Interim Financial Statements

Quarter 1
2017

Strong start to the year, Group EBITDA at €12.7 million

Afarak has had a very strong start to the year. Our EBITDA improved significantly from last year and amounted to €12.7 million. The strong market, particularly higher ferrochrome and ore prices had a notable impact on our result. However, this bullish market already started to dampen and prices have reversed trends towards the end of quarter one going into the second quarter.

Guy Konsbruck
CEO

AFARAK

Strong start to the year, Group EBITDA at EUR 12.7 million.

HIGHLIGHTS IN THE FIRST QUARTER OF 2017

Afarak's EBITDA stood at EUR 12.7 million, compared to EUR 3.3 million a year earlier. The significant improvement was due to higher ferrochrome prices and strong market fundamentals, supported by productivity gains, primarily in processing.

- Afarak registered the highest quarterly result since entering the mineral business in 2008
- Processed material sold increased by 3.5% to 27,892 (Q1/2016: 26,952) tonnes
- Tonnage mined increased by 87.6% to 85,352 (Q1/2016: 45,486) tonnes
- Revenue increased by 39.0% to EUR 56.7 (Q1/2016: 40.8) million
- EBITDA was EUR 12.7 (Q1/2016: 3.3) million and the EBITDA margin was 22.4% (Q1/2016: 8.0%)
- EBIT was EUR 11.1 (Q1/2016: 1.7) million and the EBIT margin was 19.6% (Q1/2016: 4.2%)
- Profit for the period from continuing operations totalled EUR 4.2 (Q1/2016: -0.2) million, with cash flow from operations standing at EUR 8.5 (Q1/2016: 7.2) million and liquid funds at 31 March were EUR 16.2 (31 March 2016: 21.7) (31 December 2016: 9.7) million
- Due to the exceptional results in quarter one 2017, an extraordinary EUR 0.02 per share distribution from the invested unrestricted equity fund is now being recommended to the Annual General Meeting later this month

Key Group figures

		Q1/17	Q1/16	2016
Revenue	EUR million	56.7	40.8	153.6
EBITDA	EUR million	12.7	3.3	5.5
EBIT	EUR million	11.1	1.7	-1.0
Earnings before taxes	EUR million	6.9	0.9	-3.1
Profit	EUR million	4.2	0.2	-0.9
Earnings per share	EUR	0.01	0.00	0.00
EBITDA margin	%	22.4	8.0	3.6
EBIT margin	%	19.6	4.2	-0.7
Earnings margin	%	12.1	2.1	-2.0
Personnel at the end of the period		906	767	813

MARKET SENTIMENT FOR THE SECOND QUARTER 2017

As expected, the high price levels for ferrochrome and Chrome Ore seen in quarter one, have not been sustainable over the longer term. We still expect improved performance in Q2 2017 compared to a year earlier, although subdued, when compared to Q1 2017 numbers.

CEO Guy Konsbruck

"Afarak has had a very strong start to the year. Our EBITDA improved significantly from last year, reaching EUR 12.7 million. The strong market, particularly higher ferrochrome and ore prices, had a notable positive impact on our results. However, this bullish market has already started to dampen and prices have reversed trends towards the end of quarter one, going into the second quarter. I am particularly satisfied that our internal initiatives have also contributed to further strengthening working capital management, higher production volumes, productivity gains and considerable cost benefits. Our shaking tables in South Africa and the successful transition of our furnaces from silicomanganese to ferrochrome allowed us to increase production. The commencement of opencast mining is also yielding a growing supply of material. We are committed to continue implementing similar measures and initiatives aimed at enhancing our productivity and further increasing our efficiency.

Both our business segments, speciality alloys and ferroalloys, delivered significantly improved results, on the back of higher selling prices. This solid performance was further supported by the joint venture in South African due to higher sales volumes and improved sale prices. These results have allowed us to propose to the forthcoming Annual General Meeting an extraordinary EUR 0.02 per share distribution.

Looking ahead, the volatility of the market remains a key risk and we should not expect record performances on a quarterly basis."

