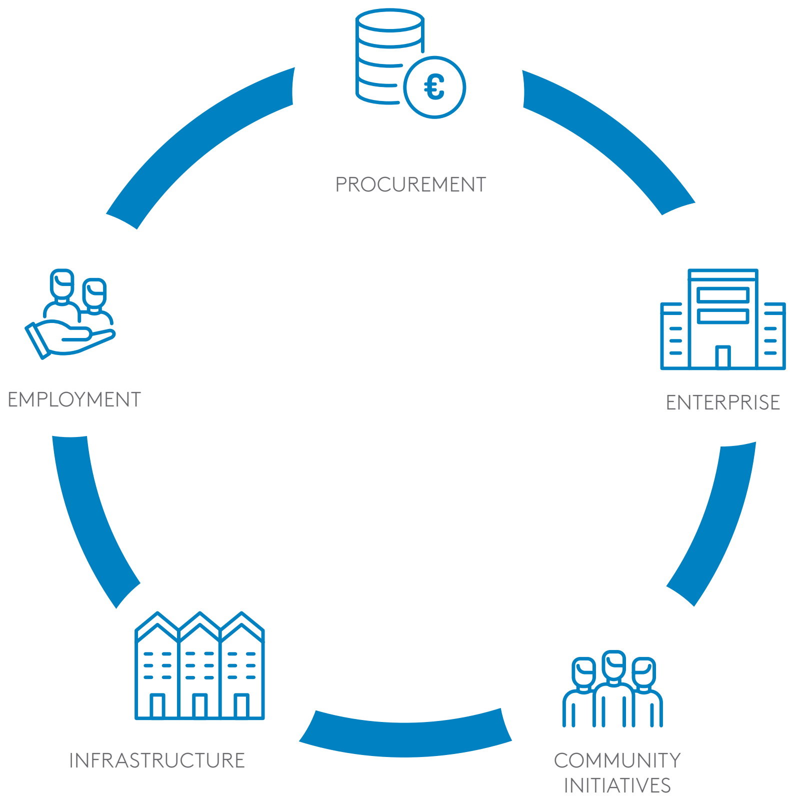
COMMUNITIES & HUMAN RIGHTS

We bring economic benefits to the countries we work in by employing people, buying goods and services, paying taxes and royalties, and investing in infrastructure and healthcare. We are firm believers that through our operations we deliver socio-economic benefits to our host communities.

We are committed to building and maintaining constructive, long-lasting relationships with our stakeholders, including our host communities. Speaking openly and transparently with all our stakeholders is vital for our future and maintaining good relationships with the host community.

We uphold values of mutual respect, social cohesion and human rights within our staff, communities and contractors.

Finally, we take pride in creating social value through five main pillars:



EMPLOYMENT

By providing direct and indirect employment, we believe that we are making a tangible contribution to our host communities.

INFRASTRUCTURE

Throughout the years, we have helped our local communities with their infrastructural requirements. This year, we have concluded various investments including a road project that will improve connectivity between a local community and a school. This road is also expected to bring additional benefits to the community.

COMMUNITY INITIATIVES

We continue to support local communities with various assistance programs that are of a social and educational nature.

ENTERPRISES

We work closely with local enterprises and support their development. For example, in mining we are coaching local contractors from our host community to develop their business.

PROCUREMENT

In our procurement, we work closely with local enterprises to support the local economy.

LOOKING AHEAD

Afarak will remain committed to upholding and raising the value of sustainability in its operations. Health and safety remain a key priority for the Board and a review of safety policies & procedures is underway. With the goal of improving safety at all plants. Environmental investments are important to Afarak and initiatives will continue throughout 2020 to further minimise the impact of our operations on nature. Also, community investments will be maintained.

2

Resource Statement

Executive Summary

Aligning with the Afarak Group strategy to increase its measured mineral resource base, the aim of this document is to provide a Mineral Resource and Mineral Reserve Statement as at 30 November 2019 for:

(i) **Chromitite** for Mecklenburg, Stellite and Vlakpoort Mines respectively as well as for
(ii) **Platinum Group Metals (PGM)**, specifically Platinum, Palladium and Gold, in the Chromitite seams for Stellite and Vlakpoort Mines. Mecklenburg Mine is excluded due to the fact that the Platinum Group Metals (PGM) rights at Mecklenburg Mine do not belong to Afarak and therefore do not satisfy the all requirements for reporting.

The **Chromitite** exploration results reported at Vlakpoort Mine remained the same at **1.947** million tonnes. Mining at Vlakpoort commenced during the second quarter of 2018 subsequent the granting of a new- order mining right for Vlakpoort Mine by the Department of Mineral Resources. There is continuous planned exploration program at Vlakpoort Mine with the aim to possibly extending the proven mineral resources area towards the South-Western side of the exiting mining area. The exploration conducted in year 2019 has identified various regional as well as local geological and structural alterations and - inherent complexities. Further exploration programs are planned in order to understand the complexity of geological structures and also to increase the level of confidence in both Mineral Resource and Reserve at Vlakpoort Mine.

The combined **PGM Mineral Resources** for Stellite and Vlakpoort as declared at 30 November 2019, decreased from that declared in December 2018, by **0.093 million tonnes** from **26.086 to 25.993 million tonnes**. Which resulted in PGM **2E+Au ounces** decreasing by **0.001 million ounces** from **1.2563 million to 1.2552 million ounces**.

The decrease in **PGM Mineral Resources** from November 2019 as compared to December 2018 can be ascribed to Vlakpoort LG1-3 and LG6 depletion in the respective open pits.

The baseline summary of Stellite **PGM** Mineral Resources was based on the Venmyn Deloitte (Pty) Ltd Competent Persons report for June 2017. Due to the fact that the current PGM plant is yet to prove economic viability and the feasibility to extract PGM's, are still in progress, no Mineral Reserves can be declared for Stellite as yet.

In compiling this as well as the previous report, actual production figures were used for 2018 as well as 2019 respectively. Reserves and Resources is thus based on the historical baseline Mineral Reserve and Mineral Resource report and – information prior to December 2017, taking the depletion due to production as well as to **add** a dilution factor of 15% to the production tonnages (for Resources) into account to convert production tonnages into in-situ tonnages.

Stellite Mine

Chromitite Mineral Resource for Stellite Mine

The Chromitite Mineral Resource for Stellite declared on 30 November 2019 decreased by **0.080** million tonnes from **28.752** to **28.672** million tonnes as compared to those declared in December 2018 mainly due to due to depletion.

The chrome grade and Cr to Fe ratio **35.46%** and **1.32** respectively is the representative weighted averages of the total **28.672** million tonnes.

Only the MG3 Chromitite seam was mined during this period.

Stellite LG6-MG4 tailings mineral reserve and resource remained unchanged at **0.225** million tons as well as the chrome grade and Cr to Fe ratio at **24.10 %** and **1.14** respectively.

Mineral Reserves' (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Stellite: Tailings				**Stellite: Tailings**			
LG6-MG4	225	24.1	1.14	LG6-MG4	225	24.1	1.14
Stellite: Open Pit				**Stellite: Open Pit**			
MG4	1,111	30.39	1.2	MG4	1,306	31.86	1.22
MG3	604	30.64	1.18	MG3	708	31.68	1.19
MG2	346	35.98	1.32	MG2	405	37.20	1.32
MG1	598	37.72	1.4	MG1	700	39.00	1.4
LG6+6A	103	33.68	1.37	LG6+6A	120	38.11	1.46
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	1,211	33.59	1.24
LG6 + 6A	2,702	34.98	1.36	LG6 + 6A	4,222	37.7	1.41
Total Proved Reserves	**5,689**	**33.52**	**1.30**	**Total Measured Resources**	**8,897**	**35.55**	**1.33**
PROBABLE:				**INDICATED:**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4	3,015	30.75	1.2	MG4	3,526	32.25	1.23
MG3	1,276	30.82	1.16	MG3	1,492	31.68	1.19
MG2	948	36.08	1.28	MG2	1,109	37.30	1.31
MG1	1,914	37.53	1.38	MG1	2,239	38.80	1.41
LG6+6A	239	33.88	1.43	LG6+6A	280	38.54	1.46
Stellite: Underground				**Stellite: Underground**			
MG4	262	32.69	1.22	MG4	306	33.8	1.25
LG6 + 6A	3,628	34.26	1.38	LG6 + 6A	4,243	37.5	1.41
Total Proved Reserves	**11,282**	**33.60**	**1.30**	**Total Indicated Resources**	**13,195**	**35.58**	**1.33**
Total Proved & Probable Reserves	**16,971**	**33.57**	**1.30**	**Total Measured & Indicted Resources**	**22,092**	**35.57**	**1.33**
				INFERRED			
				Stellite: Open Pit			
				MG4	1,440	33.18	1.24
				MG3	2,110	32.64	1.26
				MG2	1,920	37.10	1.32
				MG1	1,070	38.90	1.41
				LG6+6A	40	37.82	1.44
				Total Inferred Resources	**6,580**	**35.11**	**1.30**
				Total Resources	**28,672**	**35.46**	**1.32**

Table 1.a: Shows the Chromitite Mineral Reserves and Resources for Stellite Mine as at 30 November 2019.

PGM Mineral Resource

for Stellite Mine

No Mineral Reserves or Measured Mineral resources could be declared for Stellite yet as the feasibility study to extract PGMs, are still in progress.

The **Indicated and Inferred PGM Mineral Resources** for Stellite as declared at 30 November 2019, remained the same as that declared in December 2018, namely **18.642 million tonnes**. The resulting PGM resources declared in 2E+Au ounces are **0.927 million ounces**.

The total declared PGM mineral resource remain the same due to the fact that PGM mineral resources for Stellite are declared in only the **Indicated and Inferred Mineral Resource reporting categories**.

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	2E + Au	Ozs		Tonnage (kt)	2E+Au	Ozs
PROVED:				**MEASURED:**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4				MG4	-	-	-
MG3				MG3	-	-	-
MG2				MG2	-	-	-
MG1				MG1	-	-	-
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	-	-	-
MG4				MG3	-	-	-
MG4				MG2	-	-	-
MG4				MG1	-	-	-
Total Proved				**Total Measured Resources**	-	-	-
PROBABLE:				**INDICATED:**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4				MG4	952	1.40	42,855
MG3				MG3	440	1.78	25,183
MG2				MG2	698	1.73	38,828
MG1				MG1	722	0.84	19,501
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	-	-	-
MG4				MG3	-	-	-
MG4				MG2	-	-	-
MG4				MG1	-	-	-
Total Probable				**Total Indicated Resources**	**2,812**	**1.40**	**126,367**
Total Proved & Probable Reserves				**Total Measured & Indicted Resources**	**2,812**	**1.40**	**126,367**
				INFERRED			
				Stellite: Open Pit			
				MG4	5,710	1.38	253,370
				MG3	3,950	2.13	270,531
				MG2	2,740	2.06	181,492
				MG1	3,430	0.86	94,849
				Total Inferred Resources	**15,830**	**1.57**	**800,241**
				Total Resources	**18,642**	**1.55**	**926,608**

Table 1.b: Shows the PGM Mineral Reserves and Resources for Stellite Mine as at 30 November 2019.

Mecklenburg Mine

The Chromitite Mineral Resources for Mecklenburg declared as at 30 November 2019 decreased by **0.0190** million tonnes from **8.412** to **8.393** million tonnes as those declared in December 2018 mainly due to due to depletion of the remaining open-Pit (65m high-wall) area. No underground mining was conducted during 2019.

The Chromitite Mineral Reserves for Mecklenburg declared for open-Pit (65m high-wall) as at 31 December 2018, decreased from that declared in December 2017 from **0, 0739** to **0.055 million tonnes** mainly due to depletion.

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Mecklenburg: Open Pit				**Mecklenburg: Open Pit**			
LG6+6A	28	40.76	1.58	LG6+6A	55	44.10	1.64
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6+6A	2,682	41.85	1.57	LG6+6A	4,190	43.66	1.59
Total Proved Reserves	**2,710**	**41.84**	**1.57**	**Total Measured Resources**	**4,245**	**43.67**	**1.59**
PROBABLE:				**INDICATED:**			
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6+6A	1,924	41.83	1.57	LG6+6A	3,006	43.37	1.59
Total Proved & Probable Reserves	**4,634**	**41.84**	**1.57**	**Total Measured & Indicted Resources**	**7,251**	**43.54**	**1.59**
				INFERRED			
				Mecklenburg: Underground			
				LG6+6A	1,142	43.41	1.59
				Total Resources	**8,393**	**43.53**	**1.59**

Table 2. Shows the Chromitite Mineral Reserves and Resources for Mecklenburg Mine as at 30 November 2019.

The chrome grade and Cr to Fe ratio of 43.57% and 1.59 respectively is the representative calculated weighted averages of the total 8.393 million tonnes. There was no sampling done in 2018 and 2019.

Vlakpoort Mine

Mining at Vlakpoort commenced during the second quarter of 2018 subsequent the granting of a new-order mining right for Vlakpoort Mine by the Department of Mineral Resources. Please note that the opencast resource is calculated up to a 40m HW.

The Chromitite Mineral Resources for Vlakpoort as at 30 November 2019 decreased by **0.093** million tonnes from **4.630** to **4.537**million tonnes from that declared in December 2018 from mainly due to depletion.

The Chromitite exploration results reported at Vlakpoort Mine remained the same at **1.947** million tonnes. There is continuous planned exploration program at Vlakpoort with the aim to possibly extending the proven mineral resources. The exploration conducted in year 2019 has identified various regional as well as local geological and structural alteration. Further exploration programs are planned in order to understand the complexity of geological structures and also to increase the level of confidence in both Mineral Resource and Reserve.

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Vlakpoort: Open Pit				**Vlakpoort: Open Pit**			
LG1-3	0	37.30	1.74	LG1-3	0	41.57	1.82
LG5	18	39.12	1.52	LG5	42	38.77	1.55
LG6	1	36.72	1.51	LG6	77	36.85	1.53
MG1-4	52	29.72	1.25	MG1-4	131	30.01	1.29
UG1-2	101	22.40	1.14	UG1 -2	164	21.46	1.12
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6	0			LG6	398	33.32	1.59
UG2	0			UG2	754	19.65	1.06
Total Proved Reserves	**172**	**32.18***	**1.32****	**Total Measured Resources**	**1,566**	**33.42***	**1.52****
PROBABLE:				**INDICATED:**			
Vlakpoort: Open Pit				**Vlakpoort: Open Pit**			
LG1-3	0	37.93	1.78	LG1-3	1	41.57	1.86
LG5	3	35.01	1.45	LG5	10	39.92	1.55
LG6	37	31.25	1.63	LG6	64	33.95	1.58
MG1-4	16	30.52	1.36	MG1-4	75	29.92	1.35
UG1-2	9	27.09	1.22	UG1 -2	24	27.61	1.25
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6	O			LG6	793	33.92	1.58
UG2	O			UG2	421	19.83	1.06
Total Probable Reserves	**65**	**31.24***	**1.54****	**Total Indicated Resources**	**1,388**	**33.68***	**1.56****
Total Proved & Probable Reserves	**237**	**31.92**	**1.38**	**Total Measured & Indicted Resources**	**2,954**	**33.54**	**1.54**

INFERRED			
Vlakpoort: Open-Pit			
LG1 -3	27	41.55	1.79
LG5	0		
LG6	1	28.61	1.59
MG1 -4	119	33.67	1.30
UG1 -2	0		
Vlakpoort: Underground			
LG6	1,321	33.67	1.59
UG2	115	20.27	1.08
Total Inferred Resources	**1,583**	**33.88***	**1.57****
Total Resources (Excl Exploration Results)	**4,537**	**33.64**	**1.55**
EXPLORATION RESULTS			
Vlakpoort: Open-Pit			
LG1 -3	50	36.86	1.82
LG6	365	33.55	1.60
MG1 & MG3	25	33.60	1.65
MG4 & MG4a	264	29.70	1.23
Vlakpoort; Underground			
LG6	1,243	34.16	1.60
Total exploration Results	**1,947**	**33.50**	**1.56**
Total Resources (Incl Exploration Results)	**6,484**	**33.60***	**1.55****

NOTES:
* Excluding Cr_2O_3 % of UG1, UG2 and MR
** Excluding Cr:Fe (ratio) of UG1, UG2 and MR

Table 3. Shows the Chromitite Mineral Reserves and Resources for Vlakpoort Mine as at 30 November 2019.

Combined Chromitite Mineral

Resource and Reserve Statemente

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Stellite Tailings				**Stellite Tailings**			
LG6 - MG4	225	24.1	1.14	LG6 - MG4	225	24.1	1.14
Stellite: Open Pit				**Stellite: Open-Pit**			
MG4	1,111	30.39	1.20	MG4	1,306	31.86	1.22
MG3	604	30.64	1.18	MG3	788	31.68	1.19
MG2	346	35.98	1.32	MG2	405	37.20	1.32
MG1	598	37.72	1.40	MG1	700	39.00	1.40
LG6 + 6A	103	33.68	1.37	LG6 + 6A	120	38.11	1.46
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	1,211	33.59	1.24
LG6 + 6A	2,702	34.98	1.36	LG6 + 6A	4,222	37.7	1.41
Mecklenburg: Open Pit				**Mecklenburg:Open-Pit**			
LG6 + 6A	28	40.76	1.58	LG6 + 6A	55	44.10	1.64
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6 + 6A	2,682	41.85	1.57	LG6 + 6A	4,190	43.66	1.59
Vlakpoort: Open Pit				**Vlakpoort: Open-Pit**			
LG1 -3	0	37.93	1.78	LG1 -3	0	41.57	1.82
LG5	3	35.01	1.45	LG5	42	38.77	1.55
LG6	37	31.25	1.63	LG6	77	36.85	1.53
MG1 -4	16	30.52	1.36	MG1 -4	131	30.01	1.29
UG1 -2	9	27.09	1.22	UG1 -2	164	21.46	1.12
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6	0			LG6	398	33.32	1.59
UG2	0			UG2	754	19.65	1.06
Total Proved Reserves	**8,464**	**36.17***	**1.39****	**Total Measured Resources**	**14,708**	**37.95***	**1.41****
PROBABLE:				**INDICATED**			
Stellite: Open Pit				**Stellite: Open-Pit**			
MG4	3,015	30.75	1.20	MG4	3,526	32.25	1.23
MG3	1,276	30.82	1.16	MG3	1,492	31.68	1.19
MG2	948	36.08	1.28	MG2	1,109	37.30	1.31
MG1	1,914	37.53	1.38	MG1	2,239	38.80	1.41
LG6 + 6A	239	33.88	1.43	LG6 + 6A	280	38.54	1.46
Stellite: Underground				**Stellite: Underground**			
MG4	262	32.69	1.22	MG4	306	33.8	1.25
LG6 + 6A	3,628	34.26	1.38	LG6 + 6A	4,243	37.5	1.41
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6 + 6A	1,924	41.83	1.57	LG6 + 6A	3,006	43.37	1.59

Vlakpoort: Open Pit			
LG1 -3	0	37.93	1.78
LG5	3	35.01	1.45
LG6	37	31.25	1.63
MG1 -4	16	30.52	1.36
UG1 -2	9	27.09	1.22
Vlakpoort: Underground			
LG6	0		
UG2	0		
Total Probable Reserves	**13,271**	**34.78***	**1.34****
Total Proved & Probable Reserves	**21,735**	**35.32**	**1.36**

Vlakpoort: Open-Pit			
LG1 -3	1	41.57	1.86
LG5	10	39.92	1.55
LG6	64	33.95	1.58
MG1 -4	75	29.92	1.35
UG1 -2	24	27.61	1.25
Vlakpoort: Underground			
LG6	793	33.92	1.58
UG2	421	19.83	1.06
Total Indicated Resources	**17,589**	**36.84***	**1.39****
Total Measured & Indicated Resources	**32,297**	**37.34**	**1.40**
INFERRED			
Stellite: Open-Pit			
MG4	1,440	33.18	1.24
MG3	2,110	32.64	1.26
MG2	1,920	37.10	1.32
MG1	1,070	38.90	1.41
LG6 + 6A	40	37.82	1.44
Mecklenburg: Underground			
LG6 + 6A	1,142	43.41	1.59
Vlakpoort: Open-Pit			
LG1 -3	27	41.55	1.79
LG5			
LG6	1	28.61	1.59
MG1 -4	119	33.67	1.30
UG1 -2	0		
Vlakpoort: Underground			
LG6	1,321	33.67	1.59
UG2	115	20.27	1.08
Total Inferred Resources	**9,305**	**35.93***	**1.38****
Total Resources (Excl Exploration Results[2])	**41,602**	**37.03**	**1.39**
EXPLORATION RESULTS			
Vlakpoort: Open-Pit			
LG1 -3	50	36.86	1.82
LG6	365	33.55	1.60
MG1 & MG3	25	33.60	1.65
MG4 & MG4a	264	29.70	1.23
Vlakpoort: Underground			
LG6	1,243	34.16	1.60
Total Exploration Results	**1,947**	**33.50**	**1.56**
Total Resources (Incl Exploration Results[2])	**43,549**	**36.87***	**1.40****

"NOTES:
* Excluding Cr2O3 % of UG1, UG2 and MR
** Excluding Cr:Fe (ratio) of UG1, UG2 and MR"

Table 4. Shows the Combined Chromitite Mineral Reserves and Resources for Stellite, Mecklenburg and Vlakpoort as at 30 November 2019.

Combined PGM Mineral
Resource and Reserve Statemente

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				MEASURED:			
Vlakpoort: Open Pit				Vlakpoort: Open-Pit			
LG1 -3	-	-	-	LG1 -3	0	0.18	0
LG5	-	-	-	LG5	42	0.74	999
LG6	-	-	-	LG6	77	0.46	1 138
MG1 -4	-	-	-	MG1 -4	131	1.13	4 760
UG1 -MR	159	1.4	7,158	UG1 -MR	205	1.77	11 667
Vlakpoort: Underground				Vlakpoort: Underground			
LG6	-	-	-	LG6	398	0.43	5,503
UG2	-	-	-	UG2	754	4.04	97,947
MR	-	-	-	MR	618	2.15	42,723
Total Proved Reserves	**159**	**1.40**	**7,158**	**Total Measured Resources**	**2,225**	**2.30**	**164,738**
PROBABLE:				INDICATED			
Stellite: Open Pit				Stellite: Open Pit			
MG4				MG4	952	1.40	42,855
MG3				MG3	440	1.78	25,183
MG2				MG2	698	1.73	38,828
MG1				MG1	722	0.84	19,501
Vlakpoort: Open Pit				Vlakpoort: Open-Pit			
LG1 -3	-	-	-	LG1 -3	1	0.22	8
LG5	-	-	-	LG5	10	0.66	212
LG6	-	-	-	LG6	64	0.40	823
MG1 -4	-	-	-	MG1 -4	75	0.85	2 050
UG1 -MR	9	0.19	55	UG1 -MR	24	0.31	239
Vlakpoort: Underground				Vlakpoort: Underground			
LG6	-	-	-	LG6	793	0.43	10,964
UG2	-	-	-	UG2	421	4.45	60,240
MR	-	-	-	MR	208	2.96	19,797
Total Probable Reserves	**9**	**0.19**	**55**	**Total Indicated Resources**	**4,408**	**1.56**	**220,700**
Total Proved & Probable Reserves	**168**	**1.34**	**7,213**	**Total Measured & Indicated Resources**	**6,633**	**1.81**	**385,439**
				INFERRED			
				Stellite: Open-Pit			
				MG4	5,710	1.38	253,370
				MG3	3,950	2.13	270,531
				MG2	2,740	2.06	181,492
				MG1	3,430	0.86	94,849

Vlakpoort: Open-Pit			
LG1 -3	27	0.23	198
LG5	0	-	-
LG6	1	0.42	14
MG1-4	119	1.00	3 826
UG1 -MR	0	-	-
Vlakpoort: Underground			
LG6	1,321	0.42	17,840
UG2	115	4.78	17,675
MR	-	-	-
Total Inferred Resources	**17,413**	**1.50**	**839,794**
Total Resources (Excl Exploration Results²)	**24,046**	**1.58**	**1,225,233**
EXPLORATION RESULTS			
Vlakpoort: Open-Pit			
LG1	10	0.30	96
LG2	7	0.17	38
LG3	33	0.27	286
LG6	365	0.42	4,929
MG1	20	0.85	547
MG3	5	1.67	268
MG4 + 4a	264	0.87	7,385
Vlakpoort: Underground			
LG6	1,243	0.41	16,387
Total exploration Results	**1,947**	**0.48**	**29,938**
Total Resources (Incl Exploration Results)	**25,993**	**1.50**	**1,255,171**

Table 5. Shows the Combined PGM Mineral Reserves and Resources for Stellite, Mecklenburg and Vlakpoort as at 30 November 2019

Historical Information

The information in this statement that is based on and relates to Exploration Results and Mineral Resources is based on the Mineral reserve and resource report and information compiled by Hermanus Berhardus Swart, a Competent Person who is a Professional Natural Scientist registered with South African Council for Natural Scientific Professions accredited (No. 400101/00) and a Member of the Geological Society of South Africa, each of which is a "Recognised Professional Organisation" (RPO) that is included in a list that is posted on the ASX website from time to time. Hermanus Berhardus Swart, the Competent Person is employed by Dunrose Trading 186 (PTY) Ltd trading as Shango Solutions, which provides services as geological consultants. The Competent Person has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), the 2001 Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves in the United Kingdom, Ireland and Europe (IMMM) as well as the 2007 edition of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC). The Competent Person consents to the inclusion of the matters based on his information in the form and context in which it appears.

Competent Persons

The information in this statement that relates to Exploration Results and Mineral Resources is based on the historical baseline Mineral Reserve and Mineral Resource report and information compiled by Hermanus Berhardus Swart. No warranty or guarantee, whether expressed or implied, is made by the authors with respect to the completeness or accuracy of any aspect of historical information.

The Mineral Resource and Mineral Reserve Statement Information for this report compiled by:

1. Cuan Berner Kloppers: Chief Consulting Geologist, Afarak SA Mining, Pr.Sci.Nat (reg no:400092/04), EDP (UNISA SBL), NDip (Geology), NHDip, Geotechnology, MTech Research only (Industrial Minerals).

Both the people named above are Competent Persons who are both Professional Natural Scientists registered with South African Council for Natural Scientific Professions accredited and Members of the Geological Society of South Africa, each of which is a "Recognized Professional Organisation" (RPO) that is included in a list that is posted on the ASX website from time to time.