MARKET DEVELOPMENTS

Recent data releases confirm the improvement in global economic activity in the second half of 2016 and point to sustained growth in early 2017. Looking forward, both advanced economies and emerging market economies are anticipated to support growth. This positive economic sentiment has also been reflected in an expansion in demand for various commodities, including stainless steel and alloys. Global commodity prices continued their upward trajectory during quarter one 2017.

Ferrochrome

The European benchmark price for ferrochrome increased from USD 1.10/lb in the fourth quarter of 2016 to USD 1.65/lb in the first quarter of 2017 because of reduced availability of chrome ore, particularly from South Africa, and strong ferrochrome demand in China. For the second quarter of 2017, the benchmark price reduced to 1.54/lb driven by improved ferrochrome availability in China. The Company expects that there will be further market corrections in the third quarter.

Silicomanganese

Volatility in manganese ore prices remained high during the quarter, even though global silicomanganese production increased since a year earlier. However, the fluctuations in price levels remain challenging for producers. In view of this market instability, Afarak Mogale converted its furnaces from silicomanganese to charge chrome.

Chrome ore

Following a tightening in supply, primarily driven by closures of South African producers, prices spiraled upwards during the end of 2016 and going into 2017**.** However, the market upswings have become very short-term in nature and a contraction in prices is already being seen due to easing demand from China, as chrome ore inventory remains quite high in Chinese ports**.** It is expected that the trend in prices will continue to be neutral to negative in the short-term.

Stainless steel

Global stainless steel consumption increased during the first quarter of 2017 compared to the same period last year. This buoyant demand led to higher prices of stainless steel during quarter one, notwithstanding the overcapacity that exists in stainless steel, particularly in China. Protectionist measures against Chinese material have supported prices in the short-term, albeit they are now expected to soften moving forward. Most recent developments show that these price levels will not persist into the longer-term horizon, mainly due to lower alloy surcharges resulting from weaker metals prices.

Economic observers are expecting a continued recovery in global economic growth, driven by the improved oil & gas sector in view of America's renewed policy towards the industry. This is expected to have a positive effect on the metals market in the longer term.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

Speciality alloys key figures

		Q1/17	Q1/16	2016	y-o-y
Revenue	EUR million	21.7	18.4	68.7	17.9%
EBITDA	EUR million	4.7	2.3	5.4	105.2%
EBIT	EUR million	4.2	1.7	3.1	147.1%
EBITDA margin	%	21.5	12.3	7.8	
EBIT margin	%	19.4	9.2	4.4	
Total production	Tonnes	18,888	22,067	79,172	-14.4%
Mining	Tonnes	10,043	14,953	59,752	-32.8%
Processing	Tonnes	8,845	7,114	19,420	24.3%
Personnel		431	411	438	

The Speciality Alloys segment performance was robust in the first quarter. Revenue for the first quarter increased by 17.9% to EUR 21.7 (18.4) million. The increase in revenue is mainly attributable to higher selling prices of the alloy, as well as to chromite concentrate and lumpy ore sales to the market. These factors enabled EBITDA for the quarter to increase to EUR 4.7 (2.3) million resulting in EBIT of EUR 4.2 (1.7) million. During the quarter, cost of sales was positively affected by the lower cost of inventory because of lower overhead absorption, which was mainly driven by the increased production.

Production decreased by 14.4% to 18,888 (22,067) tonnes for the first quarter of 2017, primarily because of a planned temporary stoppage for maintenance and repairs at the Kavak mine in Turkey during the month of February. Processing levels at the EWW plant in Germany increased, when compared to the comparative quarter, due to increased production volumes of special grade ferrochrome to replenish inventory levels for the US market, as well as a broader product portfolio. The latter will enable Afarak to be more competitive by supplying more market driven products.