Both the Competent Persons, listed above, has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), the 2001 Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves in the United Kingdom, Ireland and Europe (IMMM) as well as the 2007 edition of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC). The Competent Persons consents to the inclusion of the matters based on his information in the form and context in which it appears.

Cuan B Kloppers
24 December 2019

Kavak mine and Tavas mine

Turkish mines Resource and reserves

ORE ZONE/ BODY	Cr2O3 %	Proven Reserve (T)	Probable (T)	Possible (T)	Total Reserve (T)	Hypothetical Resources (T)
ESKISEHIR KAVAK CONCESSIONS						
Kismet+Dereici	16-41	4,000.00		2,000	6,000	
Bogurtlen+Erenler 2	20-22	27,000.00			27,000	
	16-20	0.00			0	
Camasirlik 2	16-18	29,275.00		30,000	59,275	
Erenler	7-10	2,000,000.00			2,000,000	
Erenler 4-18	16-35	35,000.00			35,000	1,500,000
Erenler 1+ Yeni paralel		198,300.00		300,000	498,300	
Erenler 18 alt yeni adese1/ Güney		7,250.00		20,000	27,250	
İncir 70-91 yeni adese 2				51,000	51,000	
İncir +batı yeni adese 3 /Kuzey	15-40	100,000.00		50,000	150,000	
Kuzey doğu	25-30	136,250.00		100,000	236,250	
TOTAL	**7-41**	**2,537,075**	**0**	**553,000**	**3,090,075**	**1,500,000**
TAVAS BEYAGAC CONCESSIONS						
Sarp-Gogebakan Oc.	30-40	10,000		5,000	15,000	7,500
Cigerderesi Ocak	20-35	100		2,900	3,000	17,000
Dere Ocak	21-30	740		500	1,240	10,000
Catak	18-20	2,500		2,500	5,000	23,000
Cinar Ocak	28-34	20,000		10,000	30,000	15,000
Sehremen-Keller Oc.	14-26	20,000		10,000	30,000	20,000
Degirmendere		1,000		4,000	5,000	5,000
TOTAL	**14-34**	**54,340**	**0**	**34,900**	**89,240**	**97,500**
FETHIYE & KOYCEGIZ CONCESSIONS						
Cubuk -Umut	8-20	97,783		230,000	327,783	165,000
Asarcik-Karacam	22-26	550		1,350	1,900	10,000
Mesebuku	24-28	1,400		3,500	4,900	55,000
Kizil Akdag	16-20	400		1,300	1,700	28,000
TOTAL	**8-28**	**100,133**	**0**	**236,150**	**336,283**	**258,000**
ADANA CONCESSIONS						
Yetimli -Sogukoluk	12-22	12,000		30,000	42,000	80,000
Egni	14-25	9,644		10,000	19,644	10,000
TOTAL	**12-14**	**21,644**	**0**	**40,000**	**61,644**	**90,000**
ESKISEHIR EAGLE CONCESSION						
East new	16-44	15,000		5,000	20,000	100,000
West	30-48	60,000		10,000	70,000	
TOTAL	**36-44**	**75,000**	**0**	**15,000**	**90,000**	**100,000**

KAVAK TAILINGS DAM						
Tailings Dam 1	7-13	950,000			950,000	
Tailings Dam 2	7-13	1,049,113			1,049,113	
Tailings Dam 3	4-6	1,511,238			1,511,238	
TOTAL	**4-13**	**3,510,352**	**0**	**0**	**3,510,352**	**0**
TAVAS TAILINGS DAM						
Tailings Dam 1	9-11	233,225			233,225	
Tailings Dam 2	3-6	408,812			408,812	
TOTAL	**9-11**	**642,036**	**0**	**0**	**642,036**	**0**
GRAND TOTAL		**6,940,580**	**0**	**879,050**	**7,819,630**	**2,045,500**

3

Governance Review

Chairman's Introduction

Dear Shareholders,

In 2019 Afarak Group continued to operate in a very challenging business environment.

The Ferro-Chrome industry struggled world-wide. Our operations in South Africa were particularly affected by this. Our Speciality business did well regardless difficult circumstances. The financial performance of South African operations was disappointing in spite of significant technical improvements, rationalisation of business, cost cutting, staff reduction and many other measures taken by the Management.

We, as a board, continued to support management to enable them to implement initiatives to further strengthen operations and ensure the delivery of our long term strategy. In South Africa, our management teams are working towards turn-around strategy which includes additional beneficiation plants and a further developed PGM recovery plant. This should expand the spectrum of our products and increase our resilience to the market volatility.

Afarak's position as a vertically integrated producer of speciality alloys; acting as a miner, producer and marketer of its products, enables it to adapt better to changing market circumstances and to extract value at every stage of this process. Our ability to be specialist producers as well as volume miners, will further support our resilience and adaptability.

As a company we are committed to safety and sustainability. Our focus remains on ensuring a "Zero Harm" policy and we are proud and thankful that no fatalities happened in 2019. Improvements in health & safety performance were registered across the whole Group. Throughout the year, we have invested comprehensively in ensuring that safety of our employees is prioritised across all production units. We have also supported health education and health promotion.

In our business we face many challenging situations, as we work to extract resources safely, profitably and responsibly, to mitigate our environmental impact and support our host communities. We recognize the value of multi-stakeholder engagement and we continue to tackle these challenges with Management, our employees, unions and our host communities.

Every year we participate in a number of initiatives across many areas including our host communities in South Africa and Turkey. Our support has extended beyond charitable donations towards assisting NGOs and educational services.

Afarak's determination to return to growth can be attained if it has strong corporate governance in place. Our aim has been to achieve good governance commit to fulfill our obligations of a publicly listed company.

Although the Board is substantially smaller than in previous years, it still has diversity of skills and expertise while this requires from the Board members to be more active and involved in order to maintain oversight of the business, support management to implement cost savings, improve information flows and create a stable environment for long-term strategic thinking and development. After the AGM, we plan to increase the size of the Board.

I thank all for their continuing commitment and contribution in 2019. As a small Board we all had multiple duties and responsibilities and jointly participated in all tasks usually carried by Board committees.

As always, we remain mindful of the trust shareholders place in us as elected Directors and of our responsibilities towards them. We seek to apply rigorous governance standards in our work that is described in the Governance Review.

As instructed by the Extraordinary General Meeting held in November 2018, the management has ensured the repurchase and cancellation of 25,998,881 of Afarak's own shares for a sum of EUR 26,388,864 in August 2019, and reissued 15,000,000 treasury shares.

I am confident that we have a leadership team with the resolve and commitment to ensure that Afarak returns to growth. I share our CEO's enthusiasm for the future prospects of Afarak as an innovator of value-added ferrochrome products and its ability to deliver value for customers and shareholders.

As I continue to talk to our employees around the world, I am constantly reminded that our achievements are only made possible by this very skilled, hard-working and very talented team. I am grateful for all their efforts and impressive commitment over the past year and look forward to working with them during difficult times towards delivering a return to growth.

THORSTEIN ABRAHAMSEN
Chairman

Information Presented by Reference

The Group's key financial figures, related party disclosures, information on share capital and option rights are presented in the notes to the consolidated financial statements. The share ownership of the parent company's Board members and Chief Executive Officer is presented in the notes to the parent company's financial statements.

The Corporate Governance Statement and the Remuneration Report are presented as separate reports in this Annual Report.

For the purposes of United Kingdom Listing Authority listing rules ("LR") 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

SECTOR	TOPIC	LOCATION
1	Interest capitalised	1.8. Notes to the statement of financial position, 9. Property, plant and equipment.
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	1.8. Notes to the statement of financial position, 17. Share-based payments
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	1.8. Notes to the statement of financial position, 1.9.2 Related party transactions
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this Board of Directors report.

Our People
The Board of Directors

CHAIRMAN

Thorstein Abrahamsen

Chairman and Independent Non-Executive Director
M.Sc. (Electrochemical Engineering)
Born 1948

Thorstein Abrahamsen is an internationally respected stainless steel and ferro-alloy industry professional. He has served as Chief Executive Officer of various manufacturing companies within stainless steel, ferro-alloy, construction equipment and mining industries. He also served as Vice- President Sales & Distribution of a global stainless steel production company. Throughout his career he has served on over 30 boards including chairmanships of ferro- alloy and steel trading & marketing companies around the world. He is currently chairman of a construction industry company, a board member and partner of a management consultancy company and two investment companies. Mr Abrahamsen was appointed to the Board of Afarak on 23 May 2017 and appointed Chairman on 11 November 2019.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr Jelena Manojlovic

Chairman and Dependent Non-Executive Director
Ph.D. (Medicine), Clin. D. (Psychology), MA (Psychotherapy)
Born 1950

Jelena Manojlovic has been a member of the Board since July 11, 2008. She has acted as Chairman of the Board during 2009 and 2015 and again during 2017 and 2019 She is an established university lecturer and organizational consultant and has 35 years' experience in the human resources field and 20 years' in management positions in a diverse range of organisations, including the UK's National Health Service, universities and other companies. Dr Manojlovic is independent of the Company but is dependent on a major shareholder of the Company.

EXECUTIVE DIRECTOR

Guy Konsbruck

CEO and Executive Director
BA; MBA (SHU Fairfield)
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on 15 January 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys. Mr Konsbruck was appointed to the Board during the Extraordinary General Meeting held on 5th February 2018.

Barry Rourke

Independent Non-Executive Director
FCA
Born 1950

Barry Rourke was a member of the Afarak Board, the Chairman of the Audit Committee and a member of the Remuneration Committee from April 2010 to February 2013 and rejoined the Board in 2015. He was an Audit Partner at PWC for 17 years from 1984 to 2001 where he specialised in the Oil & Gas and Mining sectors. He currently holds a number of non-executive directorships and positions on the audit committees in other companies. Barry Rourke resigned from the board 11 November 2019.

Yolanda Bolleurs

Independent Non-Executive Director
Certified accountant
Born 1972

Mrs Bolleurs is a certified accountant with long experience in auditing, financial services and financial consultancy. She worked for KPMG as auditor, as CFO in several companies before forming her own consulting company providing auditing and financial services. She has international experience of working with several listed companies in the mining sector (coal, gold) and has participated in restructuring companies and has built and lead multinational teams of professionals in various management structures. Mrs. Yolanda Bolleurs resigned from the board 11 November 2019.

Our People
The Executive Management Team

The Group's Executive Management Team ("EMT") assists the Group CEO in effectively accomplishing his duties. The EMT is an advisory body which was set up by the Board of Directors in November 2009. It has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the EMT are taken by the CEO, the EMT member responsible for the matter in question or the Group's Board of Directors, as appropriate.

Guy Konsbruck
CEO
BA; MBA (SHU Fairfield)
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on 15 January 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys.

Melvin Grima
CFO
FCCA, FIA, CPA
Born 1982

Melvin Grima joined Afarak in 2013 as Group Finance Manager. He was responsible of the relocation of the Group's corporate finance function to Malta and its setup. He was promoted to Finance Director in 2015 and was appointed the Chief Financial Officer in January 2019. Prior to joining Afarak, he held a number of management positions including Group Accountant of a hotel Group and Finance Manager of a Group trading in the petroleum industry.

Dr Danko Koncar
COO
Diploma (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)
Born 1942

Dr Danko Koncar was appointed as Chief Operating Officer on December 9, 2016. He has extensive experience in minerals processing and trading, more than 20 years in ferrochrome industry with six years of experience in application of direct current technology to ferrochrome processing. Before joining Afarak, he served in different management positions in chrome industry and was the Chairman of Samancor Chrome from 2005 - 2009.

Our People
The Corporate Management Team

The Company's Corporate Management includes, in addition to the Executive Management Team, the following personnel responsible for corporate functions:

Seyda Caglayan
Managing Director, Afarak TMS
MSc Mining Engineering
Born 1958

Seyda Caglayan joined Afarak TMS in December 2007. Prior to joining Afarak, she held a number of senior management and directorate positions in the mining and chrome industry including the Istanbul Mineral Exporters' Association and the International Chromium Development Association (ICDA). Seyda currently serves as Member of the Board of Turkish Miners Association, Member of Chrome Committee of ICDA and Member of the Board of Trustees of the Turkish Mining Development Foundation.

Christoph Schneider
Managing Director, Afarak EWW
MA Economics
Born 1964

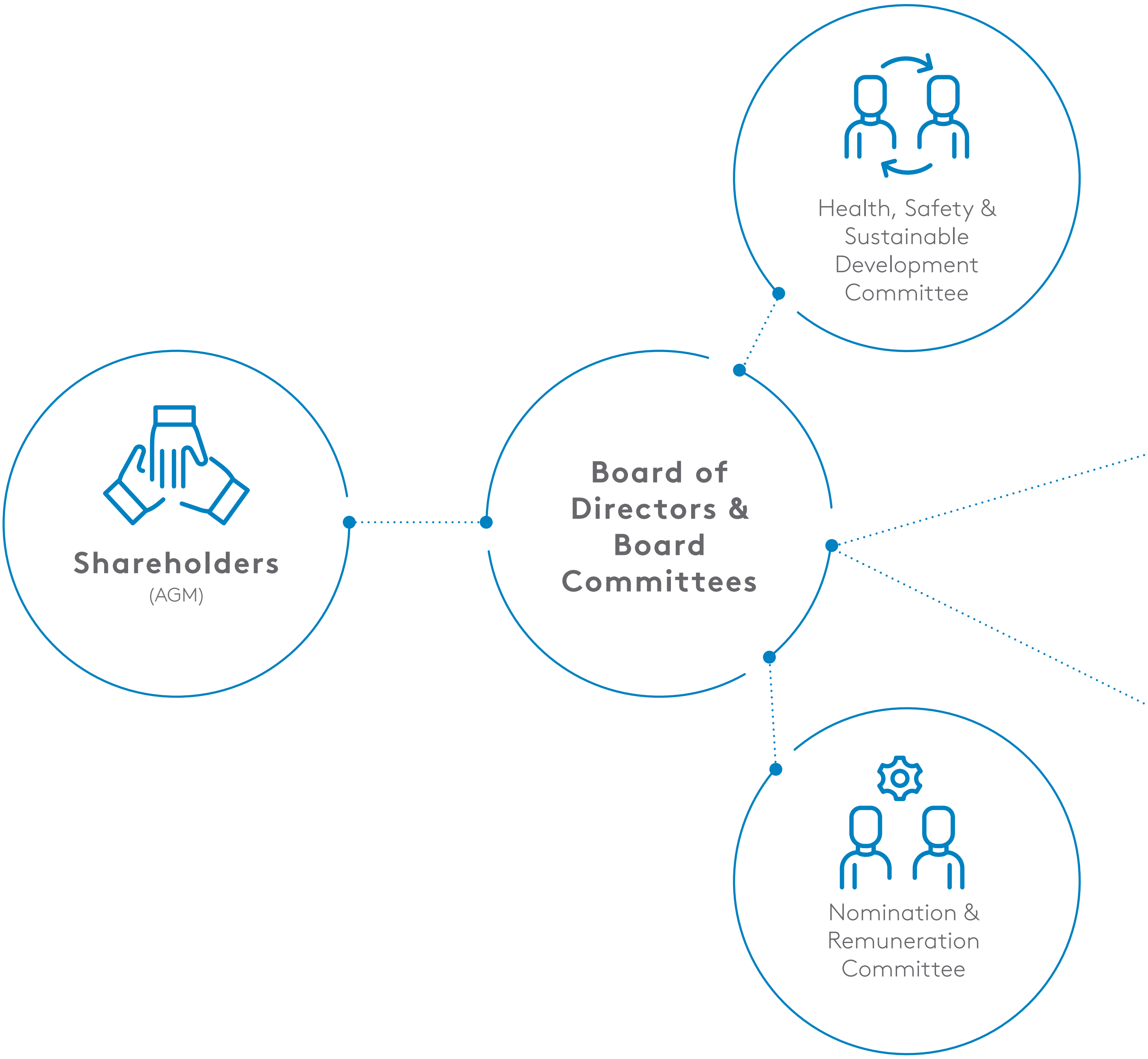
Christoph Schneider is currently the Managing Director of Afarak EWW. He joined EWW in 1992 as Sales Manager. Over the years, Christoph rose the ranks of EWW and was appointed as Managing Director in December 2003.

Dr Kurt Maske
Managing Director, Afarak SA Mining
PhD (Minerals Engineering)
Born 1955

Kurt Maske is the acting General Manager for the SA Mining Operations and manages the South African marketing and logistics processes. Prior to joining Afarak in 2011, Kurt was with BHP Billiton for nearly 25 years where he started his career as a Process Engineer responsible for developing the DC arc furnace technology for FeCr production at what is now Mogale Alloys. After serving as Works Manager he was transferred to Samancor's marketing team to globally manage the sale of the group's low and medium carbon ferrochrome products.

Governance Structure

The management and control of Afarak Group Plc and its subsidiaries ("Group") is divided between the shareholders, the Board of Directors ("Board"), supported by the Board's audit and risk management committee, nomination and remuneration committee and the Chief Executive Officer.




Executive
Management Team
Audit & Risk
Management
Committee
Corporate
Management Team
Chief Executive
Officer
(CEO)

GENERAL MEETING

Afarak's ultimate decision-making body is the shareholders' General Meeting which convenes once a year and is held within six months of the end of the financial year. Pursuant to the Company's Articles of Association, the convening notice for a General Meeting will be published on the Group's website and in a stock exchange release no earlier than two months, and no later than 21 days, prior to the General Meeting or nine days prior to the record date of the General Meeting.

The notice of a General Meeting, the proposals for resolutions, and the documents to be submitted to the General Meeting, such as the financial statements, the annual report and the auditor's report, will be available on the Group's website and at the Group's office in Helsinki at least three weeks before the meeting. The resolutions passed by the General Meeting will be published as a stock exchange release without undue delay and will be available on the Group's website, along with the minutes of the General Meeting, no later than two weeks after the meeting.

Shareholders have the right to add items falling within the scope of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in advance so that the item can be included to the notice. Afarak publishes the details of how and when to submit the requests to the Board on its website.

The Company uses the Annual General Meeting to develop an understanding of the views of its shareholders about the Company.

An Extraordinary General Meeting can be convened if the Board of Directors deems it necessary or if the auditor of the Company or the shareholders owning at least 10 percent of the shares demand one in writing in order to deal with a specific matter, or if it is required by law or other regulations.

The most significant items on the Annual General Meeting's agenda include:

- Approving the year's financial statements;
- Confirming the financial year's profit or loss, the dividend distribution or other distribution, such as capital redemption;
- Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
- Electing the auditor or auditors and approving their fees.

In addition, certain significant matters (such as amending the Articles of Association or deciding on a capital increase) require a resolution by the shareholders in a General Meeting.

General Meetings are organised in a manner that permits shareholders to exercise their ownership rights effectively. A shareholder wishing to exercise his or her ownership rights shall register for a General Meeting in the manner stated in the notice of meeting. All the shareholders who have been registered in the Company's shareholder register, maintained by Euroclear Finland Ltd, on the record date of the meeting have the right to attend a General Meeting, provided they have delivered a proper notice to attend the meeting. Holders of nominee registered shares may be registered temporarily on the shareholder register, and they are advised to request further instructions from their custodian bank regarding the temporary registration and issuing of a proxy document.

Resolutions by a General Meeting usually require a simple majority. Certain resolutions, however, such as amending the Articles of Association and directed share issues require a qualified majority represented by shares, and the votes conferred by the shares, at the General Meeting.

The majority of the Board members, if not all, attend General Meetings together with the CEO and the auditor. In addition, if a person is proposed for election as a director for the first time, he or she will also attend the General Meeting.

GENERAL MEETINGS IN 2019

The Annual General Meeting was held on June 25, 2019 at Union Square Auditorium, Helsinki, Finland.

All the resolutions of the above-mentioned General Meeting can be found at:
http://www.afarak.com/en/investors/shareholder-meetings/2019/

The Board of Directors

TASKS AND RESPONSIBILITIES

The Board of Directors is composed of between three and nine members who are elected by the General Meeting of shareholders, which also approves their remuneration. The tenure of each Board member is for one year and expires at the end of the next Annual General Meeting immediately following their election. The Board elects a chairman from among its members. None of the non-executive directors has a service contract with the Company and none of the directors has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking.

The duties of a Board member are specified in the Finnish Companies Act. The Afarak Board also has a written charter governing its functions.

The Board of Directors oversees the administration of the Group and is responsible for the internal control of its assets, finances and accounts on behalf of shareholders. Its specific responsibilities include:

- Formulating the Group's business strategy and overseeing its implementation;
- Deciding on the Group's capital structure;
- Making decisions on significant investments, divestments, credits and collaterals, guarantees and other commitments;
- Approving the quarterly interim reports, the Board of Directors Report, the annual financial results and future forecasts and/or outlook;
- Deciding on the Group's organisational structure;
- Appointing the CEO and approving his or her service agreement and remuneration; and
- Convening and submitting proposals to the shareholders' General Meeting.

Key elements of the Board's charter and operations are:

- It convenes on prearranged dates, with a view to meeting approximately once a month, or more often if necessary. Meetings can be arranged as conference calls;
- Matters to be dealt with by the Board are presented by the Chairman, the CEO or another person who has participated directly in assessing and preparing the issue for consideration;
- It aims to make unanimous decisions;
- It prepares an annual plan for its operation; and
- It acts at all times in the interest of the Group and all of its shareholders.

The Board oversees all communications and other requirements stipulated by the rules of the relevant stock exchanges and financial supervision authorities and conducts regular self-assessments to ensure these requirements continue to be fulfilled. The Group has established specific targets for the development of its administrative functions and processes, and continues to implement these.

The Board also evaluates and decides on acquisitions and disposals of subsidiaries and associated companies. To ensure the efficiency of board and committee work, the Board regularly evaluates the operations and working methods of each committee and the Board. The evaluation is conducted as internal self-evaluation. The Board is also regularly in contact with the major shareholders of the Company to ensure that the Board is aware of their views.

The 2019 Annual General Meeting elected five members to the Board. Dr Jelena Manojlovic, Mr Barry Rourke, Mr Thorstein Abrahamsen and Mr Guy Konsbruck were re-elected and Yolanda Bolleurs was elected as a new Board member. Mr Barry Rourke and Yolanda Bolleurs resigned from the Board on November 2019.

DIVERSITY OF THE BOARD OF DIRECTORS - SKILLS, EXPERIENCE AND ATTRIBUTES

The Board considers that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is required to effectively govern the business. The Board and its Nomination and Remuneration Committee work to ensure that the Board continues to have the right balance of skills, experience, independence and Group knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

To govern the Group effectively, Non-Executive Directors must have a clear understanding of the Group's overall strategy, together with knowledge about the Group and the industries in which it operates. Non-Executive Directors must be sufficiently familiar with the Group's core business to be effective contributors to the development of strategy and to monitor performance.

The Board requires that Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and are free to question or challenge the opinions of others. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of the Company.

Current Board profile
The Board considers that each of the Non-Executive Directors has the following attributes:

- time to undertake the responsibilities of the role;
- unquestioned honesty and integrity;
- a willingness to understand and commit to the highest standards of governance;
- knowledge of commodity markets and mining
- an ability to think strategically

- a preparedness to question, challenge and critique
- experience of managing in the context of uncertainty, and an
- understanding of the risk environment of the Group, including the potential for risk to impact our health and safety, environment, community, reputation, regulatory, market and financial performance;
- knowledge of world capital markets.

SENIOR INDEPENDENT DIRECTOR

During the year under review, Barry Rourke, then followed by Thorstein Abrahamsen held the role of Senior Independent Director of Afarak Group in accordance with the UK Corporate Governance Code. He acted independently in the best interests of the Group. His expertise and broad international experience materially enhanced the skills and experience profile of the Board. He is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO. As Senior Independent Director, he also provides a sounding board for the Chairman and serves as an intermediary for other Directors if necessary.

BOARD INDEPENDENCE

The Finnish Corporate Governance Code requires that the majority of the directors are independent of the Company. In addition, at least two of the directors representing this majority must be independent of the significant shareholders of the Company. The Company believes that Mr Thorstein Abrahamsen and Dr Jelena Manojlovic are independent of the Company and significant shareholders. Furthermore, the Company believes that Mr. Barry Rourke and Mrs. Yolanda Bolleurs were independent of the Company and significant shareholders. The company believes that Mr. Guy Konsbruck is dependent of the company since Mr. Konsbruck has had a non-temporary employment relationship with the Company during past three years.

	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination & Remuneration Committee	Health, Safety & Sustainable Development Committee
Jelena Manojlovic	NED	11 July 2008	Independent	Member[1]	Member	Member[2]
Thorstein Abrahamsen	Chariman	11 May 2017	Independent	Member	Member	Member
Guy Konsbruck	ED	5 February 2018	Dependent	Member[3]	Member[4]	Member[5]
Barry Rourke	Resigned 11 November 2019	8 May 2015	Independent			
Yolanda Bolleurs	Resigned 11 November 2019	25 June 2019	Independent	Member[6]		

[1]As of 11 March 2019
[2]As of 11 March
[3]As of 11 March 2019
[4]As of 11 March
[5]As of 11 March
[6]Until 11 March 2019

The Board in 2019

The new Board of Directors made it a priority to review various elements relating to the operation and corporate governance of Afarak. Highlights of the main discussions and decisions are presented below. A strategic workshop was held by the Board soon after election and various elements relating to Afarak's core business were reviewed.

COMPANY PERFORMANCE

The Board supported various initiatives to make the Company more resilient and responsive to the market. Throughout the year, the Board agreed on various projects, especially in South Africa and Germany, which made the units able to respond to changing market conditions. The Board also supported various capital investments and restructuring processes especially in South Africa, acquisition of Synergy Africa and acquisition of own shares.

RISK MANAGEMENT

The Board continued enhancing the Group's risk management function across the Group. Key factors were identified and various mitigating measures, including reducing the exposure to currency fluctuations and more controls in our South African operations to reduce staff. In addition, the Board has overseen measures to improve liquidity and in particular to manage its working capital effectively.

SUSTAINABILITY

The Board highlighted health & safety as a key priority. The Board is working closely with the respective units to strengthen the health & safety culture within the Company. The Board remains committed to continue investing in training, equipment and reporting to ensure that its policy of 'Zero Harm' is practiced throughout the Company. From the environmental perspective, investments were made in the plants in Turkey in terms of water conservation and management.The Board continued the Company's support towards host communities in South Africa.