FERROALLOYS BUSINESS

Ferroalloys key figures

		Q1/17	Q1/16	2016	y-o-y
Revenue	EUR million	34.1	22.3	84.5	52.9%
EBITDA	EUR million	9.2	1.9	5.0	380.4%
EBIT	EUR million	8.0	0.9	0.9	758.4%
EBITDA margin	%	26.9	8.6	5.9	
EBIT margin	%	23.4	4.2	1.0	
Total production	Tonnes	94,416	51,049	278,833	85.0%
Mining	Tonnes	75,309	30,532	202,514	146.7%
Processing	Tonnes	19,107	20,517	76,319	-6.9%
Personnel		398	348	369	

Revenue for the first quarter increased to EUR 34.1 (22.3) million, representing a significant increase of 52.9% compared to the equivalent period in 2016. Revenue increased primarily due to significantly higher selling prices of both charge chrome and silicomanganese relative to the first quarter of 2016. The Ferroalloys segment continued to benefit from the new sales mix adopted from the previous quarter, as a more profitable charge chrome contributed to increasing EBITDA for the first quarter to EUR 9.2 (1.9) million.

Production grew to 94,416 (51,049) tonnes in the first quarter of 2017, representing a significant increase of 85%, when compared to the same period in 2016. This was mainly driven by the additional tonnages from the shaking tables plant and increased mining activity at Stellite mine to supply the stronger demand. The increase in production is also attributable to the commencement of the opencast mining as from January at the Mecklenburg mine. Processing levels at Mogale Alloys during the first quarter of 2017 were marginally lower than those registered during the comparative quarter mainly due to the conversion of P3 furnace to ferrochrome production and due to unforeseen repairs at P1 furnace.

JOINT VENTURE

Joint venture key figures (Afarak's share)

		Q1/17	Q1/16	2016
Revenue	EUR million	5.3	0.8	5.3
EBITDA	EUR million	3.3	-0.1	1.3
EBIT	EUR million	3.1	-0.2	0.8
Financial income & expense	EUR million	0.3	-0.1	-0.5
Profit for the period	EUR million	3.4	-0.3	0.1
EBITDA margin	%	62.5	-11.9	24.4
EBIT margin	%	59.1	-20.6	15.7

The joint-venture yielded a total profit of EUR 6.7 (-0.6) million, with Afarak's share amounting to EUR 3.4 (-0.3) million. Afarak's share of joint venture revenue for the first quarter increased to EUR 5.3 (0.8) million, compared to the equivalent period in 2016, representing an increase of 564.8%. The increase in revenue was mainly attributable to the stronger sales of concentrate and lumpy Chrome ore at the Stellite mine. Such an increase in sales volumes along with significant higher selling prices contributed to the positive share of joint venture EBITDA for the first quarter amounting to EUR 3.3 (-0.1) million, as opposed to a negative share of joint venture EBITDA incurred during the comparable quarter in the previous year. Overheads during the quarter increased due to higher costs of mining contractors, which charged higher fees on the back of strong market demand, as well as higher mining cost to increase the high wall. Following the resumption of opencast mining, Afarak expects the joint-venture to continue being an important contributor to its performance over the medium-term.

FINANCIAL PERFORMANCE

SALES OF PROCESSED MATERIAL

Sales, tonnes

	Q1/17	Q1/16	2016
Total	27,892	26,952	97,095
Ferroalloys	22,721	21,279	77,092
Speciality alloys	5,171	5,673	20,003

The Group's sales from processing, which includes all the products produced at the Mogale Alloys and Elektrowerk Weisweiler processing plants, stood at 27,892 (Q1/2016: 26,952) tonnes, a marginal increase of 3.5% compared to the equivalent period in 2016. Sales volumes in the FerroAlloys segment increased by 6.8%, mainly driven by an expansion in demand supported by the transition of the P2 furnace at Mogale Alloys to ferrochrome production from silicomanganese. The positive performance in the Ferroalloys segment was reached in spite of an 8.8% contraction in the sales volumes in the Speciality Alloys segment.

REVENUE AND PROFITABILITY

Afarak's revenue in the first quarter of 2017 increased by 39.0% to EUR 56.7 (40.8) million because of higher selling prices of ferrochrome.