A total of 19 meetings of the Board were held during the reporting period and the attendance of the directors is tabled below.

Meetings attended	
Thorstein Abrahamsen	19/19
Jelena Manojlovic	19/19
Guy Konsbruck	19/19
Barry Rourke (resigned 11.11.2019)	16/16
Yolanda Bolleurs (resigned 11.11.2019)	6/6

A total of 19 meetings were held during the reporting period. The differences in the meetings attended, related to the changes in Board composition.

REMUNERATION

The AGM resolved that all Board members will receive EUR 3,500 a month and will receive additional EUR 1,500 for the committee work. Chairman of the audit committee will receive in addition EUR 500 a month while Chairman of the Board will receive additional EUR 2,000 a month.

Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership.

During the financial year 2019, the Board members received a total of EUR 227,000 and Committee membership fees.

Board Committees

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is currently composed of the three Board members: Thorstein Abrahamsen, Jelena Manojlovic and Guy Konsbruck. Yolanda Bolleurs was a chairman of the committee until 11 November 2019. The Committee convened five times.

The Board has defined the Committee's duties in accordance with the recommendations of the Finnish and the UK Corporate Governance Codes. The Audit and Risk Management Committee reviews the auditors' work and monitors the Group's financial position and the appropriateness of its financial reporting. The Committee oversees risk management procedures and internal controls, maintaining contact with auditors and evaluating their reports. The Committee reports regularly to the Board.

In 2019, the Committee continued to oversee the Group's financial performance and reporting. The Committee also worked with management to continuously improve the reporting function of the Group, both internally and externally. Regular scrutiny of the Group's compliance with laws, regulations and best practice continued being an area of focus during the year.

The Committee assessed various growth options, strategies and investments. It worked with Management on finalising the acquisition of Synergy Africa and share buy back. The Committee also assessed various external financing facilities. Throughout the year, the Committee worked on improving the internal budgeting and forecasting models and processes.

The Committee also reviewed each quarterly report before release and recommended changes where necessary, before recommending the reports to the Board.

NOMINATION AND REMUNERATION COMMITTEE

The combined Nomination and Remuneration Committee of the Company is currently composed of the three Board members: Thorstein Abrahamsen, Jelena Manojlovic and Guy Konsbruck. The Committee convened one time.

The Committee leads the process for making appointments to the Board and the executive management and submits recommendations to the Board in this regard. The Committee also leads the process relating to the remuneration of the executive management and the Board and makes recommendations to the Board and to the General Meeting in relation to the Board's remuneration.

THE COMMITTEE FOR HEALTH, SAFETY AND SUSTAINABLE DEVELOPMENT

The combined Health, Safety and Sustainable Development Committee of the Company is currently composed of the three Board members: Thorstein Abrahamsen, Jelena Manojlovic and Guy Konsbruck.

The Committee's stated mission is to ensure that Afarak conducts its business in a responsible and ethical manner for the benefit of all its stakeholders. Throughout 2019, the Committee continued to monitor safety improvement progress and initiatives across various Units of the Company

Afarak is continuously investing in environmental initiatives and projects. It supported investments that will allow the Group to rehabilitate its mines and to invest in alternative energy sources. It continued supporting the business units in their efforts to improve water management and dust reduction. The Committee also continued to monitor Afarak's work and social investment programmes with local communities, particularly in South Africa.

Corporate Governance Statement

Afarak Group Plc ("Afarak", the "Company" or the "Group") is a Finnish public limited company listed on the Nasdaq Helsinki Stock Exchange (AFAGR) and the Main Market of the London Stock Exchange (AFRK).

Afarak's corporate governance is based on, and complies with, the laws of Finland, the Articles of Association of the Company, the Finnish Corporate Governance Code and the regulations of the Finnish Financial Supervisory Authority, the UK Listing, Disclosure and Transparency Rules, the Nasdaq Helsinki Stock Exchange and the London Stock Exchange. As Afarak primarily follows the Finnish Corporate Governance Code, certain sections of the UK Corporate Governance Code issued in September 2012 ("UK CG") are not strictly complied with. However, in the areas that the Company diverges from the UK CG the Company believes that its policies are acceptable for the reasons which are set out below.

UK CG Section	Description	The Reason for Non-Compliance
C.3.8	A separate section of the annual report should describe the work of the Audit committee in discharging its responsibilities.	While this report includes a description of the work of the audit and risk management committee, the contents requirements of this section under the UK GC are not the same as those under the Finnish CG and, therefore some information required under the UK GC is not included.
E.2.1	For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation. The Company does not provide proxy voting forms.
E.2.2	Miscellaneous general meeting procedures.	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation.

Afarak's foreign subsidiaries operate under the local laws and regulations of the countries in which they are located, including but not limited to local accounting and tax legislation as well as exchange controls. This Corporate Governance Statement for the financial period 1 January to 31 December 2019 is issued as a separate report to the Board of Directors' Report and is available on the Group's website at www.afarak.com. It has been prepared pursuant to the Finnish Corporate Governance Code 2020 which entered into force on 1.1.2020. The statement also includes a Remuneration Statement for the accounting period 2019 following the instructions of the Finnish Corporate Governance Code 2015 which entered into force on 1.1.2016. Afarak complies with the Finnish Corporate Governance Code 2020 which can be found on the Securities Market Association's website at www.cgfinland.fi. Afarak has made no exceptions in its Finnish Corporate Governance Code compliance.

Internal Control

The principles of internal control are confirmed by the Board. The Group's EMT members are in charge of the day-to-day business management and administrative control in their respective responsibility areas.

MAIN PRINCIPLES OF RISK MANAGEMENT AND INTERNAL CONTROL

The purpose of risk management is to identify, evaluate and mitigate the potential risks that could impact the Group's business and the implementation of its strategy, and to ensure that risks are proportional to the Group's risk-bearing capacity.

The Group's risk management policy is approved by the Board of Directors and defines the objectives, approaches and areas of responsibility of risk management activities. The Group's key risks are reviewed and assessed by the Board on a regular basis. The Group's business segments, and the business units within those segments, are primarily responsible for managing their risks, their financial performance and their compliance with the Group's risk management policies and internal control procedures.

The Board of Directors is responsible for organising and maintaining adequate and effective internal control performed by the senior and executive management as well as other Afarak personnel and assisted by third-party experts when appropriate.

The Board of Directors decides on the Group's management system and the corporate and organisational structure required by each business unit with a view to providing solid foundations for effective internal control. Internal control and risk management related to financial reporting at the Group level are performed in a coordinated way by a function independent of the business areas. Each subsidiary's executive management is responsible for the implementation of internal control and risk management to the agreed Group principles and guidelines.

The system of internal control provides reasonable rather than absolute assurance that Afarak's business objectives will be achieved within the risk tolerance levels defined by the Board.

Internal control refers to elements of financial and operational management which are designed to ensure:

- Achievement of defined performance targets;
- Efficient use of resources and protection of assets;
- Effective management of risks;
- Accurate, timely and continuous delivery of financial and operational information;
- Full compliance with laws and regulations as well as internal policies; and
- Business continuity through secure systems and stable operating procedures.

THE STRUCTURE OF INTERNAL CONTROL SYSTEMS

The main structural elements of the Group's internal control system are:

- The risk management and internal control policies and principles defined by the Board;
- Implementation of the policies and principles under the supervision of Group management;
- Supervision of the efficiency and functionality of the business operations by Group management;
- Supervision of the quality and compliance of the financial reporting by the Group finance department;
- An effective control environment within all organisational levels and business units, including tailored controls for each business process; and
- Internal audits conducted as and when needed.

THE INTERNAL CONTROL OF THE FINANCIAL REPORTING PROCESS

The Group's financial organisation is structured so that each business unit has its own finance function, but overall financial management including accounting, taxation and financing is centralised within the Group's parent company.

The Group finance department is responsible for ensuring the compliance, quality and timeliness of the Group's external and internal financial reporting. The internal control mechanisms are based on the policies, procedures and authorisations established and approved by the Board. In addition to control mechanisms, training and sharing of knowledge are also significant tools of internal control.

Each business unit has its own finance function which reports to the Group Finance. The business unit's finance function is responsible for the unit's accounting and daily financial operations and internal reporting. The finance function and administration is overseen by the unit's management team and reports to the head of the business unit's segment.

The tasks of the Group Finance consist, among other things, of monthly consolidation of the Group's accounts, preparation of the quarterly interim reports and consolidated financial statements, financing of the Group, and tax planning.

Consolidated financial statements are prepared by using consolidation software. The accounting of the Company's subsidiaries is carried out by accounting systems and the accountants within each subsidiary enter the accounting information directly into the consolidation system, or in some cases send the information in a predefined format to the Group's financial administration to be consolidated.

ROLES AND RESPONSIBILITIES REGARDING RISK MANAGEMENT AND INTERNAL CONTROL

BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for the administration and the proper organisation of the Group's operations and approves all internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk-bearing capacity of the Group and reassess them on a regular basis as part of the Group's strategy and goal-setting process. The Board reports to the shareholders of the Company.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is responsible for the following internal control related activities:

- Monitoring the reporting process of the financial statements;
- Supervising the financial reporting process;
- Monitoring the efficiency of the Group's internal control, internal audit and risk management systems; and
- Monitoring the statutory audit of the financial statements and consolidated financial statements.

GROUP MANAGEMENT

The Group's management is in charge of the day-to-day management of the Group in accordance with the instructions and orders given by the Board. It sets the framework of the internal control environment and is in charge of the Group's risk management process and its continuous development. This includes allocation of resources to the work and continuous review of the risk management policies, as well as defining the principles of operation and overall processes.

EXTERNAL AUDIT

According to the Articles of Association, the Annual General Meeting of shareholders elects the Company's auditor, which must be a firm authorised by the Finnish Central Chamber of Commerce; otherwise the Company will have one main auditor and one deputy auditor. The auditor's term is for one year and finishes at the end of the first General Meeting following election.

During Afarak's General Meeting held in May 2018, Authorised Public Accountant Ernst & Young Oy ("EY") was elected as auditor, with Authorised Public Accountant Erkka Talvinko having the principal responsibility. EY is also the local auditor of all of the Group companies.

In 2019, the Company paid EUR 794,000 for audit fees (504,000) and EUR 36,000 for non-audit services (36,000) to EY. The increase from 2018 mainly relates to the Chromex Group Companies which stared to be consolidated as from this year.

Insider Administration

The Board of Directors of Afarak Group has confirmed the Insider Guidelines for the Company. The Insider Guidelines supplement the applicable regulations in force at any given time on the management and processing of insider information in accordance with the Market Abuse Regulation (EU) No 596/2014 (MAR), Chapter 51 of the Criminal Code, Chapter 15 of the Securities Markets Act, the Finnish Financial Supervisory Authority's regulations and Nasdaq Helsinki Ltd's Insider Guidelines.

All persons who have access to insider information on the company and who work for them on the basis of an employment contract or otherwise perform duties through which they have access to insider information, such as advisers, are included in the company's insiders.

The company maintains a separate list named Permanent Insiders. The supplementary section of Permanent Insiders contains information only on persons who have continuous access to all insider information within the company, such as persons in Company's finance department, legal counsels and auditors.

The Company maintains separate Project-Specific Insider Lists. Each Project-Specific Insider List only contains the details of such persons who have access to specific Inside Information relating to the particular project. Trading is prohibited during the project from the project-specific insiders

The Company has set up a list named PDMR -list (Persons Discharging Managerial Responsibilities) with Notification Obligation (Article 19 MAR) for the company's Board of Directors, Management Team and advisers as well as their closely associated persons.

The company's permanent insiders include the members of the Board of Directors, the Executive management team, members of the senior management, and the principal auditor appointed by the audit firm responsible for auditing the company, legal advisors, and translators. In addition, a non-public, project-specific insider register is kept concerning significant projects referred to in the insider regulations.

The Company trains and informs permanent insiders and project-specific insiders in such a way that they recognize their position and its importance. As concerns persons included in the register of Company's PDMR list with Notification Obligation and in the Permanent Insiders register, the Company's Insider Guidelines set a 30-day closed period prior to the publication of the interim report or the financial statements. During the closed period, trading in the issuer's financial instruments on one's own account or on behalf of a third party, directly or indirectly, is prohibited.

The Chief Executive Officer of the Company is responsible for insider issues.

WHISTLE-BLOWING

The Company maintains an internal system available for all employees for reporting any detected violations of internal or external standards and regulations (so called whistle-blowing). All such notifications will be investigated as a matter of urgency and confidentiality while protecting the identity of the notifier as far as possible.

Shareholdings of the CEO, members of the Board of Directors, Executive Management Team and auditors at 31 December 2019

	Title	Shares	Related Party Shares	Options
Members of the Board				
Thorstein Abrahamsen	Chairman	0		0
Jelena Manojlovic	Non-Executive Director	150,000		
Guy Konsbruck*	Chief Executive Officer, Executive Director	1,000,000		
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar**	Executive	0		
Melvin Grima	Chief financial Officer	0		

** The CEO was due to receive an additional 500,000 shares in January 2020 after completing his third year of sservice. These will be granted after the AGM when a new board is formed, however these were self-reduced by 20% to 400,000 Company shares in 2020.*
*** Dr Koncar has sold his shareholding in LNS (formerly Kermas Resources Ltd) on January 20,2018.*

PRINCIPLES CONCERNING RELATED PARTY TRANSACTIONS

The Company complies with the provisions of the Securities Markets Act and Limited Liability Companies Act, the recommendations of the Finnish Corporate Governance Code 2020 and the rules of Nasdaq Helsinki Ltd stock exchange concerning related party transaction. The Board of Directors of the company has adopted the policy on Related Party Transactions ("Policy") to be observed in the business operations of Company. The purpose of the Policy is to set out the processes and procedures that should be followed in relation to inter-company and related party transactions of the Group, mainly to ensure that transactions are carried out on arm's length terms. Related party transactions which do not form part of the Company's regular business activities or which are not conducted on normal market terms will be decided on by the Board of Directors of the Comp

Resolutions of the Annual General Meeting

The Company's Annual General Meeting ("AGM') was held on 25 Jun 2019. 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 2018.

The AGM resolved that no dividend would be paid for 2018.

The AGM resolved that all Board members shall be paid EUR 3,500 per month, and will receive additional Eur 1,500 for the committee work. Chairman of the Audit and Risk Management Committee shall receive in addition EUR 500 a month while chairmen of the board will receive additional Eur 2,000 a month. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership or Board Committee work. 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, Mr Thorstein Abrahamsen and Mr Guy Konsbruck were re-elected and Yolanda Bolleurs was elected as a new Board member.

The AGM resolved that authorised public accountant firm Ernst & Young Oy is re-elected as the Auditor of the Company for the year 2019.

The AGM resolved to authorize the Board of Directors to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 25,000,000 new shares or shares owned by the Company. The authorization replaces all previous authorizations and is valid two (2) years from the decision of the AGM

The AGM decided to direct a share issuance without payment to the company itself. The share issuance consists of 15,000,000 new shares. The new shares will be registered into the Trade Register without undue delay after which the company will apply for the shares to be publicly traded on Nasdaq Helsinki Oy.

The AGM decided to change the company´s company form from a public limited company (Oyj) into a European company (SE) in accordance with the conversion plan signed by the Board of Directors of the company on 17 May 2019 and registered into the Trade Register on 22 May 2019.

2019 ANNUAL GENERAL MEETING

Afarak's 2019 Annual General Meeting will be held within the time stipulated in the Finnish Companies Act.

DISTRIBUTION PROPOSAL

The Board of Directors will propose to the Annual General Meeting that no distribution would be paid in 2020.

Additional Information

SHARE INFORMATION

Afarak Group Plc's shares are listed on NASDAQ Helsinki (AFAGR) and on the Main Market of the London Stock Exchange (AFRK).

On 31 December 2019, the registered number of Afarak Group Plc shares was 252,041,814 (263,040,695) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2019, the Company had 13,677,599 (2,387,494) own shares in treasury, which was equivalent to 5.43% (0.91%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2019, was 238,364,215 (260,653,201).

At the beginning of the period under review, the Company's share price was EUR 0.73 on NASDAQ Helsinki and GBP 0.73 on the London Stock Exchange. At the end of the review period as at December 2019, the share price was EUR 0.53 and GBP 0.38 respectively. During 2019, the Company's share price on NASDAQ Helsinki ranged from EUR 0.40 to 0.97 per share and the market capitalisation, as at 31 December 2019, was EUR 133.83 (1 January 2019: 191.0) million. For the same period on the London Stock Exchange, the share ranged from GBP 0.38 to 0.78 per share and the market capitalisation was GBP 94.52 (1 January 2019: 190.7) million, as at 31 December 2019.

The board resolved on 29 May 2019, based on authorization granted by the EGM held on 12 November 2018, that the Company repurchases 26 millions of its own shares at a price of EUR 1.015 by means of voluntary public tender offer made to all shareholders. On 31st July 2019, the Company completed the public tender offer of purchasing own shares amounting to 25,998,881 shares. Such shares were then cancelled by Afarak on 8th August 2019. On 26th August 2019, the Company announced an issue of 15,000,000 new shares.

As at end of 31 December 2019, the Company had 2,238,343 shares pending to be transferred to the subscribers, which related to the acquisition of additional ownership in South African mining assets.

FLAGGING NOTIFICATIONS

On 7 May 2019, Afarak received a flagging notification in accordance with Chapter 9,

Section 5 of the Finnish Securities Markets Act from Atkey Ltd, a company incorporated and existing under the laws of Malta, regarding the shares of Afarak Group Oyj. In accordance with the flagging notification, Atkey Ltd has completed a sale of shares in Afarak Group and the transaction has resulted in Atkey decreasing its shareholding in the Company to under 25 per cent and becoming a 23.62% per cent holder of the shares and voting rights in Afarak.

On 7 August 2019, Afarak received from Joensuun Kauppa ja Kone Oy, Esa Hukkanen, Markku Kankaala, Kari Kakkonen, Timo Kankaala, Juhani Lemmetti, Antti Kivimaa, Juha Halttunen, AJ Elite Value Hedge and Veikko Karhulahti (together the "Flagging Notifies") a flagging notification pursuant to Chapter 9, Section 5 and Section 6 of the Finnish Securities Markets Act, according to which the Flagging Notifiers aggregate portion of the Company's shares and votes has gone below the threshold of 10 per cent. According to the notification the Flagging Notifies have agreed to use thevoting rights of Afarak together in consensus. According to the notification, the Flagging Notifies holds together 13,768,809 shares in Afarak, which corresponds to approximately 5.81 % of the shares and voting rights in Afarak as a result of the transaction that was executed on 2 August 2019 whereby Afarak purchased its own shares.

Remuneration Report

This report sets out the remuneration policy and practices for Afarak's Board and Executive Management Team ("EMT) and provides details of their remuneration and share interests for the year ended 31 December 2019.

REMUNERATION POLICY

Afarak operates in a very competitive sector in terms of human capital with a shortage of highly qualified and experienced executives. The Group's remuneration policy is designed to attract, retain and incentivise high-calibre executives to implement its business strategy and enhance shareholder value.

The policy seeks to align the interests of the business and shareholders by rewarding executives appropriately for achieving individual and group targets and thereby ensuring long-term value creation for the benefit of all shareholders.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee makes recommendations to the Board regarding executive remuneration and submits proposals to the Annual General Meeting of shareholders regarding the Board's remuneration.

The committee is responsible for the overall direction of the remuneration policy, as well as determining, within agreed terms of reference, the specific remuneration packages of the EMT. This includes pension rights, executive incentive schemes and any compensation payments. To ensure that the Group's remuneration packages are both appropriate and competitive, the committee evaluates information on market-based remuneration levels for comparable companies.

The members of the committee in 2019 were Dr Jelena Manojlovic (Chair) and Thorstein Abrahamsen and Guy Konsbruck.

CEO SERVICE AGREEMENT

The Board appoints the Chief Executive Officer (CEO) to manage, develop, guide and supervise the Group's activities and leads the EMT. The Board decides upon the CEO's remuneration based on the recommendations made by the Committee.

The CEO has an annual salary of EUR360,000. He shall also receive 500,000 Company shares as an incentive for each completed year of service acting as CEO. Mr. Guy Konsbruck received one share transfer in 2018 and another in 2019. In 2019 it was agreed that his package will decrease by 20% until the market recovers and results improve.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage and there is no set retirement age.

NON-EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Non-executive directors do not have service contracts with the company.

The remuneration of members of the Board of Directors is agreed at the Company's General Meetings. Directors' remuneration consists of monthly fixed fees. The Annual General Meeting held on June 25, 2019 resolved that all Board members will receive EUR 3,500 a month and will receive additional EUR 1,500 for the committee work. Chairman of the audit committee will receive in addition EUR 500 a month while Chairman of the Board will receive additional EUR 2,000 a month.

Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board or committee membership.

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to executive role have been presented below.

RELATED PARTY TRANSACTIONS WITH PERSONS BELONGING TO THE GROUP'S BOARD AND MANAGEMENT

EUR '000		2019			2018		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Konsbruck Guy	Board member 05.2.2018 onwards, CEO 15.1.2017 onwards		294	605		360	219
BOARD MEMBERS							
Abrahamsen Thorstein	Board member 23.5.2017 onwards, Chairman 11.11.2019 onwards		63			60	
Hoyer Thomas	Board member 23.5.2017 - 05.2.2018		0			6	
Jakovcic Ivan	Board member 8.5.2015 - 31.07.2018, Chairman 12.5.2016 - 23.5.2017		0			34	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 23.5.2017 – 25.6.2019		66			72	
Rourke Barry	Board member 8.5.2015 – 11.11.2019, Chairman 25.06.2019 – 11.11.2019		73			85	
Bolleurs Yolanda	Board member 25.6.2019 – 11.11.2019		25			0	
Total		**0**	**521**	**605**	**0**	**617**	**219**

OTHER EMT MEMBERS' SERVICE CONTRACTS

As Afarak operates within highly competitive environment, its performance depends on the individual contributions of the executive directors and other senior employees. The remuneration packages are designed to attract, motivate and retain executives to manage the Group's operations effectively and to reward them for enhancing shareholder value.

The EMT remuneration package is a combination of a base salary and long-term based incentives, fringe benefits include liability insurance, traveller's insurance and telephony services.

There are no early retirement options in the EMT's employment contracts and the notice period and/or non-compete period is normally six months, unless otherwise agreed.

The table below includes the EMT but excludes the CEO since the compensation for Board members and CEO has been presented separately.

None of Afarak's executive directors have received any compensation for serving as a NED in other companies.

Management remuneration

EUR '000	2019	2018
Fixed salaries and fees	591	564
Provision for variable performance related compensation	0	-14
Total	**591**	**550**

SHARE-BASED COMPENSATION

SHARE OPTIONS

As part of the remuneration packages of its CEOs, Afarak pays a share-based compensation of 500,000 shares for every completed year. Guy Konsbruck, after completing his first year as CEO in 2018 received 500,000 in share-based compensation, after completing his second year as CEO in 2019 received another 500,000 in share-based compensation, and he is due to receive another 400,000 for his third year of service.These shares have a lock-up period of two years from subscription date.

DIRECTORS' AND EMT MEMBERS' SHAREHOLDINGS AND OPTIONS AT 31 DECEMBER 2019

	Title	Shares	Related Party Shares	Options
Members of the Board				
Thorstein Abrahamsen	Chairman	0		0
Jelena Manojlovic	Non-Executive Director	150,000		
Guy Konsbruck*	Chief Executive Officer, Executive Director	1,000,000		
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar	Executive	0	0	0
Melvin Grima	Chief financial Officer	0	0	0
		800,000	**0**	**0**

** The CEO was due to receive an additional 500,000 shares in January 2020 after completing his third year of service. These will be granted after the AGM when a new board is formed, however these were self-reduced by 20% to 400,000 Company shares in 2020.*
*** Dr Koncar has sold his shareholding in LNS (formerly Kermas Resources Ltd) on January 20,2018.*

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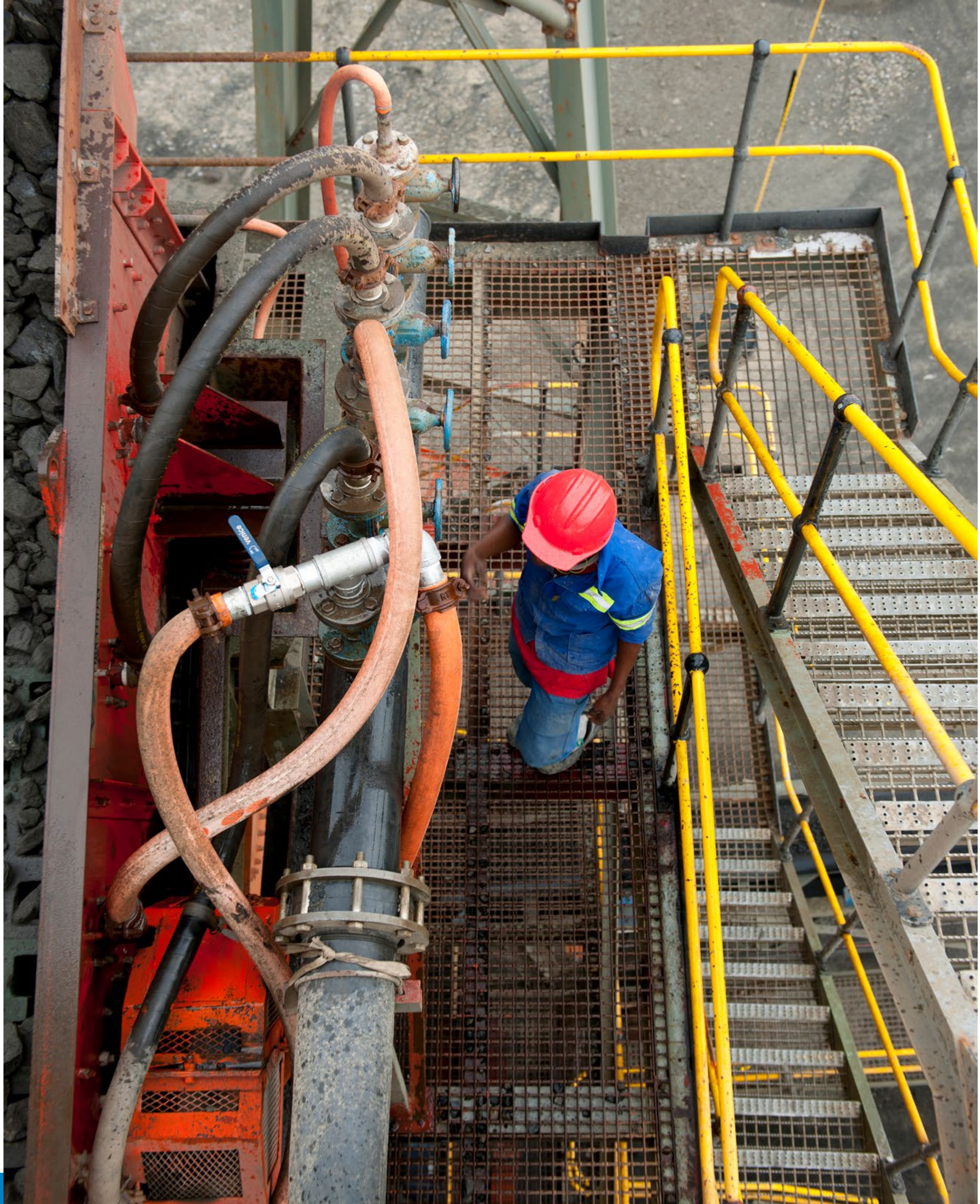
Financial Statements



Key Figures

FINANCIAL INDICATORS

CONTINUING OPERATIONS		2019	2018	2017
Revenue	EUR'000	144,918	194,013	198,814
EBITDA	EUR'000	-23,754	-1,017	17,969
% of revenue		-16.4%	-0.5 %	9.0 %
Operating profit / loss (EBIT)	EUR'000	-63,154	-14,092	11,399
% of revenue		-43.6%	-7.3 %	5.7 %
Profit / loss before taxes	EUR'000	-60,582	-18,541	4,241
% of revenue		-41.8%	-9.6 %	2.1 %
Return on equity	%	-52.2%	-11.5 %	3.0 %
Return on capital employed	%	-33.0%	-6.0 %	8.2 %
Equity ratio	%	-33.3%	-58.3 %	66.3 %
Gearing	%	74.0%	8.2 %	0.7 %
Personnel at the end of the accounting period		905	942	928

Key Figures

SHARE-RELATED KEY INDICATORS

		2019		2018		2017	
		Group	Continuing Operations	Group	Continuing Operations	Group	Continuing Operations
Earnings per share, basic	EUR	-0.23	-0.23	-0.07	-0.07	0.02	-0.01
Earnings per share, diluted	EUR	-0.23	-0.23	-0.07	-0.07	0.02	-0.01
Equity per share	EUR	0.28	0.28	0.58	0.58	0.66	0.66
Distribution*	EUR'000	0		0		5,186	
Distribution per share*	EUR	0		0		0.02	
Price to earnings	EUR	neg.		neg.		35.2	
Average number of shares	1000	251,785		260,080		259,329	
Average number of shares, diluted	1000	254,374		260,702		260,718	
Number of shares at the end of the period	1000	252,042		263,040		263,040	
Share price information (NASDAQ Helsinki)							
Average share price	EUR	0.90		0.94		0.91	
Lowest share price	EUR	0.40		0.67		0.72	
Highest share price	EUR	0.97		1.20		1.15	
Market capitalisation	EUR'000	133,834		190,968		222,269	
Share turnover	EUR'000	37,961		27,594		58,773	
Share turnover	%	16.8 %		11.1 %		24.7 %	
Share price information (London Stock Exchange)							
Average share price	EUR	0.72		1.00		0.84	
	GBP	0.63		0.89		0.74	
Lowest share price	EUR	0.43		0.82		0.63	
	GBP	0.38		0.73		0.55	
Highest share price	EUR	0.88		1.05		1.06	
	GBP	0.78		0.93		0.93	
Market capitalisation	EUR'000	111,090		213,190		214,944	
	GBP'000	94,516		190,705		190,705	
Share turnover	EUR'000	167		28		56	
	GBP'000	146		25		49	
Share turnover	%	0.1 %		0.0 %		0.0 %	

* In 2017 the company distributed a capital redemption of EUR 0.02 per share out of the paid-up unrestricted equity fund. In 2018 and in 2019 the company did not distribute capital redemption. In 2020 the Board of Directors proposes to the Annual General Meeting that no distribution would be paid in 2020.

Key Figures

FORMULAS FOR CALCULATION OF INDICATORS

FINANCIAL INDICATORS

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
EBITDA	Operating profit + depreciation + amortisation + impairment losses
Operating profit / loss	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.

SHARE-RELATED KEY INDICATORS

Earnings per share, basic	Profit attributable to owners of the parent company / Average number of shares during the period.
Earnings per share, diluted	Profit attributable to owners of the parent company / Average number of shares during the period, diluted.
Equity per share	Equity attributable to owners of the parent / Average number of shares during the period.
Distribution per share	Distribution / Number of shares at the end of the period. In the attached table of share related key indicators, the dividend and capital redemptions are presented in that year's column on which results the pay-out are based; hence the actual payment takes place during next year.
Price to earnings	Share price at the end of the period / Earnings per share
Average share price	Total value of shares traded in currency / Number of shares traded during the period.
Market capitalisation	Number of shares * Share price at the end of the period.

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.-31.12.2019	1.1.-31.12.2018
Revenue	1	**144,918**	**194,013**
Other operating income	2	2,378	4,624
Materials and supplies		-127,359	-157,718
Employee benefits expense	3	-24,839	-25,589
Depreciation and amortisation	4	-7,449	-6,532
Impairment	4	-31,951	-6,543
Other operating expenses	5	-17,984	-13,654
Share of profit from joint ventures	12	-868	-2,693
Operating (loss) / profit		**-63,154**	**-14,092**
Acquisition of Synergy Africa Ltd		7,069	0
Finance Income	6	12,027	3,275
Finance Expense	6	-9,455	-7,724
(Loss) / profit before taxes		**-60,582**	**-18,541**
Income taxes	7	1,705	-42
(Loss) / profit for the year		**-58,877**	**-18,583**
(Loss) / profit attributable to:			
Owners of the parent		-57,576	-18,056
Non-controlling interests		-1,301	-527
		-58,877	**-18,583**
Earnings per share (counted from profit / (loss) attributable to owners of the parent):	8		
basic (EUR), Group total		-0.23	-0.07
diluted (EUR), Group total		-0.23	-0.07
basic (EUR), continuing operations		-0.23	-0.07
diluted (EUR), continuing operations		-0.23	-0.07

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME (CONT.)

EUR '000	1.1.-31.12.2019	1.1.-31.12.2018
(Loss) / profit for the year	**-58,877**	**-18,583**
Other comprehensive (loss)/income		
Items that will not be reclassified to profit and loss		
Remeasurements of defined benefit pension plans	-2,740	-577
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations - Group	2,166	-2,208
Exchange differences on translation of foreign operations – Associate and Joint Ventures	0	-340
Other comprehensive (loss), net of tax	**-574**	**-3,125**
Total comprehensive (loss)/income for the year	**-59,451**	**-21,708**
Total comprehensive (loss)/income attributable to:		
Owners of the parent	-58,123	-21,111
Non-controlling interests	-1,328	-597
	-59,451	**-21,708**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	9	110,798	44,984
Goodwill	10	45,414	56,245
Other intangible assets	10	7,010	13,475
Other financial assets	13	1,048	511
Receivables	13	0	22,192
Deferred tax assets	19	3,419	3,935
		167,688	**141,342**
Current assets			
Inventories	14	29,964	56,965
Trade and other receivables	15	20,556	48,175
Cash and cash equivalents	16	5,389	12,132
		55,909	**117,272**
Total assets		**223,597**	**258,614**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

EUR '000	Note	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	17	23,642	23,642
Share premium reserve		25,740	25,740
Legal Reserve		89	98
Paid-up unrestricted equity reserve		207,850	231,292
Translation reserve		-19,618	-21,811
Accumulated losses		-170,397	-108,485
		67,306	**150,476**
Non-controlling interests		7,230	372
Total equity		**74,536**	**150,848**
Non-current liabilities			
Deferred tax liabilities	19	21,573	3,435
Interest-bearing debt	13	18,290	2,103
Share of joint ventures´ losses	12	0	16,871
Pension liabilities	21	22,475	20,106
Other non-current debt	22	2,667	2,679
Provisions	20	19,052	8,876
		84,058	**54,070**
Current liabilities			
Trade and other payables	22	19,853	27,028
Provisions	20	177	105
Tax liabilities	22	2,754	4,232
Interest-bearing debt	13	42,220	22,331
		65,003	**53,696**
Total liabilities		**149,061**	**107,766**
Total equity and liabilities		**223,597**	**258,614**

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CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Note	1.1-31.12.2019	1.1-31.12.2018
Operating activities			
(Loss) / profit for the year		-58,877	-18,583
Adjustments for:			
Non-cash items			
Depreciation and impairment	4	39,400	13,075
Acquisition of Synergy Africa Ltd		-7,069	0
Finance income and expense	6	4,497	4,449
Income from joint ventures	12	868	2,693
Income taxes	7	-1,705	42
Share-based payments	18	605	-227
Proceeds from non-current assets		-3,188	-56
Working capital changes:			
Change in trade receivables and other receivables		18,221	5,795
Change in inventories		28,439	-7,860
Change in trade payables and other debt		-14,087	4,669
Change in provisions		8,892	-107
Interest paid		-3,766	-1,088
Interest received		-58	590
Other financing items		-13,631	340
Income taxes paid		-649	-663
Net cash from operating activities		**-2,108**	**3,069**
Investing activities			
Acquisitions of subsidiaries, net of cash acquired		684	-1,003
Acquisition of non-controlling interest	17	-398	-457
Capital expenditure on non-current assets, net		-2,068	-7,497
Other investments, net		-193	141
Repayments of loan receivables and loans given, net		398	-1,139
Net cash used in investing activities		**-1,577**	**-9,955**
Financing activities			
Acquisition of own shares	17	-26,389	0
Proceeds from borrowings		33,440	7,787
Repayments of borrowings		-6,981	-6,088
Payment of principal portion of lease liabilities		-222	-239
Movement in short term financing activities		-3,088	6,518
Net cash from financing activities		**-3,240**	**7,978**
Change in cash and cash equivalents		**-6,926**	**1,092**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT.)

EUR '000	Note	1.1.-31.12.2019	1.1.-31.12.2018
Cash at beginning of period		12,132	10,702
Exchange rate differences		182	338
Cash at end of period		5,389	12,132
Change in the consolidated statement of financial position	**16**	**-6,926**	**1,092**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000

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

		ATTRIBUTABLE TO OWNERS OF THE PARENT								
EUR '000		A	B	C	D	E	F	G	H	I
Equity at 31.12.2017	**Note**	**23,642**	**25,740**	**230,835**	**-19,334**	**-89,618**	**131**	**171,396**	**969**	**172,365**
Impact of the adoption of IFRS 9		0	0	0	0	0	0	0	0	0
Total impact of the adoption of new IFRS standards		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loss for the period 1-12/2018						-18,056		-18,056	-527	-18,583
Other Comprehensive income and Share of OCI in associates and JV					-2,477	-577		-3,054	-70	-3,124
Total comprehensive income					**-2,477**	**-18,633**		**-21,110**	**-597**	**-21,707**
Share-based payments	18			457		- 234		223		223
Other changes in equity							- 33	-33		-33
Equity at 31.12.2018		**23,642**	**25,740**	**231,292**	**- 21,811**	**- 108,485**	**98**	**150,476**	**372**	**150,848**
Loss for the period 1-12/2019						-57,576		-57,576	-1,301	-58,877
Other Comprehensive income					2,193	-2,740		-547	-27	-574
Total comprehensive income					**2,193**	**-60,316**		**-58,123**	**-1,328**	**-59,451**
Share-based payments	18			605				605		605
Share issue	17			783				783		783
Acquisition of own shares	17			-26,389				-26,389		-26,389
Acquisition of non-controlling interest	17			1,559		-1,596		-37	8,186	8,149
Other changes in equity							-9	-9		-9
Equity at 31.12.2019		**23,642**	**25,740**	**207,850**	**- 19,618**	**- 170,397**	**89**	**67,306**	**7,230**	**74,537**

1. Notes to the Consolidated Financial Statements

1.1 COMPANY INFORMATION

Afarak Group is a chrome mining and minerals producer focused on delivering sustainable growth with a speciality alloys business in southern Europe and a ferro alloys business in southern Africa. The Group's parent company is Afarak Group Plc (business ID: 0618181-8). The parent company is domiciled in Helsinki, and its registered address is Kaisaniemenkatu 4, 00100 Helsinki, Finland. Copies of the consolidated financial statements are available at Afarak Group Plc's head office or at the Company's website: www.afarak.com.

Afarak Group Plc is quoted on the NASDAQ Helsinki Oy (trading code: AFAGR) in the industrials group, in the small-cap category, and on the main market of the London Stock Exchange (AFRK).

1.2 ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

These consolidated financial statements of Afarak Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in conformity with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2019. In the Finnish Accounting Act and the regulations issued on the basis thereof, International Financial Reporting Standards refer to the standards and their interpretations that have been approved for application within the EU in accordance with the procedure prescribed in the EU regulation (EC) 1606/2002. Notes to the consolidated financial statements also meet the requirements set forth in the Finnish accounting and company legislation.

The consolidated financial statements have been prepared on the historical cost basis, unless otherwise explicitly stated. All the figures in the consolidated financial statements are given in EUR thousands.

Afarak Group Plc's Board of Directors resolved on 31 March 2020 that these financial statements are to be published. According to the Finnish Companies Act, shareholders shall endorse the financial statements in the Annual General Meeting convening after the financial statements have been published.

PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is: a retrospective application of an accounting policy; a retrospective restatement; or a reclassification of items in financial statements that has a material impact on the Group.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies controlled by the Group. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The existence of potential voting rights has been taken into account in assessing the requirements for control in cases where the instruments entitling their holder to potential voting rights can be exercised at the time of assessment. Control refers to the right to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Acquired subsidiaries are consolidated from the time when the Group gained control, and divested subsidiaries until the time when control ceased. All intra-group transactions, receivables, debts, and unrealised profits, as well as internal distribution of profits, are eliminated when the consolidated financial statements are prepared. The distribution of profits between parent company owners and non-controlling owners is shown in the statement of comprehensive income, and the non-controlling interest of equity is shown as a separate item in the statement of financial position under shareholders' equity.

Joint ventures are entities in which each venturer has an interest and there is a contractual arrangement establishing joint control over the economic activity of the entity.

As at 31 March 2019, the Group held 51% of shares of Synergy Africa Ltd, which the shareholders of Synergy Africa Ltd had entered into a joint venture agreement with joint control over the company. On 1 April 2019, Afarak acquired the 49% balance of Synergy Africa Ltd, and the Joint Venture agreement was terminated. Therefore Afarak now holds 100% of Synergy Africa Ltd. As at 31 March 2019, the company and its subsidiaries were not consolidated into the Group as subsidiaries but as joint ventures. The Group's share of net profit or loss of the Joint venture during the period January to March 2019 is shown on one line in the income statement. As from 1 April 2019, Synergy Africa Ltd and its subsidiaries were consolidated into the Group as subsidiaries.

Associates are companies in which Afarak Group exercises significant influence. The Group exercises significant influence if it holds more than 20% of the target company's voting rights, or if the Group in other ways exercises significant influence but not control. Associates have been consolidated in the Group's financial statements using the equity method. If the Group's share of the associate's losses exceeds the carrying amount of the investment, the investment is recognised at zero value on the statement of financial position, and losses exceeding the carrying amount are not consolidated unless the Group has made a commitment to fulfil the associates' obligations. Investment in an associate includes the goodwill arising from its acquisition.

TRANSLATION OF FOREIGN CURRENCY ITEMS

Amounts indicating the profit or loss and financial position of Group entities are measured in the currency of each entity's main operating environment ('functional currency'). Figures in the consolidated financial statements are presented in euro, the functional and presentation currency of the Group's parent company, Afarak Group Plc.

Transactions in foreign currencies have been recorded at the functional currency using the exchange rate on the date of the transaction or mid reference rates of central banks. Monetary items denominated in foreign currencies have been translated into the functional currency using the exchange rates at the end of each reporting period. Exchange rate gains and losses are included in the revenue, operational costs or financial items, corresponding to their respective origin. Hedge accounting has not been applied.

In the Group accounts, foreign subsidiaries' income statements and statements of cash flows are converted into euro by using average exchange rates for the period, and the statement of financial position is converted by using the period-end exchange rate. The translation differences arising from this are recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost and post-acquisition equity changes are also recognised in other comprehensive income. If and when the foreign subsidiary is partially or fully divested, these accrued translation differences will be taken into account in adjusting the sales gain or sales loss.

Goodwill, other assets and liabilities arising from acquisitions of subsidiaries are recognised in the Group accounts using the functional currency of each acquired subsidiary. The balances in that functional currency have then been translated into euro using the exchange rates prevailing at the end of the reporting period.

In accordance with IAS 21, any foreign exchange difference arising from Intra-group loans for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. This is recognised in the group's other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

OPERATING PROFIT

IAS 1 Presentation of financial statements does not define the concept of operating profit. Afarak Group has defined it as follows: Operating profit is the net amount derived by adding to revenue other operating income, less materials and supplies, and expenses from work performed by the enterprise and capitalised, less costs from employee benefits, depreciation and impairment losses, and other expenses. Shares of associated companies'and joint venture companies' profit or loss are included in the operating profit to the extent to which they relate to the Group's core businesses.

Exchange differences arising from operational transactions with third parties are included in operating profit; otherwise they are recorded under financial items.

All other items of the income statement are excluded from operating profit.

IAS 1 amendment introduced the requirement for grouping of items presented in Other Comprehensive Income. Items that are reclassified (or `recycled`) to profit or loss at a future point in time will be presented separately from items which will never be reclassified. The amendment affected the presentation of Other Comprehensive Income.

REVENUE RECOGNITION

The Group applies IFRS 15 Revenue from Contracts with customers standard. Income from the sale of goods is recognised once the control of goods have been transferred to the buyer. Control is transferred either over time or at a point in time. The transfer of control depends on, terms of delivery (Incoterms) and some of which have transfer of risk to the customer before material is delivered to the final customer. The freight in conjunction with these delivery terms may be regarded as a separate performance obligation, however as they are limited in number, the Group does not consider the freight as being separate from the sale.

The most often used terms are FCA, CIF or FOB, under which the revenue is recognised when the goods are assigned to the buyer's carrier or loaded on board the vessel nominated by the buyer.

Generally, the Group receives short-term advances or cash against documents (CAD) from its customers. The payment terms are usually up to 60 days from end of month or after consignment report for customers with consignment agreement. The transaction price is based on official publications with premiums or discounts, while spot business is done based on negotiations. Performance obligations are satisfied at delivery of the goods and revenue is recognised based on the incoterms transfer of risk.

As typical in the business, preliminary invoices are issued for the mineral concentrates at the time of delivery. Final invoices are issued when quantity, mineral content and pricing have been defined for the delivery lot.

Income not generated by the Group's main businesses is accounted for as other operating income. The expenses incurred from disposals of non-current assets or a disposal group of assets are deducted from the gain on disposal.

PENSION LIABILITIES

Pension arrangements in Afarak Group are classified as defined contribution plans or defined benefit plans (Germany and Turkey). Payments for defined contribution plans are recognised as expenses for the relevant period. The present value of obligation for the defined benefit plans has been estimated applying the Projected Unit Credit Method and recognised as a non-current liability on the statement of financial position. The actuarial gains and losses are recognised in other comprehensive income when they occur and the net defined benefit liability or asset are presented in full on the statement of financial position.

SHARE-BASED PAYMENTS

Option rights are measured at fair value at the time they were granted and recorded as expenses on a straight-line basis during the vesting period. The expenses at the time the options were granted are determined according to the Group's estimate of the number of options expected to vest at the end of the vesting period. Fair value is determined on the basis of an applicable option pricing model (e.g. Black-Scholes). The effects of non-market-based terms and conditions are not included in the fair value of the option; instead, they are taken into account in the estimated number of options expected to vest at the end of the vesting period. The Group updates the estimated final number of options at the end of each reporting period. Changes in the estimates are recorded in the statement of comprehensive income. When the option rights are exercised, the cash payments received from the subscriptions adjusted with potential transaction costs are recorded under paid-up unrestricted equity reserve.

The Group from time to time directs free issues of shares to the members of the Board of Directors or key executives, as approved by the AGM. The compensation is settled in shares and is accordingly recognised as share-based payment in the Group's financial statements. The fair value of the granted shares is determined based on the market price of the Afarak Group share at the grant date. The total fair value is therefore the amount of granted shares multiplied by the share market price at grant date. The cost is recognised as expense in personnel costs over the vesting periods and credited to equity (retained earnings).

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE) TRANSACTIONS

The purpose of South African Broad Based Black Economic Empowerment (BBBEE) regulation is to enable previously disadvantaged people meaningfully to participate in the South African economy. The Group is committed to making a positive contribution towards the objectives of BBBEE. Where the Group disposes of a portion of a South African based subsidiary or operation to a BBBEE company at a discount to fair value, the transaction is considered to be a share-based payment (in line with the principle contained in South Africa interpretation AC 503 Accounting for Broad Based Black Economic Empowerment (BBBEE) Transactions). The discount provided or value given is calculated in accordance with IFRS 2 and recognised as an expense. Where the BBBEE transaction includes service conditions, the expense is recognised over the vesting period. Otherwise the expense is recognised immediately on the grant date.

LEASE AGREEMENTS (THE GROUP AS THE LESSEE)

Leases of tangible assets where the Group possesses a material portion of the risks and benefits of ownership are classified as financial leases. An asset acquired through a financial lease agreement is recognised at the fair value of the leased object at the beginning of the lease period, or at a lower current value of minimum lease. An asset obtained through a finance lease is depreciated over the useful life of the asset or the lease term, whichever is shorter. The leases payable are divided into financial expenses and loan repayment during the lease term so that the interest rate for the remaining loan is roughly the same each financial year. Leasing obligations are included in interest-bearing liabilities. Lease agreements in which the risks and benefits typical of ownership remain with the lessor are crecognised in the statement of financial position as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for the use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the income statement over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

IMPAIRMENT

At the end of each reporting period, the Group makes an assessment of whether there are any indications of asset impairment. If such indications exist, the recoverable amount of the asset is estimated. In addition, goodwill is assessed annually for its recoverable amount regardless of whether there are any signs of impairment. Impairment is examined at the cash-generating unit level; in other words, the lowest level of entity that is primarily independent of other entities and whose cash flows can be separated from other cash flows. Impairment related to associates and other assets are tested on a company/asset basis.

The recoverable amount is the fair value of an asset less divestment costs, or the higher value in use. Value in use means the present value of estimated future cash flows expected to arise from the asset or cash-generating unit. Value in use is forecast on the basis of circumstances and expectations at the time of testing. The discount rate takes into account the time value of money as well as the special risks involved for each asset, different industry-specific capital structures in different lines of business, and the investors' return expectations for similar investments. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. If the impairment loss is allocable to a cash-flow-generating unit, it is allocated first to reduce the goodwill of the unit and subsequently to reduce other assets of the unit. An impairment loss is reversed if a change has occurred in circumstances and the recoverable amount of the asset has changed since the impairment loss was recognised. An impairment loss recognised for goodwill is not reversed in any circumstances.

Goodwill is tested for impairment annually at year end; for the 2019 financial year, testing took place on 30 June 2019 and 30 September 2019 for the South African minerals processing business and 31 December 2019 for all cash generating units. Impairment testing and the methods used are discussed in more detail in section 1.5 in the 'Notes to the consolidated financial statements'.

FINANCIAL INCOME AND EXPENSE

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

BORROWING COSTS

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

INCOME TAXES

Tax expenses in the statement of comprehensive income consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous years. Maltese companies' income taxes are recognised and paid applying the nominal income tax rate which is 35%. Six sevenths of this tax is refunded when the company pays a dividend. Consequently the effective tax rate is 5%. The tax refund is recognised when the dividend is declared. Taxes arising from items recognised directly in equity are presented as income tax relating to other comprehensive income.

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

TANGIBLE ASSETS

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

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

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

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

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

MINES AND MINERAL ASSETS

Measurement of mineral resources and ore reserves in business combinations

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

Exploration and evaluation expenses of mineral resources

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

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

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

Mine establishment costs

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

Impairment

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

GOODWILL AND INTANGIBLE ASSETS IDENTIFIED AT ACQUISITION

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

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

Customer relationships:	2-5 years depending on contractual circumstances
Technology:	5-15 years
Trademarks:	1 year

RESEARCH AND DEVELOPMENT COSTS

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

OTHER INTANGIBLE ASSETS

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

INVENTORIES

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

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss in accordance with IFRS 9: Financial Instruments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. See note 13, in section 1.8. Notes to the Statement Of Financial Position, for tabular presentation of financial instruments.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15: Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortised cost (debt instruments);
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
4. Financial assets at fair value through profit or loss.

There have been no transfers of financial assets between fair value categories during the financial period. Afarak has not changed its recognition or fair valuation methods during the financial period.

1. Financial assets at amortised cost (debt instruments)

This category financial assets are measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group held loans receivable and trade receivables which were classified as being financial assets at amortised cost.

2. Financial assets at fair value through OCI (debt instruments)

This category of debt instruments are measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group did not hold any debt instruments classified as being financial assets at fair value through OCI.

3. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

4. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group did not hold any debt instruments classified as being financial assets at fair value through profit or loss.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions
- Debt instruments at fair value through OCI
- Trade receivables, including contract assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and should the Group have any contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

When necessary, the Group utilises derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised on the income statement. The Group did not have currency hedged at year end.

TREASURY SHARES

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from the paid-up unrestricted equity reserve. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Group's own equity instruments.