Key Group highlights

		Q1/17	Q1/16	2016
Revenue	EUR million	56.7	40.8	153.6
EBITDA	EUR million	12.7	3.3	5.5
EBIT	EUR million	11.1	1.7	-1.0
Profit from continuing operations	EUR million	4.2	-0.2	-2.8
Profit from discontinuing operations	EUR million	0.0	0.5	1.9
Profit	EUR million	4.2	0.2	-0.9
EBITDA margin	%	22.4	8.0	3.6
EBIT margin	%	19.6	4.2	-0.7

Revenue increased both in the Specialty Alloys segment and in the FerroAlloys segment, primarily due to stronger market conditions with higher selling prices, when compared to the first quarter in 2016. These favourable market conditions enabled the Group to significantly increase EBITDA to EUR 12.7 (3.3) million and EBIT to EUR 11.1 (1.7) million. The share of joint venture profit for the period amounted to EUR 3.4 (-0.3) million. The Group profit for the first quarter increased to EUR 4.2 (0.2) million. The results have been negatively affected by currency movements that were being accounted for in equity. However, these movements did not impact the Company's cash flow.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 31 March 2017 stood at EUR 270.3 (263.7) (31 December 2016: 260.2) million and net assets totalled EUR 181.2 (172.5) (31 December 2016: 176.2) million. During the quarter, currency movements positively affected Afarak's balance sheet with the translation reserve improving by EUR 4.1 (1.0) million. The Group's cash position continued to improve further during the first quarter 2017 standing at EUR 16.2 (21.7) million on 31 March 2017 (21.7) against EUR 9.7 million at the end of 2016. Operating cash flow in the first quarter was EUR 8.5 (7.2) million.

Cash during the quarter recovered due to the better working capital management and after reducing the Group's debt position. The equity ratio was 67.1% (65.4%) (31 December 2016: 67.7%). Afarak's gearing at the end of the first quarter stood at -6.1% (-6.8%) (31 December 2016: -3.3%) with interest-bearing debt totalling EUR 5.0 (10.0) (31 December 2016: 3.8) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the first quarter of 2017 totalled EUR 0.6 (0.5) million. Capital expenditure both in the Speciality Alloys segment and in the Ferro Alloys segment was incurred to sustain Group operations.

During the quarter, the Afarak Mogale has concluded an agreement to acquire 10% of its' own shares from the Mogale Alloys workers trust for an agreed consideration of ZAR 64.9 million to be paid over a period of 8 years. This acquisition of non-controlling interest led to a reduction in equity of EUR 3.4 million.

PERSONNEL

At the end of the first quarter 2017, Afarak had 906 (767) employees. The average number of employees during the first quarter of 2017 was 888 (768). During the quarter, the Group employed 71 employees on a temporary basis, running the operation of a sintered magnesite plant on a test project in Serbia.

UNALLOCATED ITEMS

For the first quarter of 2017, the EBITDA from unallocated items was EUR -1.1 (-0.9) million. EBITDA included EUR 0.2 (0.0) million relating to net operating expenditure incurred by the Group on taking over the management of a sintered magnesite plant as a test project in Serbia.

SUSTAINABILITY

In the first quarter of 2017, the percentage of hours lost to hours worked due to injuries was 0.19 (0.13) %. Afarak continues to invest in safety and training and an in-depth review has started in Afarak Mogale smelting plant. In Turkey, both mines hired additional safety engineers and medical personnel. In addition, an online personal tracking system for all miners who work underground was implemented. A new underground rescue chamber will be installed in both mines to comply with new safety regulations in Turkey. Management remains committed to achieving its Zero-Harm policy.

During the quarter, several community projects targeting local charities and educational projects in South Africa continued to be funded by the Company. Afarak actively participates in several programs providing daily meals to school children in local communities, as well as making investments in local schools and this is expected to continue throughout 2017. Afarak also supports the CK Trust by sponsoring a non-government teacher to provide support to destitute children at the Patrick Mashego Primary school. The teacher is specialised in supporting the emotional well-being of children who come from broken families.

On the environmental side, a new project at Mecklenburg has started with is also focused on supporting local entrepreneurship. A tree nursery is being developed in conjunction with the local community and Afarak has pledged to buy back the trees for landscaping.

SHARES & SHAREHOLDERS

On 31 March 2017, the registered number of Afarak Group Plc shares was 263,040,695 (263,040,695) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 March 2017, the Company had 3,744,717 (4,244,717) own shares in treasury, which was equivalent to 1.42% (1.61%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 March 2017, was 259,295,978 (258,795,978).

At the beginning of the period under review, the Company’s share price was EUR 0.78 on NASDAQ Helsinki and GBP 0.38 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.79 and GBP 0.68 respectively. During the first quarter of 2017 the Company’s share price on NASDAQ Helsinki ranged from EUR 0.72 to 1.14 per share and the market capitalisation, as at 31 March 2017, was EUR 207.8 (1 January 2017: 203.9) million. For the same period on the London Stock Exchange the share ranged from GBP 0.55 to 0.88 per share and the market capitalisation was GBP 177.6 (1 January 2017: 98.6) million, as at 31 March 2017.

Based on the resolution at the AGM on 11 May 2016, the Board is authorised to buy-back up to a maximum of 15,000,000 of its own shares. This authorisation is valid until 12 November 2017. The Company did not carry out any share buy-backs during the first quarter of 2017.

FLAGGING NOTIFICATIONS

During the first quarter, two flagging notifications were issued by the Company.

On 17 March 2017, Afarak received a flagging notification in accordance with Chapter 9, Section 5 of the Finnish Securities Markets Act from shareholders Joensuun Kauppa ja Kone Oy and Esa Hukkanen (the "shareholders"). In accordance with the flagging notification, the shareholders have agreed to use their voting rights together in Afarak Group Plc and their agreement has resulted in them having their shareholding to be above 5%, becoming a 6.05% per cent holder of the shares and voting rights in Afarak.

On 22 March 2017, Afarak received a flagging notification in accordance with Chapter 9, Section 5 of the Finnish Securities Markets Act from a group of shareholders (“the shareholders"). In accordance with the flagging notification, the shareholders have agreed to use their voting rights together in Afarak Group Plc and their agreement has resulted in them having their shareholding to be above the 10% benchmark, becoming a 10.01% per cent holder of the shares and voting rights in Afarak. Their total of shares and voting rights stands at 26,325,048.

RISKS & UNCERTAINTIES

The changes in the key risks and uncertainties are set out below. Further details of the risks and uncertainties have been published in the Group’s 2016 Financial Statements.

Afarak´s financial performance is dependent on the general market conditions of the mining, smelting and minerals processing business. Global financial markets have been very volatile and there is uncertainty as to how commodity prices will respond for the rest of 2017, which could considerably impact the Company’s revenue and financial performance in 2017.

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

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

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

On 17 March 2017, Afarak announced that Mr Markku Kankaala has resigned from Afarak Group's Board of Directors. Consequently, the Board of Directors of Afarak will have five members up until the next shareholders' meeting. Following his resignation, the Board Committees are now as follows:

Audit and Risk Management Committee: Barry Rourke (Chair), Dr Jelena Manojlovic and Ivan Jakovcic
Nomination and Remuneration Committee: Dr Jelena Manojlovic (Chair), Barry Rourke
Safety, Health and Environment Committee: Dr Alistair Ruiters (Chair), Milan Djakov, Barry Rourke

REPORTING

Events during the review period

On 12 January 2017, Afarak announced that it has entered into a Mining Services Agreement with Pholagolwa Mining to continue the opencast mining Mecklenburg. Work is currently underway on increasing the high wall to 65 metres from 40 metres. The first tonnages are expected shortly and full production is expected to be reached by April for a period of six months. Full production will be 30,000 tons of chrome ore per month and the total opencast for the project is expected to be just over 200,000 tons of chrome ore. This will also allow better access to the underground mining area which has the potential to produce 4.5 million tons of chrome ore. Development of the shaft is scheduled to start later this year.

On 18 January 2017, Afarak announced that an agreement was made between Afarak Mogale and the Mogale Alloys Workers Trust on the purchase of all the shares the Trust holds in Afarak Mogale. In 2009, Ruukki Group, today Afarak Group, acquired 90% of Afarak Mogale. The remaining 10% was held by the Mogale Alloys Workers Trust. For the past 5 years, numerous requests have been made by the beneficiaries of the Mogale Alloys Workers Trust for Afarak Group to acquire the additional 10%. After several years of negotiation, an agreement was reached between the Trust and Afarak Mogale, with the approval of the majority of the beneficiaries of the Trust. Afarak Mogale has put forward an offer of ZAR 64.9 million to acquire the remaining 10% in a share buy-back scheme that will see the shares transferred to Afarak Mogale over an 8-year period which was accepted by the Trust.