FINANCIAL LIABILITIES

Liabilities are classified as current and non-current, and include both interest-bearing and interest-free liabilities. Interest-bearing liabilities are liabilities that either include a contractual interest component, or are discounted to reflect the fair value of the liability. In the earlier financial years discounted non-current liabilities have included acquisition-related deferred conditional and unconditional liabilities. Certain conditional liabilities have included an earn-out component that needed to be met to make the liability unconditional and fix the amount of the future payment. Acquisition-related conditional purchase considerations that were payable in the Company's shares were presented as interest-free liabilities.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 13, in 1.8 Notes to the Consolidated Statement of Financial Position.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The provision for rehabilitation and decommissioning costs has arisen on operating mines and minerals' processing facilities. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the rehabilitation and decommissioning liability. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs of or in the discount rate applied to the rehabilitation obligation are added or deducted from the profit or loss or, respectively, decommissioning obligation adjusted to the carrying value of the asset dismantled.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS
The standard IFRS 5 requires that an entity must classify a non-current asset or a disposal group as assets held for sale if the amount equivalent to its carrying amount is accumulated primarily from the sale of the item rather than from its continued use. In this case, the asset or disposal group must be available for immediate sale in its present condition under general and standard terms for the sale of such assets, and the sale must be highly probable.

ACCOUNTING POLICIES REQUIRING MANAGEMENT DISCRETION AND KEY UNCERTAINTY FACTORS FOR ESTIMATES
Preparation of the financial statements requires management to make estimates, assumptions and forecasts regarding the future. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations. In addition, management is required to use its discretion in the application of the financial statements' preparation principles.

The scope of the financial statements
The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies in which the Group has control. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The assessment of whether control is exercised requires management discretion.

As at 31 March 2019, the Group held 51% of shares of Synergy Africa Ltd, which the shareholders of Synergy Africa Ltd had entered into a joint venture agreement with joint control over the company. On 1 April 2019, Afarak acquired the 49% balance of Synergy Africa Ltd, and the Joint Venture agreement was terminated. Therefore Afarak now holds 100% of Synergy Africa Ltd. As at 31 March 2019, the company and its subsidiaries were not consolidated into the Group as subsidiaries but as joint ventures. The Group's share of net profit or loss of the Joint venture during the period January to March 2019 is shown on one line in the income statement. As from 1 April 2019, Synergy Africa Ltd and its subsidiaries were consolidated into the Group as subsidiaries.

IFRS 11 requires considering all facts and circumstances relating to joint arrangements instead of legal form only, which influences the accounting treatment of the arrangements. Under the new standard Afarak's share in Synergy Africa Limited and its subsidiaries are consolidated under the equity method instead of the proportionate method of consolidation. Synergy Africa Limited and its subsidiaries form a part of Afarak's mining operations in South Africa.

Allocation of the cost of a business combination
In accordance with IFRS 3, the acquisition cost of an acquired company is allocated to the assets of the acquired company. The management has to use estimates when determining the fair value of identifiable assets and liabilities. Determining a value for intangible assets, such as trademarks and customer relationships, requires estimation and discretion because in most cases, no market value can be assigned to these assets. Determining fair value for tangible assets requires particular judgment as well, since there are seldom active markets for them where the fair value could be obtained. In these cases, the management has to select an appropriate method for determining the value and must estimate future cash flows.

Impairment testing
Goodwill is tested annually for impairment, and assessments of whether there are indications of any other asset impairment are made at end of reporting period, and more often if needed. The recoverable amounts of cash-generating units have been determined by means of calculations based on value in use. Preparation of these calculations requires the use of estimates to predict future developments.

The forecasts used in the testing are based on the budgets and projections of the operative units, which strive to identify any expansion investments and rearrangements. To prepare the estimates, efforts have been made to collect background information from the operative business area management as well as from different sources describing general market activity. The risk associated with the estimates is taken into account in the discount rate used. The definition of components of discount rates applied in impairment testing requires discretion, such as estimating the asset or business related risk premiums and average capital structure for each business segment.

Tangible and intangible assets

Afarak Group management is required to use its discretion when determining the useful lives of various tangible and intangible assets, which affects the amount of depreciation and thereby the carrying amount of the assets concerned. The capitalising of mine development assets and exploration and evaluation expenditure, in particular, requires the use of discretion. Similarly, management is required to use its discretion in determining the useful lives of intangible assets identified in accordance with IFRS 3, and in determining the amortisation period. This affects the financial result for the period through depreciation and change in deferred taxes.

Measurement of mineral resources and ore reserves

In the Group's mining operations, estimates have to be applied in recognising mineral resources acquired in business combinations as assets. In the recognition and measurement of mineral resources and ore reserves, the Group utilises available third party analyses of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also a key consideration. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as 'proven', 'probable', 'inferred' and 'hypothetical'. The measurement of ore reserves is based on estimated market prices, estimated production costs and on the probability classification of the mineral resource and quantities. Therefore, the Group's management has to use its discretion in applying recognition and measurement principles for mineral resources.

Rehabilitation provisions

The Group assesses the rehabilitation liabilities associated with its mines and production facilities annually. The amount of provision reflects the management's best estimate of the rehabilitation costs. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the area and remove or cover the contaminated soil from the site, the expected timing of those costs, and whether the obligations stem from past activity. These uncertainties may cause the actual costs to differ from the provision which has been made.

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The Group applied, for the first time, certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Several other amendments apply for the first time in 2019. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group and, hence, have not been disclosed.

The nature and the effect of these changes are disclosed below. Although the new standards and amendments applied for the first time in 2019, they did not have a material impact on the annual consolidated financial statements of the Group. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRS 16 LEASES

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group has adopted new IFRS 16 standard using modified retrospective approach and the comparative information has not been restated. The reclassifications and adjustments arising from the new accounting rules have been recognised in the opening balance sheet on January 1, 2019.

The Group leases mainly consist of offices and motor vehicles. Rental contracts are typically made for fixed periods from two to three years but may have extension options. The Group continues to treat leases of 12 months or less and leases of low-value assets as other leases.

Until year 2018 leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were recognized in the income statement on a straight-line basis over the period of the lease.

From January 1, 2019 according to the new IFRS 16 Leases, leases are recognised in the balance sheet as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for the use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the income statement over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease liabilities were discounted at the borrowing rate as at January 1, 2019. The weighted average discount rate was 3.5 %.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use asset – increase by EUR 0.5 million
- non-current liabilities – increase by EUR 0.5 million

The recognized leases in the balance sheet as at December 31, 2019 and in the income statement for the year 2019 are as follows:

IMPACT ON STATEMENT OF FINANCIAL POSITION INCREASE / (DECREASE) AS AT 31 DECEMBER 2019

	EUR million
ASSETS	
Property, plant and equipment (right-of-use) NBV	0.5
LIABILITIES	
Lease liabilities	0.5
Net impact on equity	**-0**

IMPACT ON INCOME STATEMENT INCREASE / (DECREASE) FOR 31 DECEMBER 2019	**EUR million**
Depreciation expense (increased on cost of sales)	0.1
Operating lease expenses	-0.1
Total comprehensive income	**0**
Finance costs	0.0
Profit for the year	**0**

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the Group, they have not been listed.

AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

AMENDMENTS TO IAS 1 AND IAS 8: DEFINITION OF MATERIAL

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

1.3 GOING CONCERN

The company is prepared for a longer period of subdued markets. We have cut maximum cost in the loss-making assets in South Africa and have done all that is possible to achieve a break-even point. We have reduced headcount in both Stellite and Mogale. We have temporarily discontinued operations in the mines Mecklenburg, Zeerust and partially in Stellite. In Mogale only one furnace has been operating. Market participants expect a higher benchmark in the foreseeable future. If this would not materialize, the company will assess the possibility of discontinuing charge chrome production temporarily.

In the meantime, the government lock-down of the country may lead us to put all assets into care and maintenance. We fully subscribe to the fact that today the lives and health of all populations have priority. We have taken all steps to preserve the good condition of the production assets in such an eventuality.

The Specialty Alloys segment performance should generate adequate cash flows for the next 18 months to get us through the weak markets. We enjoy a much greater flexibility in this segment, when it comes to right-sizing production output and matching it with market requirements.

We are in the process of restructuring a short-term commercial debt into a longer-term arrangement and have secured further short-term arrangements that should provide us with additional flexibility.

Whereas the management is positive about debt restructuring and further short-term arrangements, there is no certainty that the Company will be successful in these matters. It must be noted that a failure to achieve these goals may cast significant doubt on the company's ability to continue as a going concern.

The recent developments with the COVID-19 epidemic could create further damage that cannot be forecasted at this moment. The company is presently doing all efforts to manage the situation.

1.4 BUSINESS COMBINATIONS AND ACQUISTION OF NON-CONTROLLING INTERESTS

1.4.1 FINANCIAL YEAR 2019

Afarak acquired 49% balance of Synergy Africa Ltd previously a joint venture. Afarak now holds 100% of Synergy Africa Ltd and the Joint Venture agreement was terminated. Afarak acquired full control over its mining assets and is now consolidating Synergy Africa as a subsidiary as from 1st April 2019.

The purchase price allocation of the acquisition is presented below. The figures on the table represent the 100% of the assets and liabilities of Synergy Africa which is consolidated into Afarak Group's financial statements.

EUR MILLION	Book value	Fair Value adjustments	Fair Value / Contribution paid
Non-current assets	7.6	69.7	77.3
Net working capital	-5.5	0.0	-5.5
Deferred tax	0.0	-19.5	-19.5
Provision	-6.8	0.0	-6.8
Loans	-37.2	0.0	-37.2
Non-controlling interest	3.0	-11.4	-8.4
Net Assets	**-38.8**	**38.8**	**0.0**

Cost of acquisition	0.0
Net assets acquired	0.0
Cash flow effect	
Cash consideration paid	0.0
Cash acquired	0.7
Net cash	**0.7**

Intercompany Loans are now eliminated and external loans are now consolidated.

Fair valuation of former Synergy Africa joint venture resulted in a EUR 7.1 million accounting gain.

During the second quarter, Afarak also acquired a further 49% of the shares in Zeerust Chrome Mine, in exchange for total consideration of two million shares in Afarak Group Plc, amounting to Eur 1,654,000. Of which 26% are to be transferred to a prospective BEE partner and therefore Afarak holds and consolidate 74% interest in the company.

Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. This has not yet been executed as there need to be an approval from South Africa Reserve bank and it is expected to be executed in 2020.

1.4.2 FINANCIAL YEAR 2018

During the third quarter, Afarak has concluded the acquisition of Magnohrom, a sinter magnesite refractory material company, with ore mines and production facilities in Kraljevo, Serbia, for an acquisition price of EUR 1.0 million. The acquisition of Magnohrom was accounted for in accordance with IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.

1.5 IMPAIRMENT TESTINGS

GENERAL PRINCIPLES OF IMPAIRMENT TESTING

Afarak Group has carried out impairment testing on goodwill and other assets as of 31 December 2019 and for South African minerals processing business also in 30 June 2019 and 30 September 2019. The following cash generating units were defined for the impairment testing:

- Speciality Alloys business (Türk Maadin Sirketi and Elektrowerk Weisweiler) with a vertically integrated mining-beneficiation-smelting-sales operation in the specialty grade ferrochrome business;
- South African minerals processing business (Mogale Alloys) which has ferroalloys smelting operations with four furnaces; and
- South African mining business (Mecklenburg, Stellite, Valkpoort and Zeerust);

The Group assesses at the end of each reporting period whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects will be estimated annually, irrespective of whether there is an indication of impairment. The South African mining business did not have any goodwill at the end of the financial year 2019, while the goodwill in the South African minerals processing business was fully impaired during 2019.

During 2019, no impairment was recognised at the Speciality Alloys business and South African mines, while an impairment of EUR 32.0 million in aggregate was recognised at the South African minerals processing business during 2019.

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

CHANGES IN GOODWILL DURING 2019

During the financial year 2019, the total goodwill of the Group decreased by EUR 12.5 million to a total of EUR 45.4 million. The decrease was attributable to the impairment write-down related to Mogale business, of which EUR 12.5 million and an exchange rate movement of EUR 0.2 million related to Goodwill.

In 2014, the synergy goodwill identified in the Mogale acquisition, related to Afarak Trading acting as a global sales entity for the whole Group, was initially allocated to Speciality Alloys segment. Afarak Trading contribution is divided to both segments to reflect the nature of serving the whole Group. It is allocated to both segments based on their relative revenue, reflecting the volume of Afarak Trading related benefits enjoyed by the CGU. The changes are described below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2019	44,001	12,244	56,245
Impairment	0	-12,459	-12,459
Exchange rate movement	1,412	215	1,627
Goodwill 31.12.2019	**45,414**	**0.0**	**45,414**

The changes in goodwill during 2018 are presented below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2018	41,895	20,514	62,409
Impairment	0	-6,543	-6,543
Exchange rate movement	2,106	-1,727	379
Goodwill 31.12.2018	**44,001**	**12,244**	**56,245**

Goodwill as a ratio of the Group's equity on 31 December 2019 and 31 December 2018 was as follows:

EUR '000	31.12.2019	31.12.2018
Goodwill	45,414	56,245
Equity	74,536	150,848
Goodwill/Equity, %	**60.9%**	**37.3%**

IMPAIRMENT ON OTHER LONG TERM ASSETS

In addition to the impairment on Goodwill, in 2019, an impairment write down on other long term assets in the South African minerals processing business amounted to EUR 19.5 million. The impairment of other long term assets is disclosed in note 9 and note 10 in the notes the the Consolidated Statement of Financial Position.

METHODOLOGY APPLIED IN IMPAIRMENT TESTING

For the cash generating units that were tested, the test was carried out by calculating their value in use. Value in use has been calculated by discounting estimated future net cash flows based on the conditions and assumptions prevailing at the time of the testing. Future cash flows for the Speciality Alloys and South African minerals processing have been projected for a five-year period, after which a growth rate equalling projected long-term inflation has been applied (Speciality Alloys: 2%, South African minerals processing: 6.0%, and for electricity 8.8%). For the terminal year after the five-year estimation period, the essential assumptions (e.g. revenue, variable costs and fixed costs) have been based at the estimation period's previous year's figures. Future cash flows for the South African mining business have been projected for the life of mine with a 6.0% growth rate equaling projected long-term inflation has been applied.

The weighted average cost of capital (WACC) has been calculated separately for each cash generating unit and assets being tested, taking into account each business's typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as risk-free interest rates and margins for debt financing. The Group has used publicly available information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2019.

The information used in the 31 December 2019 impairment testing is based on business units' management future forecasts, on general third-party industry expert or analyst reports where available, and to the extent possible on the current business and asset base excluding any non-committed expansion plans. Forecasted sales volumes and profitability are based on the management's view on future development while also taking past performance into account. Price forecasts are based on independent market forecasts for all cash generating units, but in the South African minerals processing business and South African mining business USD-based price forecast was adjusted for assumed Rand devaluation. The management's approach in preparing cash flow forecasts has not changed significantly from the previous impairment testing.

The underground production in the models of the South African mining business does not solely come from reserves, as some come from resources that are not yet converted to reserves. This increases the risk that some of the grades may differ, and tonnes could possibly not be economically extractable. There is also the risk that costs could be different than anticipated even though due care was taken in the cost evaluation.

These pre-tax discount rates applied in 2019 impairment testing were the following:

CASH GENERATING UNIT	PRE-TAX DISCOUNT RATE	
	2019	2018
Speciality Alloys	15.2%	16.8%
South African minerals processing	21.1%	24.2%
South African mines:		
- Stellite mine	26.4%	26.4%
- Mecklenburg	27.7%	27.6%

The key reasons for the changes in the discount rates compared to 2018 were the changes in risk-free interest rates in both cash-generating units.

The cash flows in the Stellite mine impairment test review include both opencast and recycling of tailing dam by way of using the shaking table technology. The cash flows in the Mecklenburg mine impairment test review includes both opencast and underground operation. The Stellite mine model has a life of mine of 23 years and the Mecklenburg model has a life of mine of 10 years.

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount based on the following judgment rules:

RECOVERABLE AMOUNT DIVIDED BY THE CARRYING AMOUNT:	CONCLUSION:
< 100%	Impairment
101-120%	Slightly above
121-150%	Clearly above
> 150%	Significantly above

TEST RESULTS 31 DECEMBER 2019

The impairment test results were as follows:

CASH GENERATING UNIT	Goodwill (MEUR), pre-testing	Goodwill (MEUR), post-testing	Carrying amount (MEUR), pre-testing	Conclusion
Speciality Alloys	45.4	45.4	65.2	Slightly above
South African minerals processing	12.2	0.0	21.8	Impairment
South African mines:				
- Stellite	0.0	0.0	32.1	Significantly above
- Mecklenburg	0.0	0.0	27.1	Clearly above

The testable asset base (carrying amount) includes goodwill, intangible and tangible assets and net working capital less provisions and deferred tax liabilities (in relation to purchase price allocation entries).

Key background and assumptions used in the cash flow forecasts of the impairment testing process are summarised in the following table:

CASH GENERATING UNIT	Sales volume	Sales prices	Costs
Speciality Alloys business	FeCr: 25,000 t/a Cr ore: 19,000 t/a	LC/ULC ferrochrome with average Cr content of 70 %, based on external experts (Roskill) price forecasts	Raw material costs generally change in line with sales price; other costs growing at inflation rate
South African minerals processing	Metal alloys: 28,000 t in 2020 75,000 t/a as from 2021 Assumption made: P1 will operate throughout the period; P2 and P3 will start to operate as from 2021; P4 will not be operating during the period	Forecast based on Roskill nominal prices average adjusted for Rand devaluation For 2020 it was assumed that the Benchmark price will remain at the same level of 2019 benchmark price, that is $1.08/lb	Raw material costs generally change in line with sales price; Electricity cost was assumed to be higher than inflation, while other costs growing at inflation rate
South African mining business: Stellite mine	Concentrate: Opencast mining averaging 262,000t/a as from 2020 till 2042 Lumpy: Average of 29,000 t/a from 2023 till 2042	SA Concentrate & SA Lumpy prices are based on independent market forecasts adjusted for Rand devaluation	The costs applied for opencast operation is based on the current historical cost adjusted for a reduction in production cost per ton as a result of higher recoveries due to better benefication. This cost has been estimated and adjusted for inflation for the opencast life of mine. The cost over the life of mine excluding inflation is estimated to be ZAR 1,109 per saleable ton of chrome.
South African mining business: Mecklenburg mine	ROM: Underground mining of 20,000t in 2021; 177,000t om 2022; and is planned to increase to an average of 539,000t/a as from 2023 to 2030	SA Concentrate & SA Lumpy prices are based on independent market forecasts adjusted for Rand devaluation	The costs for underground are based on past experiences of our mining team in underground operations adjusted for inflation rate. The cost over the life of mine excluding inflation is estimated to be ZAR 677 per saleable ton of chrome.

Moreover, the USD/ZAR foreign exchange rate affects significantly the testing of the South African minerals business. The foreign exchange rate used in the test was 15.34 for the year 2020.

SENSITIVITY ANALYSIS OF THE IMPAIRMENT TESTS

The Group has analysed the sensitivity of the impairment test results by estimating how the essential assumptions should change in order for the recoverable amount to be equal to the carrying amount. The results of this sensitivity analysis as of 31 December 2019 are given below:

CASH GENERATING UNIT	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average EBITDA margin
Speciality Alloys	1.0% - points	-6.7%	-0.7% - points
South African minerals processing	- % - points	- %	- % - points
South African mining business:			
- Stellite mine	-32.2% - points	-47.4%	-18.8% - points
- Mecklenburg mine	-22.1% - points	-53.4%	-33.9% - points

1.6 OPERATING SEGMENTS

Afarak Group has two operating segments, FerroAlloys and Speciality Alloys, which are also the reporting segments. The operating segments are organised based on their products and production processes. The current reporting structure was adopted in 2011. The Group's executive management reviews the operating results of the segments for the purpose of making decisions on resource allocation and performance assessment. Segment performance is measured based on revenue as well as earnings before interest, taxes, depreciation and amortisation (EBITDA) as included in the internal management reports and defined consistently with the consolidated EBITDA.

The FerroAlloys business consists of the processing plant Mogale Alloys, Vlakpoort mine, Zeerust mine, the Stellite mine and Mecklenburg mine (the Stellite mine and Mecklenburg mine as Joint Venture until 31 march 2019) in South Africa. The business produces chrome ore, charge chrome, medium carbon ferrochrome and silicomanganese for sale to global markets.

The Speciality Alloys business consists of Türk Maadin Şirketi A.S ("TMS"), the mining and beneficiation operation in Turkey, and Elektrowerk Weisweiler GmbH ("EWW"), the chromite concentrate processing plant in Germany. TMS supplies EWW with high quality chromite concentrate which produces speciality products including specialised low carbon and ultra low carbon ferrochrome. Chrome ore from TMS that is not utilised for the production of specialised low carbon ferrochrome is sold to the market.

The revenue and costs of the Group's sales and marketing arm Afarak Trading Ltd ("ATL") is allocated to the segments in proportion to their sales. Afarak's other operations, including the Group's headquarters and other Group companies that do not have significant operations, are presented as unallocated items.

Intercompany transactions are carried out on an arm's length basis. The transactions between the segments have been limited but the parent company has provided funding and administrative services to the Group's subsidiaries.

The accounting policies applied in the operating segment information are the same as those in the consolidated financial statements.

OPERATING SEGMENT INFORMATION 2019

Year ended 31.12.2019 EUR '000	Speciality Alloys	Ferroalloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	109	109	625	0	734
Sale of goods	82,464	61,700	144,164	20	0	144,185
Total external revenue	82,464	61,809	144,273	645	0	144,918
Inter-segment revenue	780	0	780	1,479	-2,259 [1]	0
Total revenue	**83,244**	**61,809**	**145,053**	**2,124**	**-2,259**	**144,918**

Items related to joint ventures (core)	0	-868	-868	0	0	-868
Segment EBITDA	**6,846**	**-23,581**	**-16,734**	**-7,020**	**0**	**-23,754**
Depreciation and amortisation	-2,368	-4,810	-7,178	-270	0	-7,449
Impairment		-31,951	-31,951	0	0	-31,951
Segment operating profit / (loss)	**4,478**	**-60,342**	**-55,864**	**-7,290**	**0**	**-63,154**
Finance income						12,027
Finance cost						-9,455
Income taxes						1,705
Profit for the period						**-58,877**
Segment's assets [2]	**166,670**	**115,023**	**281,693**	**17,409**	**-75,504**	**223,597**
Segment's liabilities [2]	**82,786**	**107,856**	**190,642**	**33,403**	**-74,984**	**149,061**
Other disclosures						
Capital expenditure [3]	2,651	1,814	4,465	150	0	4,615
Provisions [4]	1,528	16,251	17,778	1,450	0	19,228

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Investments consist of increases in tangible and intangible assets whose life is longer than one financial year.
4. Balance sheet values.

OPERATING SEGMENT INFORMATION 2018

Year ended 31.12.2018 EUR '000	Speciality Alloys	Ferro-alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	843	843	375	0	1,218
Sale of goods	96,148	96,202	192,350	445	0	192,795
Total external revenue	96,148	97,046	193,193	819	0	194,013
Inter-segment revenue	634	0	634	2,499	-3,133 [1]	0
Total revenue	**96,782**	**97,046**	**193,827**	**3,318**	**-3,133**	**194,013**
Items related to joint ventures (core)	0	-2,693	-2,693	0	0	-2,693
Segment EBITDA	**12,605**	**-8,114**	**4,491**	**-5,508**	**0**	**-1,017**
Depreciation and amortisation	-1,834	-4,666	-6,500	-32	0	-6,532
Impairment		-6,543	-6,543	0	0	-6,543
Segment operating profit / (loss)	**10,771**	**-19,323**	**-8,552**	**-5,540**	**0**	**-14,092**

Finance income						3,275
Finance cost						-7,724
Income taxes						-42
Profit for the period						**-18,583**
Segment's assets [2]	**156,874**	**118,706**	**275,580**	**16,480**	**-33,446**	**258,614**
Segment's liabilities [2]	**69,731**	**65,832**	**135,563**	**5,853**	**-33,650**	**107,766**
Other disclosures						
Capital expenditure [3]	4,539	3,777	8,316	1,430	0	**9,746**
Investment in joint ventures [4]	0	-16,871	-16,871	0	0	**-16,871**
Provisions [4]	1,523	7,448	8,971	0	9	**8,981**

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Capital expenditure consists of net increase in the year.
4. Balance sheet values.

GEOGRAPHICAL INFORMATION

Revenues from external customers

EUR '000	2019	2018
Other EU countries	61,668	91,463
United States	35,068	44,167
China	0	124
Africa	16,244	17,082
Finland	151	5,934
Other countries	31,788	35,243
Total revenue	**144,918**	**194,013**

Revenue figures are based on the location of the customers.

The largest customer of the Group is in the FerroAlloys business segment and represents approximately 7.5% (4.9%) of the Group's revenue in 2019. In the Speciality Alloys business segment the largest customer represents 3.6% (3.5%) of the Group's revenue in 2019.

Non-current assets

EUR '000	2019	2018
Africa	101,889	42,756
Other EU countries	8,548	7,515
Other countries	7,370	8,187
Total	**117,808**	**58,458**

In presenting geographical information, assets are based on the location of the assets. Non-current assets consist of property, plant and equipment, intangible assets and exclude Goodwill.

1.7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. REVENUE

EUR '000	2019	2018
Sale of goods	144,185	192,659
Rendering of services	733	1,354
Total	**144,918**	**194,013**

2. OTHER OPERATING INCOME

EUR '000	2019	2018
Gain on disposal of tangible and intangible assets	26	126
Rental income	240	251
Other	2,112	4,247
Total	**2,378**	**4,624**

3. EMPLOYEE BENEFITS

EUR '000	2019	2018
Salaries and wages	-22,092	-22,936
Share-based payments	-605	-231
Pensions costs	-11	-750
Other employee related costs	-2,131	-1,672
Total	**-24,839**	**-25,589**

AVERAGE PERSONNEL DURING THE ACCOUNTING PERIOD

	2019	2018
Speciality Alloys business	528	511
FerroAlloys business	406	340
Group Management	7	11
Other operations*	81	70
Total	**1,022**	**932**

PERSONNEL AT THE END OF THE ACCOUNTING PERIOD

	2019	2018
Speciality Alloys business	534	526
FerroAlloys business	307	324
Group Management	5	11
Other operations*	59	81
Total	**905**	**942**

* Other operations mainly relate to Magnohrom in Serbia

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR '000	2019	2018
Depreciation / amortisation by asset category		
Intangible assets		
Clientele and technology	-906	-1,579
Other intangible assets	-178	-232
Total	**-1,084**	**-1,811**

Property, plant and equipment		
Buildings and constructions	-474	-514
Machinery and equipment	-4,174	-3,181
Other tangible assets	-1,616	-1,025
Right-of-use assets	-101	0
Total	**-6,365**	**-4,720**

Impairment by asset category		
Impairment write-down on goodwill	-12,459	-6,543
Impairment write-down on other long term assets	-19,492	0
Total	**-31,951**	**-6,543**

5. OTHER OPERATING EXPENSES

EUR '000	2019	2018
Rental costs	-349	-364
External services[1]	-4,266	-4,165
Travel expenses	-673	-1,101
Other operating expenses[2]	-12,697	-8,024
Total	**-17,984**	**-13,654**

1. Audit fees paid to EY totalled EUR 794 (2018: 504) thousand in the financial year. The fees for non-audit services totalled EUR 36 (2018: 36) thousand.
2. Other operating expenses include costs incurred during shutdown period of EUR 4,462 (2018: 2,827) thousand in the financial year and a provision of EUR 1,450 thousand for a penalty payment imposed by FIN-FSA relating to a delay in opening an insider register.