EVENTS SINCE THE END OF REVIEW PERIOD

On 17 April 2017, Afarak announced that minor changes were made to the 'Chairman's Statement' and 'Shares and Shareholders' sections in the Governance Review of the Annual Report 2016.

On 20 April 2017, Afarak announced that Afarak Mogale is currently utilising all its operating furnaces to produce ferrochrome following the successful transition of a second furnace from silicomanganese to ferrochrome. Prior to December 2016, Mogale only had one furnace dedicated to ferrochrome. As a response to improved market conditions, Afarak Group successfully converted two of its furnaces from producing silicomanganese to ferrochrome; the first in December 2016 and the second in April 2017. It is expected that the new furnace will be producing an additional 2,300 tons per month. In addition, open-cast mining at Mecklenburg has resumed and preparations are underway for underground mining. These initiatives will further increase Afarak' vertical-integration and make it more independent from third party suppliers of ore.

On 20 April 2017, Afarak issued a profit warning given that it had increased its revenue substantially in Q1/2017, when compared to Q1/2016. The increase in chrome ore and ferrochrome market prices and Afarak's progression in production, both in Germany and in South Africa, contributed significantly to this improved performance. It was expected that quarter one results for 2017 would be among the highest recorded for the company since it entered the mineral business. The EBIT was expected to reach a level of not less than € 10 million.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

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

Q1/2016 3 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	18,438	22,318	76	-62	40,770
EBITDA	2,273	1,909	-901	0	3,281
EBIT	1,693	932	-902	0	1,723
Segment's assets	149,848	125,310	12,514	-23,958	263,714
Segment's liabilities	51,749	55,263	2,442	-18,244	91,210

FY 2016 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	68,679	84,473	1,767	-1,349	153,570
EBITDA	5,363	5,024	-4,909	0	5,478
EBIT	3,051	863	-4,924	0	-1,010
Segment's assets	135,743	135,359	12,641	-23,503	260,240
Segment's liabilities	44,777	56,959	2,737	-20,420	84,053

RESULTS DEVELOPMENT

	Q4/14	**Q1/15**	**Q2/15**	**Q3/15**	**Q4/15**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**Q1/17**
Sales (tonnes)										
Mining	15,728	51,401	86,884	101,701	64,487	22,959	40,618	19,559	55,212	53,938
Processing	23,465	22,466	30,556	20,059	31,137	26,952	28,214	18,023	23,906	27,892
Trading	9,954	4,188	6,466	8,798	11,953	10,177	7,262	12,256	8,619	5,331
Total	**49,147**	**78,055**	**123,906**	**130,558**	**107,577**	**60,088**	**76,094**	**49,838**	**87,737**	**87,161**
Average rates										
EUR/USD	1.329	1.126	1.116	1.114	1.110	1.102	1.116	1.116	1.107	1.065
EUR/ZAR	14.404	13.228	13.305	13.701	14.172	17.455	17.198	16.683	16.265	14.081
Euro (million)	**Q4/14**	**Q1/15**	**Q2/15**	**Q3/15**	**Q4/15**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**Q1/17**
Revenue*	41.6	40.7	53.1	44.8	49.2	40.8	39.5	28.9	44.4	56.7
EBITDA	0.0	4.6	7.6	1.3	3.7	3.3	0.8	-2.8	4.3	12.7
EBITDA margin	0.0%	11.4%	14.4%	2.8%	7.5%	8.0%	2.0%	-9.8%	9.6%	22.4%
EBIT	-1.1	2.9	5.8	-0.7	1.8	1.7	-0.9	-4.5	2.7	11.1
EBIT margin	-2.8%	7.2%	11.0%	-1.5%	3.7%	4.2%	-2.2%	-15.7%	6.1%	19.6%