6. FINANCIAL INCOME AND EXPENSE

EUR '000	2019	2018
Finance income		
Interest income on loans and trade receivables	251	1,080
Foreign exchange gains	4,238	2,482
Other finance income	468	-287
Total	**4,958**	**3,275**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-2,320	-1,158
Foreign exchange losses	-4,725	-5,731
Unwinding of discount, provisions	-1,884	-600
Other finance expenses	-527	-235
Total	**-9,455**	**-7,724**
Net finance expense	**-4,497**	**-4,449**

7. INCOME TAXES

EUR '000	2019	2018
Income tax for the period	-705	-1,045
Deferred taxes	2,411	1,003
Total	**1,705**	**-42**

EUR '000	2019	2018
Profit / (loss) before taxes	**-60,582**	**-18,541**
Income tax calculated at parent company income tax rate	**12,116**	**3,708**
Difference between domestic and foreign tax rates	1,640	-1,880
Tax credit	48	3,584
Items recognised only for taxation purposes	6,021	2,744
Income tax for previous years	-215	0
Income from JV and associates	1,240	-539
Impairment losses	-6,309	-1,309
Tax losses not recognised as deferred tax assets	-11,153	-3,196
Non-tax deductible expenses	-5,362	-3,256
Previously unrecognised tax losses now recognised	3,760	102
Total adjustments	**-10,411**	**-3,750**
Income tax recognised	**1,705**	**-42**

On 31 December 2018 the Group companies had unused tax losses totalling EUR 76.8 (2018: 44.1) million for which the Group has not recognised deferred tax assets.

The Parent company tax rate is of 20% and the effective tax rate is of 2.8%.

8. EARNINGS PER SHARE

	2019	2018
Profit / (loss) attributable to owners of the parent company (EUR '000)	-57,576	-18,056
Weighted average number of shares, basic (1,000)	251,785	260,080
Basic earnings per share (EUR) total	**-0.23**	**-0.07**

	2019	2018
Profit / (loss) attributable to owners of the parent company (EUR '000)	-57,576	-18,056
Weighted average number of shares, basic (1,000)	251,785	260,080
Effect of share based payments on issue (1,000)	2,588	622
Weighted average number of shares, diluted (1,000)	254,374	260,702
Diluted earnings per share (EUR) total	**-0.23**	**-0.07**

Basic earnings per share is calculated by dividing profit attributable to the owners of the parent company by weighted average number of shares during the financial year.

When calculating the diluted earnings per share, all convertible securities with a potential dilutive effect are assumed to be converted into shares. Share options have a dilutive effect if the exercise price is lower than the share price. The diluted number of shares is the number of shares that will be issued free of charge when share options are exercised since with the funds received from exercising options, the Company is not able to issue the same number of shares at fair value. The fair value of shares is based on average share price of the period.

1.8 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9. PROPERTY, PLANT AND EQUIPMENT

EUR '000	Land and water property	Buildings and constructions	Machinery and equipment	Mines and mineral assets	Other tangible assets	Total
Balance at 1.1.2019	2,219	7,669	60,006	8,013	4,649	82,556
Additions	20	86	3,277	1,070	57	4,510
Business combinations	0	527	9,400	72,575	96	82,598
Right-of-use assets (IFRS 16)	0	272	227	0	0	499
Disposals	0	-83	-389	0	-18	-490
Reclass between items	0	0	0	0	262	262
Effect of movements in exchange rates	64	-85	1,453	-699	117	850
Balance at 31.12.2019	**2,303**	**8,386**	**73,974**	**80,959**	**5,163**	**170,785**
Accumulated depreciation and impairment 1.1.2019	0	-3,941	-25,771	-5,624	-2,237	-37,573
Depreciation	0	-510	-4,239	-1,416	-200	-6,365
Impairment	0	0	-10,793	0	-82	-10,875
Business combinations	0	-135	-4,497	0	-46	-4,678
Disposals	0	0	33	0	18	51
Effect of movements in exchange rates	0	55	-1,083	587	-106	-547
Accumulated depreciation and impairment at 31.12.2019	**0**	**-4,531**	**-46,350**	**-6,453**	**-2,653**	**-59,987**
Carrying amount at 1.1.2019	**2,219**	**3,728**	**34,236**	**2,388**	**2,412**	**44,984**
Carrying amount at 31.12.2019	**2,303**	**3,855**	**27,624**	**74,506**	**2,510**	**110,798**
Balance at 1.1.2018	2,251	7,868	60,796	8,997	4,308	84,220
Additions		460	7,509	1,200	178	9,347
Business combinations	134	382	86			602
Disposals			-2,262			-2,262
Reclass between items			195		446	641
Effect of movements in exchange rates	-166	-1,041	-6,318	-2,184	-283	-9,992
Balance at 31.12.2018	**2,218**	**7,669**	**60,006**	**8,013**	**4,649**	**82,556**
Accumulated depreciation and impairment 1.1.2018	0	-3,969	-25,701	-6,525	-2,219	-38,414
Depreciation	0	-514	-3,181	-772	-254	-4,721
Disposals	0	0	252	0	0	252
Effect of movements in exchange rates	0	542	2,860	1,673	236	5,311
Accumulated depreciation and impairment at 31.12.2018	**0**	**-3,941**	**-25,770**	**-5,624**	**-2,237**	**-37,572**
Carrying amount at 1.1.2018	**2,251**	**3,899**	**35,095**	**2,472**	**2,089**	**45,806**
Carrying amount at 31.12.2018	**2,219**	**3,728**	**34,236**	**2,389**	**2,412**	**44,984**

Machinery and equipment include the prepayments made for them.

10. INTANGIBLE ASSETS

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.19	103,616	103,585	4,408	1,560	213,169
Additions	0	0	327	140	467
Disposals	0	0	-27	0	-27
Business combinations	0	0	3,958	0	3,958
Effect of movements in exchange rates	-2,698	2,639	-22	70	-11
Balance at 31.12.19	**100,918**	**106,224**	**8,644**	**1,770**	**217,556**
Accumulated amortisation and impairment at 1.1.2019	-47,371	-94,226	-1,765	-87	-143,449
Amortisation	0	-906	-84	-94	-1,084
Impairment	-12,459	-8,617	0	0	-21,076
Reclass between items	0	0	-1,486	0	-1,486
Effect of movements in exchange rates	4,326	-2,475	115	-4	1,962
Accumulated amortisation and impairment at 31.12.19	**-55,504**	**-106,224**	**-3,220**	**-185**	**-165,133**
Carrying amount at 1.1.19	**56,245**	**9,359**	**2,643**	**1,473**	**69,720**
Carrying amount at 31.12.19	**45,414**	**0**	**5,424**	**1,585**	**52,423**
Balance at 1.1.2018	107,625	107,316	4,213	1,690	220,844
Additions			380	62	442
Disposals			-1		-1
Business combinations			398		398
Effect of movements in exchange rates	-4,009	-3,731	-582	-193	-8,515
Balance at 31.12.18	**103,616**	**103,585**	**4,407**	**1,561**	**213,169**
Accumulated amortisation and impairment at 1.1.2018	-45,216	-95,245	-1,735	-34	-142,230
Amortisation		-1,579	-173	-56	-1,808
Impairment	-6,543				-6,543
Reclass between items			-195		-195
Effect of movements in exchange rates	4,388	2,599	338	2	7,327
Accumulated amortisation and impairment at 31.12.18	**-47,371**	**-94,225**	**-1,765**	**-88**	**-143,449**
Carrying amount at 1.1.2018	**62,409**	**12,071**	**2,478**	**1,656**	**78,614**
Carrying amount at 31.12.18	**56,245**	**9,360**	**2,642**	**1,473**	**69,720**

Other intangible assets include the prepayments made for them. Exploration and evaluation assets consist of mine projects in various mining projects in Turkey and South Africa.

11. INVESTMENTS IN ASSOCIATES

Afarak has an investment of 8.99% (2018: 8.99%) in Valtimo Components Oyj.

During the financial year 2019 and 2018, Afarak did not acquire or dispose holdings in associates.

12. INVESTMENTS IN JOINT VENTURES

As at 31 March 2019, before the acquisition of 49% balance of Synergy Africa Ltd, the Group had joint control over one jointly controlled entity, Synergy Africa Ltd, in which the Group has a 51% interest. The acquisition of Chromex Mining Ltd, a UK company with mining operations and prospecting rights in southern Africa, was carried out by this joint venture company. Synergy Africa Group has been consolidated as a joint venture company in the financial reporting of the Group starting at 31 December 2010. Following the 2012 changes in the accounting standards the company changed the accounting method from proportionate consolidation method to equity method.

In 2019, Afarak acquired 49% balance of Synergy Africa Ltd. Afarak now holds 100% of Synergy Africa Ltd and the Joint Venture agreement was terminated. Afarak acquired full control over its mining assets and is now consolidating Synergy Africa as a subsidiary as from 1 April 2019.

Summarised financial statement information (100% share) of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the Group's consolidated financial statements for the period January to March 2019 are set out below:

EUR '000	1.1-31.3.2019	1.1-31.12.2018
Revenue	**4,677**	**29,000**
Other operating income	35	711
Materials and supplies	-3,068	-19,134
Employee benefits expense	-617	-2,451
Depreciation and amortisation	-311	-1,440
Other operating expenses	-1,442	-9,772
Operating profit	**-726**	**-3,086**
Finance income	25	38
Finance expense	-524	-2,223
Profit before taxes	**-1,225**	**-5,271**
Income taxes	-477	-10
Profit for the year	**-1,702**	**-5,281**
Group's share of (loss)/profit for the year	**-868**	**-2,693**
Profit attributable to:		
Joint venture owners	-727	-2,148
Non-controlling interests	-141	-545
	-868	**-2,693**

EUR '000	2019	2018
Assets and liabilities		
Non-current assets		
Intangible assets	0	2,375
Mines and mineral assets	0	25,530
Property, plant and equipment	0	5,461
Deferred tax asset	0	566
Non-current assets total	**0**	**33,932**
Current assets		
Inventories	0	1,728
Trade and other receivables	0	973
Trade and other receivables from JV owners	0	1,105
Cash and cash equivalents	0	670
Current assets total	**0**	**4,476**
Total assets	**0**	**38,408**
Non-current liabilities		
Interest-bearing debt	0	19,348
Interest-bearing debt to JV owners	0	18,990
Provisions	0	6,431
Deferred tax liability	0	7,904
Other non-current liabilities to JV owners	0	2,177
Non-current liabilities total	**0**	**54,850**
Current liabilities		
Trade and other payables	0	4,362
Trade and other payables to JV owners	0	12,276
Current liabilities total	**0**	**16,638**
Total liabilities	**0**	**71,488**
Net Liability	**0**	**-33,080**
Proportion of Group's Ownership	-	51 %
Carrying amount of Joint venture	**0**	**-16,871**

13. FINANCIAL ASSETS AND LIABILITIES

31.12.2019, EUR '000	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Carrying value	Fair value
Non-current financial assets					
Non-current interest-bearing receivables			372	372	372
Trade and other receivables *			676	676	676
Current financial assets					
Current interest-bearing receivables			0	0	0
Trade and other receivables *			14,168	14,168	14,168
Other Financial Assets			528	528	528
Cash and cash equivalents			5,389	5,389	5,389
Total financial assets			**21,133**	**21,133**	**21,133**
Non-current financial liabilities					
Non-current interest-bearing liabilities			18,290	18,290	18,290
Other non-current liabilities			2,667	2,667	2,667
Current financial liabilities					
Current interest-bearing liabilities			42,176	42,176	42,176
Trade and other payables *			13,041	13,041	13,041
Total financial liabilities			**76,175**	**76,175**	**76,175**

31.12.2018, EUR '000	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Carrying value	Fair value
Non-current financial assets					
Non-current interest-bearing receivables			19,198	19,198	19,198
Trade and other receivables *			1,025	1,025	1,025
Current financial assets					
Current interest-bearing receivables			15,890	15,890	15,890
Trade and other receivables *			34,774	34,774	34,774
Other Financial Assets			909	909	909
Cash and cash equivalents			12,132	12,132	12,132
Total financial assets			**83,928**	**83,928**	**83,928**
Non-current financial liabilities					
Non-current interest-bearing liabilities			2,103	2,103	2,103
Other non-current liabilities			2,680	2,680	2,680
Current financial liabilities					
Current interest-bearing liabilities			22,331	22,331	22,331
Trade and other receivables *			21,198	21,198	21,198
Total financial liabilities			**48,312**	**48,312**	**48,312**

FAIR VALUE HIERARCHY

31.12.2019, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives			
Total			

31.12.2018, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives			
Total			

31.12.2019, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2019	**40**
Acquisition cost at 31.12.2019	**40**
Accumulated impairment losses at 1.1.2019	-40
Accumulated impairment losses at 31.12.2019	-40
Carrying amount at 31.12.2019	**0**

31.12.2018, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2018	**40**
Acquisition cost at 31.12.2018	**40**
Accumulated impairment losses at 1.1.2018	-40
Accumulated impairment losses at 31.12.2018	-40
Carrying amount at 31.12.2018	**0**

Interest-bearing debt

EUR '000	2019	2018
Non-current		
Acquisition of NCI liability	1,847	2,027
Finance lease liabilities	487	75
Other interest-bearing liabilities	15,956	0
Total	**18,290**	**2,102**
Current		
Bank loans	6,021	7,526
Finance lease liabilities	196	196
Cheque account with overdraft facility	8,961	9,128
Other interest-bearing liabilities	27,041	5,481
Total	**42,220**	**22,331**

EUR '000	2019	2018
Finance lease liabilities, minimum lease payments		
No later than 1 year	196	196
Later than 1 year and not later than 5 years	487	75
	684	**271**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	196	196
Later than 1 year and not later than 5 years	487	75
	684	**271**

Changes in liabilities arising from financing activities

EUR '000	1 January 2019	Cash flows	Acquisition	Foreign exchange movement	Other	31 December 2019
Non-current borrowings	2,027	-408	15,956	88	140	**17,803**
Current borrowings	22,135	-2,610	-	-4,210	26,705	**41,980**
Lease liabilities	271	-222	653	-18	-	**684**
Total liabilities from financing activities	**24,433**	**-3,240**	**16,609**	**-4,181**	**26,845**	**60,466**

EUR '000	1 January 2018	Cash flows	Acquisition	Foreign exchange movement	Other	31 December 2018
Non-current borrowings	2,517	-457	-	-230	197	**2,027**
Current borrowings	9,284	8,674	-	-1,304	5,481	**22,135**
Lease liabilities	140	-239	416	-46	-	**271**
Total liabilities from financing activities	**11,941**	**7,978**	**416**	**-1,580**	**5,678**	**24,433**

In 2019, the 'Other' column includes the effect on unwinding interest on the acquisition of non-controlling interest in non-current borrowings, and current borrowings include a prepayment of USD 30.0 million in relation to an off-take agreement.

In 2018, the 'Other' column includes the effect on unwinding interest on the acquisition of non-controlling interest in non-current borrowings, and current borrowings include a sale and buy back transaction that happened in December which was classified as financing liability.

FINANCIAL RISKS AND RISK MANAGEMENT

The Board of Directors of Afarak Group Plc has outlined the key risks of the Group in the Board of Directors' Report. In the following section, the financial and commodity risks are presented in more detail with the related sensitivity analyses.

SUMMARY OF FINANCIAL ASSETS AND LOAN ARRANGEMENTS

Financial assets 31 December 2019

In addition to the operating result and the cash flow generated from it, the factors described below have most significantly affected the year-on-year change in the Group's financial assets at the 2019 closing date:

The Group's financial assets at the end of the reporting period decreased when compared to the comparative period primarily due to the acquisition of Synergy Africa Ltd and its subsidiaries, now being consolidated in Afarak Group, as a result such financial assets were eliminated in 2019.

On 31 December 2019, the cash and cash equivalents were invested mainly in interest-bearing EUR, ZAR and USD denominated bank accounts. Other financial assets comprise interest-bearing loans and other receivables.

One of the Group's South African subsidiaries has increased its primary lending facility from ZAR 100 million as at the end of 2016 to ZAR 150 million as at the end of 2017. The South African subsidiary utilised ZAR 141.4 (2018: 135.4) million as at the end of the reporting period and the Group has given a corporate guarantee amounting to ZAR 75.0 (2018: 75.0) million as collateral.

One of the Group's Maltese subsidiaries has been granted a trade finance loan facility amounting to US$ 5.0 million during 2016. In 2017, the trade finance loan facility remained active and a new factoring line of US$ 5.0 million was granted. Both facilities are still in use. The Maltese subsidiary utilized US$ 1.8 (4.7) million as at the end of the reporting period and has given a corporate guarantee amounting to US$ 10.0 (10.0) million, and receivables and inventory up to the value outstanding as collateral.

One of the Group's Turkish subsidiaries has been granted various short term loans in 2019. The loans amount as at end of 2019 was of EUR 3.6 (2.6) million.

Interest-bearing debt 31 December 2019

- Floating rate loans from financial institutions total EUR 14.2 (2018: 15.8) million. Fixed rate loans total EUR 0.8 (2018: 0.9) million.
- The interest rate of the South African loans is tied to the market rate of JIBAR. The interest rate on 31 December 2019, based on market interest rates at that date, was 6.81% (2018: 7.15%). The interest rate margin for floating rate notes was 2.25% (2018: 2.25%) p.a.
- The interest rate of the Maltese trade finance loan facility is tied to the market rate of 3 month LIBOR. The interest rate on 31 December 2019, based on market interest rates at that date, was 1.91% (2018: 2.81%). The interest rate margin for floating rate notes was 3.5% (2018: 3.5%) p.a.
- The interest rate of the Maltese factoring facility is tied to the market rate of 1 month LIBOR. The interest rate on 31 December 2019, based on market interest rates at that date, was 1.76% (2018: 2.50%). The interest rate margin for floating rate notes was 3.3% (2018: 3.3%) p.a.
- The interest rate of the Turkish bank loan facility is tied to the market rate of EURIBOR. The interest rate on 31 December 2019, based on market interest rates at that date, was 1.50% (2018: 1.57%). The interest rate margin for the fixed rate notes was 0.65% (2018: 0.40%) p.a.

Capital Management

The Group's capital management objective is to maintain the ability to continue as a going concern and to optimise the cost of capital in order to enhance value to shareholders. As part of this objective, the Group seeks to maintain access to loan and capital markets at all times. The Board of Directors reviews the capital structure of the Group on a regular basis.

Capital structure and debt capacity are taken into account when deciding on new investments. Practical tools to manage capital include the application of dividend policy, capital redemption, share buybacks and share issues. Debt capital is managed considering the requirement to secure liquidity. The Group's internal capital structure is reviewed on a regular basis with the aim of optimising the structure by applying measures such as internal dividends and equity adjustments.

The Group's long term target for capital structure is to keep the equity ratio above 50%. At the end of the reporting period, the Group's equity ratio stood at 33.3% (2018: 58.3%).

Financial Risk Management

In its normal operations, the Group is exposed to various financial risks. The main financial risks are liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and commodity price risk. The objective of the Group's risk management is to identify and, to as far as reasonably possible, mitigate the adverse effects of changes in the financial markets on the Group's results. The general risk management principles are accepted by Afarak Group Plc's

Board of Directors and monitored by its Audit and Risk Management Committee. The managements of the Group and its subsidiaries' are responsible for the implementation of risk management policies and procedures. Group management monitors risk positions and risk management procedures on a regular basis, and supervises that the Group's policies and risk management principles are followed in all day-to-day operations. Risks and risk management are regularly reported to the Audit and Risk Management Committee.

The Group's significant financial instruments comprise bank loans and overdraft, off-take agreement, finance leases, other long-term liabilities, cash and short-term deposits and money market investments. The main purpose of these financial instruments is to finance the Group's acquisitions and ongoing operations. The Group also has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

(i) Liquidity risk

The Group regularly assesses and monitors its investment and working capital needs and financing, so that it has enough liquidity to serve and finance its operations and pay back loans. The availability and flexibility of financing are targeted to be guaranteed by using multiple financial institutions in the financing and financial instruments, and to agree on financial limit arrangements.

If the liquidity risks were to be realised, it would probably result in overdue interest expenses and damage the relations with suppliers. Consequently, the pricing and other terms for input goods and services and for financing could be affected.

The maturity distribution of the Group debt at the end of the financial year was as follows:

31.12.2019, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	6,314	-6,411	-6,370	-40	-2	0	0
Finance lease liabilities	684	-684	-98	-98	-488	0	0
Trade and other payables	61,084	-62,472	-31,566	-14,047	-6,781	0	-10,079
Bank overdraft	8,961	-8,961	-8,961	0	0	0	0
Acquisition of NCI liability	1,847	-1,847	-154	-154	-308	-924	-308
Total	**78,890**	**-80,376**	**-47,149**	**-14,339**	**-7,579**	**-924**	**-10,387**

31.12.2018, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	13,007	-13,381	-13,254	-42	-85	0	0
Finance lease liabilities	271	-271	-98	-98	-75	0	0
Trade and other payables	23,879	-23,879	-21,199	0	-2,680	0	0
Bank overdraft	9,128	-9,128	-9,128	0	0	0	0
Acquisition of NCI liability	2,027	-2,027	-145	-144	-290	-869	-579
Total	**48,312**	**-48,686**	**-43,823**	**-285**	**-3,130**	**-869**	**-579**

(ii) Foreign exchange rate risk

The Group operates internationally, including in Turkey, Malta and South Africa, and is therefore exposed to foreign exchange rate risks. The risks arise both directly from the outstanding commercial cash flows and currency positions, and indirectly from changes in competitiveness between various competitors. The foreign exchange differences arising from inter-company loans designated as net investments in foreign subsidiaries have been recognised in the translation reserve in the equity.

The Group is exposed to currency-derived risks that affect its financial results, financial position and cash flows. In particular the exchange rates of US Dollar and South African Rand against the Euro have a significant impact on the Euro-denominated profitability of the Group. The cash inflows of the business are denominated in US Dollars, whereas a significant portion of the costs are denominated in the South African Rand. The fluctuation of the South African Rand has a significant impact on the Group's profit and loss as well as on the Group's assets and liabilities. In its risk management, the Group aims to match its cash inflows and outflows as well as receivables and liabilities in terms of the currency in which these items are denominated.

The following tables present the currency composition of receivables and debt, and changes thereby relative to the previous year-end.

31.12.2019, EUR '000	EUR exchange rate	1	1.1234	0.8508	6.6843	15.7773	117.1156
		EUR	USD	GBP	TRY	ZAR	RSD
Cash and cash equivalents (EUR)		509	3,699	18	198	900	65
Trade and other receivables (EUR)		626	13,047	0	590	430	4
Loans and other financial assets (EUR)		0	0	0	411	637	0
Trade and other current payables (EUR)		-1,924	-610	0	-651	-9,840	-17
Loans and other liabilities (EUR)		-406	-28,350	-15,956	-3,826	-13,872	-768
Currency exposure, net (EUR)		-1,195	-12,215	-15,938	-3,278	-21,745	-716
Currency exposure, net in currency ('000)		**-1,195**	**-13,722**	**-13,560**	**-21,909**	**-343,070**	**-83,867**

31.12.2018, EUR '000	EUR exchange rate	1	1.1450	0.8945	6.0588	16.4594	117.8360
		EUR	USD	GBP	TRY	ZAR	RSD
Cash and cash equivalents (EUR)		1,831	8,796	14	894	576	21
Trade and other receivables (EUR)		4,980	20,867		71	2,663	16
Loans and other financial assets (EUR)		20	0	21,167	237	975	
Trade and other current payables (EUR)		-2,901	-4,371		-803	-11,854	-163
Loans and other liabilities (EUR)		-1,958	-9,222	0	-2,849	-13,084	0
Currency exposure, net (EUR)		1,971	16,070	21,181	-2,449	-20,724	-126
Currency exposure, net in currency ('000)		**1,971**	**18,400**	**18,947**	**-14,841**	**-341,107**	**-14,813**

The effect on the 31 December 2019 currency denominated net assets which would be caused by changes in foreign exchange rates compared with the rates used in the Group consolidation is presented below. Due to the high market volatility of the exchange rates, the range of change was kept at +/- 20%.

31 December 2019

	USD	GBP	TRY	ZAR	RSD
20% strengthening	-3,054	-3,984	-819	-5,436	-179
15% strengthening	-2,156	-2,813	-578	-3,837	-126
10% strengthening	-1,357	-1,771	-364	-2,416	-80
5 % strengthening	-643	-839	-173	-1,144	-38
0% no change	0	0	0	0	0
-5% weakening	582	759	156	1,035	34
-10% weakening	1,110	1,449	298	1,977	65
-15% weakening	1,593	2,079	428	2,836	93
-20% weakening	2,036	2,656	546	3,624	119

31 December 2018

	USD	GBP	TRY	ZAR	RSD
20% strengthening	4,017	5,295	-612	-5,181	-31
15% strengthening	2,836	3,738	-432	-3,657	-22
10% strengthening	1,786	2,353	-272	-2,303	-14
5 % strengthening	846	1,115	-129	-1,091	-7
0% no change	0	0	0	0	0
-5% weakening	-765	-1,009	117	987	6
-10% weakening	-1,461	-1,926	223	1,884	11
-15% weakening	-2,096	-2,763	319	2,703	16
-20% weakening	-2,678	-3,530	408	3,454	21

Derivatives

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Operative foreign currency derivatives that are valued at fair value on the reporting date cause timing differences between the changes in the derivative's fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting impact the Group's operating profit for the financial year. The underlying foreign currency transactions will realise in future periods.

(iii) Interest rate risk

The Group is exposed to interest rate risk when Group companies take loans, or make other financing agreements or deposits and investments related to liquidity management. In addition, changes in interest rates can alter the fair values of the Group's assets. The Group's revenue and operative cash flows are mainly independent of the changes in market interest rates.

To manage interest rate risks, the Group has used both fixed and floating rate debt instruments and derivative instruments, such as interest rate swaps, when needed. At the end of 2019, the Group's interest-bearing debt was mainly based on floating interest rates; and there were no interest rate swaps in place. The Group aims to match the loan maturities with the businesses' needs and to have the maturities spread over various periods so that the Group's interest rate risks are somewhat diversified. Floating rate financing is mainly tied to the market rates of different countries (United Kingdom, South Africa), changes to which will then influence the Group's total financing cost and cash flows.

The short-term interest-bearing receivables of the Group are mainly loan receivables and receivables on past asset disposals. The Group's interest-bearing liabilities have been discussed above. The effects of credit risks for loan receivables are explained in more detail in section 1.8. (iv) credit risk.

The split of interest-bearing debt and receivables, also classified into fixed rate and floating rate instruments on 31 December 2019 and 31 December 2018 was as follows:

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

Fixed rate instruments	**31.12.2019**	**31.12.2018**
Financial assets	0	3,500
Financial liabilities	0	0
Fixed rate instruments, net	**0**	**3,500**
Variable rate instruments		
Financial assets	372	31,588
Financial liabilities	-42,176	-22,331
Variable rate instruments, net	**-41,804**	**9,257**
Interest-bearing net debt	**-41,804**	**12,757**

The following table presents the approximate effect of changes in market interest rates on the Group's income statement should the deposits' and loans' interest rates change. The analysis includes floating rate financial assets and liabilities. The sensitivity analysis is illustrative in nature and applicable for the forthcoming 12 month period if the period's asset and liability structure were to be equal to that of 31 December 2019, and if there were no changes in exchange rates.

31 December 2019

Interest rate change	**Change in interest income**	**Change in interest expense**	**Net effect**
-2.00%	-7	844	836
-1.50%	-6	633	627
-1.00%	-4	422	418
-0.50%	-2	211	209
0.00%	0	0	0
0.50%	2	-211	-209
1.00%	4	-422	-418
1.50%	6	-633	-627
2.00%	7	-844	-836

31 December 2018

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-632	447	-185
-1.50%	-474	335	-139
-1.00%	-316	223	-93
-0.50%	-158	112	-46
0.00%	0	0	0
0.50%	158	-112	46
1.00%	316	-223	93
1.50%	474	-335	139
2.00%	632	-447	185

(iv) Credit risk

Credit risk can be realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and thus cause financial damage to the Group. The Group's operational policies define the creditworthiness requirements for customers and for counterparties in financial and derivative transactions, as well as the principles followed when investing liquidity. In the case of major sales agreements, the counterparty's credit rating is checked.

The Group's key customers are major international stainless steel companies, and a number of specialist agents selling to the steel sector, with typically long and successful business histories. Since the customers represent one sector of industry, major changes in that industry's profitability could increase the credit risk. In order to mitigate credit risk, the Group credit insure its trade receivables.

The trade receivables and loan receivables form a major share of the assets, which are exposed to the credit risk. Afarak did not present the expected credit losses in tabular format due to minimal credit losses in the historical data and including the future credit loss expectations. Additionally, the group collect prepayments from sales from its customers.

As presented in the section 1.8. note 15. The Group's trade receivables total EUR 12.3 million for financial period end 31 December 2019 (2018: 22.3). The Group did not record any loss allowance on trade receivables during 2019 and during 2018. The portion of prepaid revenues or portion under trade financing amounts to EUR 1.6 million on 31.12.2019 (2018: 3.9). The prepaid portion of the trade receivables does not include any potential losses.

The loan receivables amounted to EUR 0.5 million on 31.12.2019 (2018: 0.9). The total potential credit risk for the loan receivables is higher than for the trade receivables as the potential risk of default is more concentrated with only few lenders. The group estimates the potential credit risk in relation to the loan receivables frequently and reports any changes at each reporting period and estimates the possibility for default on a per lender basis.

In 2019, the Group did not recognise a provision on other receivables, while in 2018 the Group recognised a provision of EUR 0.5 million on other receivables.

The credit risk assessment and the method of calculation has remained the same between the financial period ending 31.12.2019 and the previous financial period.

The trade receivables do not pose a credit risk due to concentration, as the sales are diversified to several customers.

Further information about the expected credit loss can be found in the basis of preparation in section 1.2 Accounting Principles under "Financial Assets" and "Impairment of financial assets".

Other financial assets in prior year were mainly loans receivable from the joint venture. These loans are now eliminated at Group level as these companies are now subsidiary companies.

The Board of Directors of Afarak Group Plc has determined a cash management policy for the Group's parent company, according to which the excess cash reserves are deposited for a short-term only and with sound financial institutions with which the Group has established business relations. The credit rating of all significant counterparties is analysed from time to time.

The maximum credit risk is equal to the carrying value of the receivables as of 31 December, and is split as follows:

Category	EUR '000 31.12.2019	EUR '000 31.12.2018
Interest-bearing		
Cash and cash equivalents	5,389	12,132
Receivables from related parties	0	22,490
Trade and other receivables from associates	0	12,382
Other interest bearing receivables	372	216
Interest-bearing, total	**5,760**	**47,220**
Interest-free		
Trade receivables	12,325	22,335
Other short-term receivables	2,372	2,753
Trade and other receivable from associates	0	10,594
Long-term receivables	676	3,410
Interest-free, total	**15,373**	**31,209**
Total	**21,133**	**72,203**

(v) Commodity risks

The Group is exposed to price risks on various output and input products, materials and commodities, energy costs and disruptive availability of electricity. Also, securing the availability of raw materials without any serious disruptions is vital to its businesses.

The price risks on input materials and commodities are managed by pricing policies so that changes in input materials and commodities can be moved into sales prices. This, however, is not always possible or there may be delays as a result of contractual or competitive reasons.

The Group's units that have production operations are exposed to availability, quality and price fluctuations in raw materials and commodities. To diminish these risks, the Group's business units seek to enter into long-term agreements with known counterparties; although this is not always possible due to the tradition and practice of the business. For the most part, because it is not possible or economically feasible to hedge commodity price risks in the Group's business sectors with derivative contracts, the Group did not have any commodity derivative contracts in place as of 31 December 2019.

Sensitivity Analysis - Speciality Alloys business

The effect of changes in the sales price of special grade ferrochrome, produced by the Group's Speciality Alloys business, to the Group's operating profit and equity is illustrated below, assuming that the EUR/USD rate were constant. The analysis is based on December 2019 price level. Since the products are priced in USD, the exchange rate changes could have a major effect on the Group's profitability in EUR. Full capacity is of 36,000 t/a, and for simulation purposes is set at 2019 production of 25,515 t/a. It is also assumed that only one ferrochrome quality is produced. Various raw materials are used in ferrochrome production, including chrome concentrate and ferrosilicochrome. The purchase prices of the main raw materials typically move in the same direction as the sales prices, although the correlation is not perfect and the timing may differ. In practice, therefore the net effect on the Group's profitability most probably would be lower than shown below. Electricity usage is also substantial, and hence changes in electricity prices have a significant effect on profitability; electricity prices do not correlate with changes in commodity prices.

Financial year 2019

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR '000	EUR '000
2.08	20%	12,162	11,554
2.00	15%	9,122	8,666
1.91	10%	6,081	5,777
1.82	5%	3,041	2,889
1.74	0%	0	0
1.65	-5%	-3,041	-2,889
1.56	-10%	-6,081	-5,777
1.47	-15%	-9,122	-8,666
1.39	-20%	-12,162	-11,554

Financial year 2018

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR '000	EUR '000
2.50	20%	17,340	16,473
2.39	15%	13,005	12,355
2.29	10%	8,670	8,237
2.18	5%	4,335	4,118
2.08	0%	0	0
1.98	-5%	-4,335	-4,118
1.87	-10%	-8,670	-8,237
1.77	-15%	-13,005	-12,355
1.66	-20%	-17,340	-16,473

Sensitivity Analysis – FerroAlloys business

The FerroAlloys business's smelting operation, Mogale Alloys, is able to change its product mix quite rapidly and flexibly, and so only rough estimates on its sensitivity to commodity price changes can be given. Its full production capacity is about 98,000 metric t/a of various metal alloys. Assuming, for simplicity, Mogale production in 2019 of 43,702 metric t/a, and the average 2019 sales price for charge chrome, the following table represents a rough proxy of the sales price sensitivities. It should also be taken into account that the profitability of the smelting operations can be substantially impacted by changes in the USD and ZAR exchange rates, chrome ore prices, electricity prices and availability of electricity, as well l as changes in market prices. In South Africa the majority of the electricity supply, price and availability are controlled by one entity, Eskom. Mogale Alloys may participate in Eskom's electricity buyback program in the foreseeable future.

Chrome ore is the main raw material used in the charge chrome production, and the purchase prices typically move in the same direction as the sales prices, although the correlation is not perfect and the timing may differ. In practice, therefore the net effect on the Group's profitability most probably would be lower than shown below.

Financial year 2019

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
1.02	20%	7,449	5,363
0.98	15%	5,587	4,022
0.94	10%	3,724	2,682
0.89	5%	1,862	1,341
0.85	0%	0	0
0.81	-5%	-1,862	-1,341
0.77	-10%	-3,724	-2,682
0.72	-15%	-5,587	-4,022
0.68	-20%	-7,449	-5,363

Financial year 2018

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
1.26	20%	14,650	10,548
1.20	15%	10,987	7,911
1.15	10%	7,325	5,274
1.10	5%	3,662	2,637
1.05	0%	0	0
1.00	-5%	-3,662	-2,637
0.94	-10%	-7,325	-5,274
0.89	-15%	-10,987	-7,911
0.84	-20%	-14,650	-10,548

Sensitivity Analysis – Mining business

As a general rule, the Group sells its concentrate production and chrome ore at market prices and normally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future production. The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mineral products it produces.

Assuming, for simplicity, an average annual mining activity of 366,638t/a, and the average 2019 sales price for Chrome Ore, the following table represents a rough proxy of the sales price sensitivities. It should also be taken into account that the profitability of the mining operations can be substantially impacted by changes in the USD and ZAR exchange rates, electricity prices and availability of electricity, as well as changes in market prices.

In practice, therefore the net effect on the Group's profitability most probably would be lower than shown below. Due to the high market volatility the range of change was kept at +/- 20%.

Financial Year 2019

Change in Sales price (USD/t)		Change in Operating Profit	Change in Group's Equity
187.64	20%	11,466	8,255
179.82	15%	8,599	6,192
172.00	10%	5,733	4,128
164.18	5%	2,866	2,064
156.36	0%	0	0
148.55	-5%	-2,866	-2,064
140.73	-10%	-5,733	-4,128
132.91	-15%	-8,599	-6,192
125.09	-20%	-11,466	-8,255

Financial year 2018

Change in Sales price (USD/t)		Change in Operating Profit	Change in Group's Equity
189.82	20%	15,342	11,046
181.91	15%	11,507	8,285
174.00	10%	7,671	5,523
166.09	5%	3,836	2,762
158.18	0%	0	0
150.27	-5%	-3,836	-2,762
142.36	-10%	-7,671	-5,523
134.45	-15%	-11,507	-8,285
126.55	-20%	-15,342	-11,046

14. INVENTORIES

EUR '000	2019	2018
Goods and supplies	7,719	16,602
Unfinished products	347	586
Finished products	21,898	39,777
Total	**29,964**	**56,965**

15. TRADE AND OTHER CURRENT RECEIVABLES

EUR '000	2019	2018
Trade receivables	12,325	22,335
Loan receivables	528	909
Interest-bearing receivables	0	3,508
Prepaid expenses and accrued income	3,929	3,644
Income tax receivables	1,930	3,552
Other receivables	1,844	14,227
Total	**20,556**	**48,175**

Prepaid expenses and accruals mainly relate to rental contracts, personnel expenses, VAT receivables and accrued interest for loans. The values of receivables at the end of the reporting period closely correspond to the monetary value of maximum credit risk, in the potential case where the counterparties cannot fulfil their commitments.

The ageing of trade receivables at the end of the reporting period

EUR '000	2019	2018
Not past due	5,753	13,753
Past due 0-30 days	5,674	7,836
Past due 31-60 days	1,070	588
Past due 61-90 days	198	2
Past due more than 90 days	-370	156
Total	**12,325**	**22,335**

The expected credit losses have historically been minimal. Thus the expected credit loss is not material and no separate credit loss reserve has been recorded.

16. CASH AND CASH EQUIVALENTS

EUR '000	2019	2018
Cash and bank balances	**5,004**	**12,008**
Pledged deposits	0	0

Cash and cash equivalents in the consolidated cash flow statement:

EUR '000	2019	2018
Cash and bank balances	5,004	12,008
Short-term money market investments	385	124
Total	**5,389**	**12,132**

17. NOTES TO EQUITY

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2017	**263,040,695**	**259,686,534**	**23,642**
Subscriptions based on share based payment		966,667	
31.12.2018	**263,040,695**	**260,653,201**	**23,642**
Subscriptions based on share based payment		500,000	
Acquisition of NCI		3,209,895	
Cancellations of acquired shares	-25,998,881	-25,998,881	
Share issue	15,000,000		
31.12.2019	**252,041,814**	**238,364,215**	**23,642**

There is no nominal value for the Company's share.

The equity reserves are described below:

SHARE PREMIUM RESERVE
Related to the old Finnish Companies Act, the Company has a share premium reserve in relation to old share issues, where the premium in excess of the par value of the shares subscribed has been recognised in the share premium reserve.

PAID-UP UNRESTRICTED EQUITY RESERVE
Paid-up unrestricted equity reserve comprises other equity investments and subscription price of shares to the extent that it is not recognised in the share capital based on a specific decision.

TRANSLATION RESERVE
The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

TREASURY SHARES
On 31 December 2019, the Company had 13,677,599 (2018: 2,387,494) own shares in treasury, which was equivalent to 5.43% (2018: 0.91%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2019 was 238,364,215 (2018: 260,653,201).

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

As at 31 December 2019, the Company had 2,238,343 shares pending to be transferred to the subscribers, which related to the acquisition of additional ownership in South African mining assets.

SHARE ISSUE AUTHORISATIONS GIVEN TO THE BOARD OF DIRECTORS

Based on the resolution at the AGM on 25 Jun 2019, the Board is authorised to buy-back up to a maximum of 15,000,000 of its own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision at the Annual General Meeting.

The board resolved on 29 May 2019, based on authorisation granted by the EGM held on 12 November 2018, that the Company repurchases 26 million of its own shares at a price of EUR 1.015 by means of voluntary public tender offer made to all shareholders. On 31 July 2019, the Company completed the public tender offer of purchasing own shares amounting to 25,998,881 shares. Such shares were then cancelled by Afarak on 8 August 2019. On 26 August 2019, the Company announced an issue of 15,000,000 new shares.

18. SHARE-BASED PAYMENTS

In December 2016 the Group granted the new CEO, Guy Konsbruck 1,000,000 shares in the Company. These have been awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares have effectively been received on 11 May 2018. The second 500,000 Company shares have effectively been received on 12 February 2019. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.81 per share. The expense recognized in the income statement during the year was EUR 8,321.92 (2018: EUR 219,143.84).

In the fourth quarter of 2018, the Group extended for another two years the CEO contract and granted another 1,000,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares were due to be received in January 2020 after completing his third year of service. These will be granted after the AGM when a new board is formed, however it was self-reduced by 20% to 400,000 Company shares in 2020. The second 500,000 Company shares shall be received by the employee on 15 January 2021. These shares have a lock-up period of two years form subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.83 per share. The expense recognized in the income statement during the year was EUR 596,917.81 as the effective date of service is 15 January 2019.

In July 2017 the Group has granted Alistair Ruiters 400,000 Incentive shares in the company pa on each completed year of service commencing on the effective date. In December 2018, 466,667 company shares have effectively been received on 20 December 2018. The expense recognized in the income statement in 2018 was EUR 237,919.91, while this had no effect on the financial year of 2019. Following a revision in the contract, no additional share transfers to Alistair Ruiters are envisaged.

19. DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred taxes in 2019

EUR '000	31.12.2018	Exchange rate differences	Recognised in income statement	Business combinations and divestments	Recognised in equity	31.12.2019
Deferred tax assets:						
Unrealised expenses	3,014	32	-376			2,671
Pension liabilities	459		-62			396
From translation difference	-69					-69
Group eliminations	532	-4	-106			421
Total	**3,935**	**28**	**-544**			**3,419**
Deferred tax liabilities:						
Assets at fair value in acquisitions	3,014	-842	-2,919		20,969	20,222
Translation difference				80		80
Other timing differences	421	886	-36			1,272
Total	**3,435**	**44**	**-2,955**	**80**	**20,969**	**21,573**

Movements in deferred taxes in 2018

EUR '000	31.12.2017	Exchange rate differences	Recognised in income statement	31.12.2018
Deferred tax assets:				
Unrealised expenses	2,421	-32	625	3,014
Pension liabilities	677		-219	459
From translation difference	-69			-69
Group eliminations	612	-26	-54	532
Total	**3,641**	**-58**	**352**	**3,935**
Deferred tax liabilities:				
Assets at fair value in acquisitions	4,034	-372	-648	3,014
Other timing differences	426	-2	-3	421
Total	**4,460**	**-374**	**-651**	**3,435**

20. PROVISIONS

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2019	8,097	884	8,981
Additions	1,759	2,044	3,803
Business combinationes	6,900	0	6,900
Releases and reversals	0	-492	-492
Unwinding of discount	-182	0	-182
Exchange differences	262	-44	218
Balance at 31.12.2019	**16,836**	**2,392**	**19,229**

EUR '000	2019	2018
Long-term provisions	19,052	8,876
Short-term provisions	177	105
Total	**19,229**	**8,981**

The long-term provisions in the statement of financial position relate to environmental and rehabilitation provisions of the Group's production facilities and mines. The provisions are based on expected liability.

21. PENSION LIABILITIES

Defined benefit pension plans

The majority of the Group's pension plans are defined contribution plans for which a total expense of EUR 0.7 (2018: 0.7) million has been recognised on the 2019 statement of comprehensive income. In addition, the Group's German subsidiary has defined benefit plans. The amount of defined benefit obligations of the plan is based on actuarial calculations made by authorized actuaries. The pension scheme is arranged by recognising a provision on the statement of financial position. The present value of the obligation less fair value of plan assets totalled EUR 22.5 (2018: 20.1) million on 31 December 2019. The Group has considered that the value on 31 December also corresponds with the amount of net obligation at the end of the reporting period. The assets of the pension plans are kept separate from the Group's assets.

RETIREMENT BENEFIT OBLIGATION

EUR '000	2019	2018
Present value of funded obligation	29,353	26,569
Fair value of plan assets	-6,878	-6,463
Net liability	**22,475**	**20,106**

MOVEMENTS IN DEFINED BENEFIT OBLIGATION

EUR '000	2019	2018
Defined benefit obligations at 1.1.	26,569	26,007
Benefits paid	-883	-915
Current service costs	373	362
Interest expense	462	452
Actuarial losses / (gains)	2,832	663
Closing balance at 31.12.	**29,353**	**26,569**

MOVEMENTS IN THE FAIR VALUE OF THE PLAN ASSETS

EUR '000	2019	2018
Fair value of the plan assets at 1.1.	6,464	6,071
Interest income on plan assets	116	109
Benefits paid by the plan	-193	-185
Return on plan assets greater/(less) than discount rate	91	86
Contributions paid into the plan	400	383
Closing balance at 31.12.	**6,878**	**6,464**

The benefits of the defined benefit plan are insured with an insurance company. The corresponding assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution in categories is not possible to provide.

EXPENSE RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

EUR '000	2019	2018
Current service cost	-373	-362
Net interest on net defined benefit liability/(asset)	-346	-343
	-719	**-705**

EXPENSE RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)
EUR '000

	2019	2018
Actuarial (gains)/losses due to liability experience	-554	576
Return on plan assets (greater)/less than discount rate	-91	-85
Actuarial (gains)/losses – demographic assumptions	3,385	86
Actuarial (gains)/losses – financial assumptions	0	0
	2,740	**577**

Actual return on plan assets totalled EUR 0.09 (2018: 0.09) million in 2019.

PRINCIPAL ACTUARIAL ASSUMPTIONS

	2019	2018
Discount rate	1.04%	1.77%
Expected retirement age	65	65
Expected rate of salary increase	3.00%	3.00%
Inflation	2.25%	2.25%

The expected retirement age has been assumed to be in accordance with German legislation (RVAGAnpG 2007). Similarly, the expected pension increases have been assumed to be in line with the German legislation, and mortality expectancy in accordance with the German "Richttafeln 2005 G" has been applied in the valuations.

PROVISION FOR RETIREMENT PAY LIABILITY IN TURKEY

In accordance with existing social legislation in Turkey, the Turkish subsidiary of the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability was based on the retirement pay ceiling announced by the Turkish government. On 31 December 2019, the employee severance indemnity recognised in accordance with IAS 19 totalled EUR 0.5 (2018: 0.8) million.

22. TRADE PAYABLES AND OTHER INTEREST-FREE LIABILITIES

EUR '000	2019	2018
Non-current		
Other liabilities	4,514	4,708
Total non-current	**4,514**	**4,708**
Current		
Current liabilities to related parties	6	6
Trade payables	12,538	19,420
Payables to associated companies	0	1,105
Accrued expenses and deferred income	6,811	5,830
Income tax liability	2,754	4,232
Other liabilities	498	667
Total current	**22,607**	**31,260**

1.9 RELATED PARTY DISCLOSURES

1.9.1 GROUP STRUCTURE ON 31 DECEMBER 2019

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group Plc's direct ownership and share of votes (%)
Afarak Commodities Ltd	Malta	100.00	0.00
Afarak doo Belgrade	Serbia	100.00	0.00
Afarak Holdings Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining Investments (Pty) Ltd	South Africa	100.00	0.00
Afarak Mining (Pty) Ltd	South Africa	100.00	0.00
Afarak Mogale (Pty) Ltd	South Africa	94.50	0.00
Afarak Services Sagl	Switzerland	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Afarak Participations Ltd	Malta	100.00	0.00
Magnohrom doo Kraljevo	Serbia	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	73.30	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0,00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	100.00
Rekylator Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75
ZCM Holdco One (Pty) Ltd	South Africa	74.00	23.00
Zeerust Chrome Mine Ltd	South Africa	74.00	0.00
Synergy Africa Ltd	United Kingdom	100.00	0.00
Chromex Mining Ltd	United Kingdom	100.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	74.00	0.00
Ilitha Mining (Pty) Ltd	South Africa	80.00	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	87.00	0.00
Afarak Processing Technologies (Pty) Ltd	South Africa	100.00	0.00
Afarak Processing Technologies 2 (Pty) Ltd	South Africa	100.00	0.00
Afarak Platinum (Pty) Ltd	South Africa	100.00	0.00

As at 31 March 2019, the Group held 51% of shares of Synergy Africa Ltd, which the shareholders of Synergy Africa Ltd had entered into a joint venture agreement with joint control over the company. On 1 April 2019, Afarak acquired the 49% balance of Synergy Africa Ltd, and the Joint Venture agreement was terminated. Therefore Afarak now holds 100% of Synergy Africa Ltd. As at 31 March 2019, the company and its subsidiaries were not consolidated into the Group as subsidiaries but as joint ventures. The Group's share of net profit or loss of the Joint venture during the period January to March 2019 is shown on one line in the income statement. As from 1 April 2019, Synergy Africa Ltd and its subsidiaries were consolidated into the Group as subsidiaries.

Afarak Mogale (Pty) Ltd entered into an agreement in December 2016, to buy back 100 ordinary shares currently held by the trustees as part of the Mogale Alloys Trust. These shares constitute an effective 10% of the issued share capital of the company and will be bought back in a series of buy backs over a period of 8 years. During the current year Afarak Mogale (Pty) Ltd repurchased 11 (11) ordinary shares held by the Mogale Alloys Trust, hence Afarak Mogale (Pty) Ltd has repurchased 45 ordinary shares in total and 55 ordinary shares still to be repurchased. However, in Afarak Group, 100% of Afarak Mogale (Pty) Ltd is being consolidated.

Rekylator Yhtiöt Oy was merged with Afarak Group Oyj during the year 2019.

During the second quarter, Afarak also acquired a further 49% of the shares in Zeerust Chrome Mine, in exchange for total consideration of two million shares in Afarak Group Plc, amounting to Eur 1,654,000. Of which 26% are to be transferred to a prospective BEE partner and therefore Afarak holds and consolidate 74% interest in the company.

Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. This has not yet been executed as there need to be an approval from South Africa Reserve bank and it is expected to be executed in 2020.

For the year ended 31 December 2019 Chromex Mining Limited (registration number 05566992) and Synergy Africa Limited (registration number 07382978) were entitled to an exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

1.9.2 RELATED PARTY TRANSACTIONS

Afarak Group Plc defines the related parties as:
- companies, entities or persons having common control or considerable voting power in Afarak Group
- subsidiaries
- joint ventures
- associates
- Afarak Group Plc's and the above mentioned entities' top management

Related party transactions with persons belonging to the Group's Board and management
Finnish accounting legislation, KPA 2:8 § 4 paragraph disclosure requirement

EUR '000		2019			2018		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Konsbruck Guy	Board member 05.2.2018 onwards, CEO 15.1.2017 onwards		294	605		360	219
Board Members							
Abrahamsen Thorstein	Board member 23.5.2017 onwards, Chairman11.11.2019 onwards		63			60	
Hoyer Thomas	Board member 23.5.2017 - 05.2.2018		0			6	
Jakovcic Ivan	Board member 8.5.2015 - 31.07.2018, Chairman 12.5.2016 - 23.5.2017		0			34	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 23.5.2017 – 25.6.2019		66			72	
Rourke Barry	Board member 8.5.2015 – 11.11.2019, Chairman 25.06.2019 – 11.11.2019		73			85	
Yolanda Bolleurs	Board member 25.6.2019 – 11.11.2019		25			0	
Total		**0**	**521**	**605**	**0**	**617**	**219**

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to the executive role have been presented above.

During 2019, the CEO self-reduced his salary by 20% and the Company paid the CEO EUR 294,000 for his service. On 11 May 2018 he received 500,000 Company Shares as an incentive for the first year of service acting as the Chief Executive Officer. The second 500,000 Company shares received on 12 February 2019.

In the fourth quarter of 2018, the Group extended for another two years the CEO contract and granted another 1,000,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares were due to be received in January 2020 after completing his third year of service. These will be granted after the AGM when a new board is formed, however these were self-reduced by 20% to 400,000 Company shares in 2020. The second 500,000 Company shares shall be received by the employee on 15 January 2021.

In December 2017 the outgoing CEO received 335,000 Company Shares prorate over the second year of service acting as the Chief Executive Officer. He is not entitled to any bonus plans or severance pay in addition to the salary for the notice period. In July 2017 the Group has granted Alistair Ruiters 400,000 Incentive shares in the company pa on each completed year of service commencing on the effective date. Following a revision in the contract, 466,667 company shares have effectively been received on 20 December 2018. No additional share transfers to Alistair Ruiters are envisaged.

Management remuneration

EUR '000	2019	2018
Fixed salaries and fees	591	564
Provision for variable performance related compensation	0	-14
Total	**591**	**550**

The table includes the Executive Management Team remuneration excluding the CEO and including salary of Danko Koncar, COO amounting to Eur 247,000. The CEO and Board members compensation has been presented separately.

In addition, the shareholders Aida Djakov (director ATL) and Milan Djakov (sales and marketing manager ATL) and the related party Misha Djakov (technical and commercial advisor Specialty Alloys) received remuneration for their activities for a total amount of Eur 392,000.

FINANCING ARRANGEMENT WITH RELATED PARTIES

The Group has a EUR 0.0 (2018: 26.2) million loan receivable and EUR 0.0 (2018: 7.3) million trade and other current and non-current receivables from its joint venture companies. Trade and other payables to joint venture companies amounted to EUR 0.0 (2018: 1.1) million. The Joint venture became a subsidiary as of 1 April 2019, hence balance was zero as at end of year. During the period from January to March 2019, Interest income from a joint venture company totalled EUR 0.1 (2018: 1.0) million.

The Group had on 31 December 2019 a EUR 0.0 (2018: 3.5) million receivable from LNS Resources Ltd.

OTHER RELATED PARTY TRANSACTIONS

During the period from January to March 2019, the Group has rendered services to joint ventures for a total value of EUR 0.1 (2018: 1.3) million and to other related parties for the value of EUR 0.0 (0.3) million. The Group has also made raw material purchases from a joint venture amounting to EUR 1.3 (2018: 18.3) million.

Dividends received from associated companies totalled EUR 0.0 (2018: 0.0) million.

During 2019, Afarak acquired the 49% of Synergy Africa Ltd from a related party.

Afarak made an addition of an intangible assets from a related party of EUR 0.1 million.

During 2017, a subsidiary of the Company, signed a Share Purchase Agreement with Mr Guy Konsbruck, Afarak's CEO to purchase his 15% shareholding for a purchase price of EUR 0.2 million. Given that LL Resources is a business partner of Afarak and the share ownership of the CEO could have created a conflict of interest, Afarak bought the shareholding with an option to sell back the said shares at the same price if, and when, Mr Konsbruck's term as Group CEO ends. The company sold its shareholding in business partner LL Resources during Q3 2018 and it is therefore no longer a related party.

1.10 COMMITMENTS AND CONTINGENT LIABILITIES

1.10.1 MORTGAGES AND GUARANTEES PLEDGED AS SECURITY

On 31 December 2019 the Group had loans from financial institutions totalling EUR 15.0 (2018: 16.7) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 7.0 (2018: 6.2) million. Moreover, the Group companies have given cash deposits totalling EUR 0.5 (2018: 0.4) million as security for their commitments. The value of other collaterals totalled EUR17.4 (2018: 17.1) million as at 31 December 2019.

1.10.2 COVENANTS INCLUDED IN THE GROUP'S FINANCING AGREEMENTS

During the year 2019 and the prior year, the Group did not have loan facilities subject to financial covenants that if breached might have a negative effect on the financial position of the Group.

1.10.3 RENTAL AGREEMENTS

Liabilities associated with rental and operating lease agreements totalled some EUR 0.3 (2018: 0.3) million for the period. Typically, the rental agreements maturity varies between two to five years, and normally there is a possibility to continue these agreements beyond the original maturity date. For these contacts, their price indexing, renewal and other terms differ contract by contract. As guarantees for these rental agreements, the Group companies have made cash deposits of approximately EUR 0.0 (0.0) million as at 31 December 2019.

1.10.4 COLLATERALS GIVEN BY AFARAK GROUP PLC TO THIRD PARTIES

Afarak Group Plc has given guarantees in connection with certain borrowings of Junnikkala Oy, the Group's former subsidiary which it sold in June 2011. Under the terms of the disposal it has been agreed that Junnikkala will pay a fee of 2% per annum to Afarak Group Plc in consideration for the continuation of these guarantees.The indebtedness subject to these guarantees was fully paid on 15 April 2018.

1.11 EVENTS AFTER THE REPORTING PERIOD

On 28 January 2020, the company announced changes regarding Afarak Group Plc's treasury shares, where a total of 115,000 treasury shares has been transferred to subscribers.

On 30 January 2020, Afarak Group announced that it has received a notification of managers transactions in connection with pledging of Afarak shares.

On 26 February 2020, the company announced that EBITDA for the fourth quarter is weaker than expected.

On 5 March 2020, Afarak Group announced that it has received a notification of managers transactions in connection with disposal of shares.

On 9 March 2020, Afarak Group announced that it has received a notification of managers transactions in connection with disposal of shares.

On 24 March 2020, Afarak Group announced that, following the nation-wide lockdown of 21 days in South Africa, in order to combat COVID-19 epidemic, a specific plan is being developed by the Company in order to cope with these extraordinary measures and preserve the Health and Safety of the workers and the Population.


STOP

Parent Company's Financial Statements (FAS)

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.2019 - 31.12.2019	1.1.2018 - 31.12.2018
Revenue	1	**1,481**	**2,881**
Personnel expenses			
Salaries and wages		-1,021	-1,247
Pension expenses		2	-4
Other social security expenses		0	-2
Social security expenses total		**2**	**-6**
Personnel expenses total		**-1,019**	**-1,253**
Depreciation, amortisation and impairment	2		
Depreciation and amortisation according to plan		0	0
Impairment of investment in subsidiaries		-139,526	0
Depreciation and amortisation total		**-139,526**	**0**
Other operating expenses	3	-4,867	-2,870
Operating Loss		**-143,931**	**-1,242**
Financial income and expenses:	4		
Dividend from subsidiaries		0	0
Other financial income			
From Group companies		26	798
From others		1,300	64
Interests and other financial expenses			
To Group companies		-556	-51
To others		-993	-39
Impairment of intra-group receivable		0	-900
Financial income and expenses total		**-223**	**128**
Loss before taxes		**-144,154**	**-1,370**
Income taxes	5		
Income taxes		0	0
Loss for the year		**-144,154**	**-1,370**

STATEMENT OF FINANCIAL POSITION (FAS)

EUR '000	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	6		
Machinery and equipment		0	0
Total property, plant and equipment		**0**	**0**
Investments	7		
Shares in Group companies		114,959	250,931
Receivables from Group companies		0	2,004
Total investments		**114,959**	**252,935**
Non-current receivables			
Receivables from Group companies		5	1,785
Total non-current receivables		**5**	**1,785**
Total non current assets		**114,964**	**254,720**
Current assets			
Current receivables			
Trade receivables		1	1
Receivables from Group companies		13,993	12,826
Receivables from Holding companies		0	851
Other interest-bearing receivables		0	8
Other non interest-bearing receivables		69	58
Prepaid expenses and accrued income		40	165
Total current receivables		**14,103**	**13,909**
Cash and cash equivalents		**118**	**184**
Total current assets		**14,226**	**15,878**
Total assets		**129,185**	**268,813**

STATEMENT OF FINANCIAL POSITION (FAS) (CONT.)

EUR '000	Note	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
Shareholders' Equity	9		
Share capital		23,642	23,642
Share premium reserve		25,223	25,223
Paid-up unrestricted equity reserve		212,024	236,071
Retained earnings		-20,576	-19,206
Loss for the period		-144,154	-1,370
Total shareholders' equity		**96,159**	**264,360**
Liabilities	10		
Non-current liabilities			
Liabilities to Group companies		28,229	1,248
Provisions		1,450	0
Total non-current liabilities		**29,679**	**1,248**
Current liabilities			
Liabilities to Group companies		462	1,262
Accounts payable		60	410
Accounts payable to Group companies		119	1,359
Other liabilities		24	25
Accrued expenses and deferred income		175	149
Total current liabilities		**3,347**	**3,205**
Total liabilities		**33,026**	**4,453**
Total equity and liabilities		**129,185**	**268,813**

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.-31.12.2019	1.1.-31.12.2018
Operating activities		
Loss for the year	-144,154	-1,370
Adjustments for:		
Depreciation and amortisation	0	0
Impairment, net	139,526	900
Unrealised foreign exchange gains and losses	-306	-24
Finance income and expense	831	-748
Other adjustments	1,501	0
Cash flow before working capital changes	-2,602	-1,242
Working capital changes:		
Change in current trade receivables	779	-2,168
Change in current non interest-bearing debt	105	704
Cash flow before financing items and taxes	-1,718	-2,706
Interests received from Group companies	1,303	1,470
Interests received and other financing items	27	85
Interests paid and other financing items	-908	-17
Income taxes paid	0	0
Net cash operating activities	**-1,296**	**-1,168**
Investing activities		
Proceeds from sale of tangible and intangible assets	1	0
Net cash from investing activities	**1**	**0**
Financing activities		
Acquisition of own shares	-26,389	0
Repayments of current borrowings	-44	0
Non-current loans from Group companies	26,031	0
Repayments of non-current loans to group companies	1,623	1,320
Non-current loans to group companies	0	-8
Repayments of current loan receivables	8	0
Net cash from financing activities	**1,229**	**1,312**
Change in cash and cash equivalents	**-66**	**144**
Cash at beginning of period	184	40
Cash at end of period	118	184
Change in the statement of financial position	**-66**	**144**

Notes to the Financial Statements of the Parent Company (FAS)

2.1 ACCOUNTING POLICIES

SCOPE OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The parent company has prepared its separate financial statements in accordance with Finnish Accounting Standards. Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Consolidated financial statements are presented separately as a part of these financial statements.

Information on holdings in subsidiaries and associated companies and information on their consolidation is presented in the notes to the financial statements.

All figures are presented in thousand Euros, unless otherwise explicitly stated.

VALUATION PRINCIPLES AND METHODS

Investments in associated companies and debt instruments are valued at acquisition cost, less eventual impairment. Dividends received from Group companies and associates have been recorded as financial income.

The value of property, plant and equipment in the statement of financial position is stated at acquisition cost, less accumulated depreciation. Other assets have been stated in the statement of financial position at the lower of acquisition cost or their likely realisable value. Debt items are valued at acquisition cost. Loan receivables from subsidiaries and Group companies have been valued at acquisition cost.

DEPRECIATION METHODS

Acquisition costs of property, plant and equipment are depreciated over their useful lives according to plan. Depreciation plans have been defined based on practice and experience.

Asset	Depreciation Method & Period
Intangible rights	5 years straight line
IT equipment	2 years straight line
Other machinery and equipment	5 years straight line

TRANSLATIONS OF FOREIGN CURRENCY ITEMS

Items in the statement of financial position denominated in foreign currency are translated into functional currency using the exchange rates as at the end of the reporting year. Income statement items are translated applying the exchange rates prevailing at the date of the transaction.

COMPARABILITY OF THE REPORTED FINANCIAL YEAR AND THE PREVIOUS YEAR

The reported financial year and the previous year were both calendar years and are thus comparable. The Company has been actively restructuring its business, which has required various ownership and financial arrangements. The transactions have had significant non-recurring effects on the Company's income statement and statement of financial position, which make comparison of financial statements and estimating the future more difficult.

2.2 NOTES TO THE INCOME STATEMENT

1. REVENUE

EUR '000	2019	2018
By business line:		
Services	1,481	2,881
Total	**1,481**	**2,881**
By geography:		
Finland	1	7
EU countries	1,065	1,209
Other countries	415	1,665
Total	**1,481**	**2,881**

2. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR '000	2019	2018
Depreciation and amortisation according to plan		
Machinery and equipment	0	0
Impairment		
Impairment on investment in subsidiaries	-139,526	0
Total	**-139,526**	**0**

3. OTHER OPERATING EXPENSES

EUR '000	2019	2018
Premise expenses	-16	-11
Machinery and equipment expenses	-19	-28
Travelling expenses	-152	-291
Administration expenses	-3,126	-2,477
Other operating expenses	-1,554	-61
Total	**-4,867**	**-2,870**

4. FINANCIAL INCOME AND EXPENSE

EUR '000	2019	2018
Dividend from Group companies	0	0
Other financial income		
From Group companies	26	798
From others	1,300	64
Other financial expense		
To Group companies	-556	-51
To others	-993	-39
Impairment of intra-group receivables	0	-900
Total	**-223**	**-128**

5. INCOME TAXES

EUR '000	2019	2018
Loss for the period	-144,154	-1,370
Adjustments for tax calculation	0	0
Taxable income	**-144,154**	**-1,370**
Tax advances paid	0	0
Tax deferral based on taxable income	0	0
Income tax of the period	**0**	**0**
Tax loss carryforward used	0	0
Net income taxes	**0**	**0**
Income tax receivable	0	0

2.3 NOTES TO ASSET

6. NON-CURRENT ASSETS

EUR '000	2019	2018
Machinery and equipment		
Acquisition cost 1.1.	275	275
Disposals	0	0
Acquisition cost 31.12.	275	275
Accumulated depreciation 1.1.	275	275
Depreciation for the period	0	0
Accumulated depreciation 31.12.	275	275
Book value 31.12.	**0**	**0**

7. INVESTMENTS

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2019	320,980	8,153	19,618	348,751
Additions of investment	3,554	0	0	3,554
Disposal of investment	-1	0	-2,004	-2,005
Acquisition cost 31.12.2019	324,533	8,153	17,614	350,300
Accumulated depreciation and impairment 1.1.2019	-70,048	-8,153	-17,614	-95,815
Impairment of investment in subsidiaries	-139,526	0	0	-139,526
Accumulated depreciation and impairment 31.12.2019	-209,574	-8,153	-17,614	-235,341
Book value 31.12.2019	**114,959**	**0**	**0**	**114,959**

Holdings in Group and other companies

Name	Country of incorporation	Group's ownership and share of votes (%)	AfarakGroup Plc's direct ownership and share of votes (%)
Afarak Commodities Ltd	Malta	100.00	0.00
Afarak doo Belgrade	Serbia	100.00	0.00
Afarak Holdings Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining Investments (Pty) Ltd	South Africa	100.00	0.00
Afarak Mining (Pty) Ltd	South Africa	100.00	0.00
Afarak Mogale (Pty) Ltd	South Africa	94.50	0.00
Afarak Services Sagl	Switzerland	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Afarak Participations Ltd	Malta	100.00	0.00
Magnohrom doo Kraljevo	Serbia	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	73.30	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0,00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	100.00
Rekylator Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75
ZCM Holdco One (Pty) Ltd	South Africa	74.00	23.00
Zeerust Chrome Mine Ltd	South Africa	74.00	0.00
Synergy Africa Ltd	United Kingdom	100.00	0.00
Chromex Mining Ltd	United Kingdom	100.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	74.00	0.00
Ilitha Mining (Pty) Ltd	South Africa	80.00	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	87.00	0.00
Afarak Processing Technologies (Pty) Ltd	South Africa	100.00	0.00
Afarak Processing Technologies 2 (Pty) Ltd	South Africa	100.00	0.00
Afarak Platinum (Pty) Ltd	South Africa	100.00	0.00

As at 31 March 2019, the Group held 51% of shares of Synergy Africa Ltd, which the shareholders of Synergy Africa Ltd had entered into a joint venture agreement with joint control over the company. On 1 April 2019, Afarak acquired the 49% balance of Synergy Africa Ltd, and the Joint Venture agreement was terminated. Therefore Afarak now holds 100% of Synergy Africa Ltd. As at 31 March 2019, the company and its subsidiaries were not consolidated into the Group as subsidiaries but as joint ventures. The Group's share of net profit or loss of the Joint venture during the period January to March 2019 is shown on one line in the income statement. As from 1 April 2019, Synergy Africa Ltd and its subsidiaries were consolidated into the Group as subsidiaries.

Afarak Mogale (Pty) Ltd entered into an agreement in December 2016, to buy back 100 ordinary shares currently held by the trustees as part of the Mogale Alloys Trust. These shares constitute an effective 10% of the issued share capital of the company and will be bought back in a series of buy backs over a period of 8 years. During the current year Afarak Mogale (Pty) Ltd repurchased 11 (11) ordinary shares held by the Mogale Alloys Trust, hence Afarak Mogale (Pty) Ltd has repurchased 45 ordinary shares in total and 55 ordinary shares still to be repurchased. However, in Afarak Group, 100% of Afarak Mogale (Pty) Ltd is being consolidated.

Rekylator Yhtiöt Oy merged with Afrak Group Oyj during the year 2019.

During the second quarter, Afarak also acquired a further 49% of the shares in Zeerust Chrome Mine, in exchange for total consideration of two million shares in Afarak Group Plc, amounting to Eur 1,654,000. Of which 26% are to be transferred to a prospective BEE partner and therefore Afarak holds and consolidate 74% interest in the company.

Afarak entered into an agreement during 2019 to acquire the remaining interest of 26% in Chromex Mining Company (Pty) Ltd. This has not yet been executed as there need to be an approval from South Africa Reserve bank and it is expected to be executed in 2020.

For the year ended 31 December 2019 Chromex Mining Limited (registration number 05566992) and Synergy Africa Limited (registration number 07382978) were entitled to an exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

8. RECEIVABLES

EUR '000	2019	2018
Receivables from group companies		
Non-current		
Loan and other receivables	5	1,785
Total	**5**	**1,785**
Current		
Loan receivables	7,424	7,304
Trade receivables	4,915	4,675
Interest receivables	822	13
Prepayments and accrued income	832	834
Total	**13,993**	**12,826**

Other interest-bearing receivables

EUR '000	2019	2018
Current		
Loan receivables	0	8
VAT receivable	3	30
Total	**3**	**38**

Other interest-free receivables

EUR '000	2019	2018
Current		
Trade receivables	1	1
Receivables from associated companies	0	851
Other receivables	4	27
Total	**5**	**879**

Prepaid expenses and accrued income

EUR '000	2019	2018
Accrued interest income	0	1
Other prepaid expenses and accrued income	103	164
Total	**103**	**165**

2.4 NOTES TO EQUITY AND LIABILITIES

9. SHAREHOLDERS' EQUITY

EUR '000	2019	2018
Share capital		
Share capital 1.1.	23,642	23,642
Share capital 31.12.	**23,642**	**23,642**
Share premium reserve	**2019**	**2018**
Share premium reserve 1.1.	25,223	25,223
Share premium reserve 31.12.	**25,223**	**25,223**
Paid-up unrestricted equity reserve	**2019**	**2018**
Paid-up unrestricted equity reserve 1.1.	236,071	236,071
Issue of shares	2,341	0
Acquisition of own shares	-26,389	0
Paid-up unrestricted equity reserve 31.12	**212,024**	**236,071**
Retained earnings	**2019**	**2018**
Retained earnings 1.1.	-19,206	-14,140
Loss for the previous financial year	-1,370	-5,066
Retained earnings 31.12.	**-20,576**	**-19,206**
Loss for the financial year	**-144,154**	**-1,370**
Total shareholders' equity	**95,159**	**264,360**

Distributable funds	2019	2018
Retained earnings 1.1.	-20,576	-19,206
Loss for the financial year	-144,154	-1,370
Retained earnings 31.12.	**-164,730**	**-20,576**
Paid-up unrestricted equity reserve	212,024	236,071
Distributable funds 31.12.	**47,294**	**216,395**

10. LIABILITIES

Non-current liabilities

EUR '000

Non-current interest bearing debt	2019	2018
Loans from Group companies	27,279	1,248
Total	**27,279**	**1,248**

EUR '000

Non-current interest-free debt	2019	2018
Capital loans	950	0
Total	**950**	**0**

Current Liabilities

EUR '000

Current interest bearing debt	2019	2018
Other debt to Group companies	50	50
Total	**50**	**50**

Current interest-free debt	2019	2018
Accounts payable	60	410
Payables to Group companies	2,531	1,359
Other debt	119	25
Other debt to Group companies	412	1,212
Accrued expenses and deferred income	175	148
Total	**3,297**	**3,154**

2.5 PLEDGES AND CONTINGENT LIABILITIES

EUR million	31.12.2019	31.12.2018
Commitments on behalf of subsidiaries		
Guarantees	17.4	17.1
Commitments on behalf of others		
Guarantees	0.0	0.0
Commitments and contingent liabilities total	**17.4**	**17.1**

PENSION LIABILITIES

The Company's pension liabilities are directly in accordance with the statutory TyEL-system.

2.6 OTHER NOTES

RELATED PARTY LOANS

The Company has short-term loan receivables from the members and past members of the Board amounting to EUR 0 (8) thousand.

Information on the personnel

Personnel, annual average (all employees)	2019	2018
Employees	3	3

Management remuneration (EUR '000)	2019	2018
Chief Executive Officer	294	360
Board members	227	257

During 2019, the CEO self-reduced his salary by 20% and the Company paid the CEO EUR 294,000 for his service. On 11 May 2018 he received 500,000 Company Shares as an incentive for the first year of service acting as the Chief Executive Officer. The second 500,000 Company shares have effectively been received on 12 February 2019.

In the fourth quarter of 2018, the Group extended for another two years the CEO contract and granted another 1,000,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares were due to be received in January 2020 after completing his third year of service. These will be granted after the AGM when a new board is formed, however these were self-reduced by 20% to 400,000 Company shares in 2020. The second 500,000 Company shares shall be received by the employee on 15 January 2021. These shares have a lock-up period of two years form subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.83 per share. The value at year end was EUR 596,917.81.

In December 2017 the outgoing CEO received 335,000 Company Shares prorate over the second year of service acting as the Chief Executive Officer. He is not entitled to any bonus plans or severance pay in addition to the salary for the notice period. In July 2017 the Group has granted Alistair Ruiters 400,000 Incentive shares in the company pa on each completed year of service commencing on the effective date. Following a revision in the contract, 466,667 company shares have effectively been received on 20 December 2018. No additional share transfers to Alistair Ruiters are envisaged.

INFORMATION ON SHARES AND SHAREHOLDERS

Changes in the number of shares and share capital

On 31 December 2019, the registered number of Afarak Group Plc shares was 252,041,814 (2018: 263,040,695) and the share capital was EUR 23,642,049.60 (2018: 23,642,049.60).

On 31 December 2019, the Company had 13,677,599 (2018: 2,387,494) own shares in treasury, which was equivalent to 5.43% (2018: 0.91%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2019, was 238,364,215 (2018: 260,653,201).

In December 2017, Afarak transferred 335,000 ordinary shares (the "Shares") from the treasury to the outgoing CEO, Dr Alistair Ruiters. The Shares were issued under the authorization given by the Company's Annual General Meeting in May 2017 and formed part of the CEOs service based remuneration package. On 20 December 2018, Afarak transferred 466,667 company shares from treasury to Dr Alistair Ruiters, former CEO. The Shares are issued under the authorisation given by the Company's Annual General Meeting in May 2018 and formed part of the Mr Ruiter's service contract. Following a revision in the contract, no additional share transfers to Alistair Ruiters are envisaged.

On 12 February 2019, the company transferred 500,000 Company Shares from the treasury to Guy Konsbruck, CEO.

On 23 September 2019, the company transferred 1,324,895 Company Shares from treasury to South African suppliers.

The board resolved on 29 May 2019, based on authorisation granted by the EGM held on 12 November 2018, that the Company repurchases 26 million of its own shares at a price of EUR 1.015 by means of voluntary public tender offer made to all shareholders. On 31 July 2019, the Company completed the public tender offer of purchasing own shares amounting to 25,998,881 shares. Such shares were then cancelled by Afarak on 8 August 2019. On 26 August 2019, the Company announced an issue of 15,000,000 new shares.

On 28 June 2019, Afarak Group Plc has transferred a total of 1,885,000 Company shares from treasury in relation to additional ownership in certain South African mining assets.

More information on shares, share capital and shareholders has been presented in the notes to the consolidated financial statements.

Information obligated to a Group company

The Company is the Group's parent company.

Afarak Group Plc, domicile Helsinki (address: Kaisaniemenkatu 4, 00100 Helsinki, Finland)

BOARD MEMBERS' AND CHIEF EXECUTIVE OFFICER'S OWNERSHIP

Afarak Group Plc's Board members and Chief Executive Officer owned in total 1,150,000 (2018: 800,000) Afarak Group Plc shares on 31 December 2019 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.5% (2018: 0.3%) of all outstanding shares that were registered in the Trade Register on 31 December 2019.

31.12.2019

Board and CEO total:		Shares	Options
Thorstein Abrahamsen	Chairman & Non-Executive Director	0	0
Jelena Manojlovic	Dependent Non-Executive Director	150,000	0
Guy Konsbruck	Chief Executive Officer & Executive Director	1,000,000	0
Board and CEO total		**1,150,000**	**0**
All shares outstanding		252,041,814	
Proportion of all shares		0.5%	

On 31 December 2019 the total number of registered shares was 252,041,814 and the Board and CEO's ownership corresponded to 0.5% of the total number of registered shares.

Auditor's fees

EUR '000	2019	2018
Ernst & Young Oy		
Audit	320	185
Other services	36	36
Total	**356**	**221**

BOARD'S DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting that no distribution would be paid in 2020.

Signatures to the Board of Directors and the Financial Statements

HELSINKI 31 MARCH 2020

THORSTEIN ABRAHAMSEN
Chairman

GUY KONSBRUCK
CEO

JELENA MANOJLOVIC
Member of the Board

The Auditor's Note

Our auditor's report has been issued today.

HELSINKI 31 MARCH 2020
ERNST & YOUNG OY

ERKKA TALVINKO
Authorised Public Accountant

AFARAK

GROUP