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	**Q1/17**	**Q1/16**	**FY2016**
Revenue	**56,684**	**40,770**	**153,570**
Other operating income	221	306	1,705
Operating expenses	-47,609	-37,538	-149,913
Depreciation and amortisation	-1,613	-1,558	-6,488
Share of profit from joint ventures	3,409	-257	116
Operating profit	**11,092**	**1,723**	**-1,010**
Financial income and expense	-4,210	-862	-2,127
Profit before tax	**6,882**	**861**	**-3,137**
Income tax	-2,697	-1,104	339
Profit for the period from continuing operations	**4,185**	**-243**	**-2,798**
Discontinued operations			
Profit for the period from discontinued operations	0	461	1,861
Profit for the period	**4,185**	**218**	**-937**
Profit attributable to:			
Owners of the parent	3,576	290	-615
Non-controlling interests	609	-72	-322
Total	4,185	218	-937
Earnings per share for profit attributable to the shareholders of the parent company, EUR			
Basic earnings per share, EUR	0.01	0.00	0.00
Diluted earnings per share, EUR	0.01	0.00	0.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR ‘000	Q1/17	Q1/16	FY2016
Profit for the period	**4,185**	**218**	**-937**
Other comprehensive income			
Remeasurement of defined benefit pension plans	0	0	-1,609
Exchange differences on translating foreign operations – Group	4,449	-1,059	5,736
Exchange differences on translating foreign operations – Associate and JV	-293	2,556	6,797
Income tax relating to other comprehensive income	0	-512	0
Other comprehensive income, net of tax	**4,156**	**985**	**10,924**
Total comprehensive income for the period	**8,341**	**1,203**	**9,987**
Total comprehensive income attributable to:			
Owners of the parent	7,729	1,237	9,681
Non-controlling interests	612	-34	306

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	31.3.2017	31.3.2016	31.12.2016
ASSETS			
Non-current assets			
Goodwill	64,525	58,681	63,780
Other intangible assets	18,143	16,784	18,311
Property, plant and equipment	44,726	43,110	45,131
Other non-current assets	36,561	40,544	38,651
Non-current assets total	**163,955**	**159,120**	**165,873**
Current assets			
Inventories	43,755	44,991	48,424
Trade receivables	32,352	23,018	23,643
Other receivables	14,044	14,934	12,649
Cash and cash equivalents	16,166	21,651	9,651
Current assets total	**106,317**	**104,594**	**94,367**
Total assets	**270,272**	**263,714**	**260,240**

EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	23,642	23,642	23,642
Share premium reserve	25,740	25,740	25,740
Paid-up unrestricted equity reserve	235,335	240,315	235,242
Legal Reserve	153	185	160
Translation reserves	-12,634	-27,745	-16,787
Retained earnings	-92,140	-93,444	-95,963
Equity attributable to owners of the parent	**180,096**	**168,693**	**172,034**
Non-controlling interests	**1,134**	**3,810**	**4,151**
Total equity	**181,230**	**172,503**	**176,185**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	6,105	6,230	5,857
Provisions	10,920	9,493	10,691
Share of joint ventures' losses	13,118	20,916	16,234
Pension liabilities	20,012	18,624	20,097
Financial liabilities	7,012	1,977	4,199
Non-current liabilities total	**57,167**	**57,240**	**57,078**
Current liabilities			
Trade payables	16,883	15,018	13,620
Other current liabilities	14,992	18,953	13,357
Current liabilities total	**31,875**	**33,971**	**26,977**
Total liabilities	**89,042**	**91,211**	**84,055**
Total equity and liabilities	**270,272**	**263,714**	**260,240**

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

EUR '000	**31.3.2017**	**31.3.2016**	**31.12.2016**
Cash and cash equivalents	**16,166**	**21,651**	**9,651**
Interest-bearing receivables			
Current	3,508	3,517	3,513
Non-current	27,581	33,239	28,287
Interest-bearing receivables	**31,089**	**36,756**	**31,800**
Interest-bearing liabilities			
Current	2,237	9,951	3,764
Non-current	2,807	0	29
Interest-bearing liabilities	**5,044**	**9,951**	**3,793**
NET TOTAL	**42,211**	**48,456**	**37,657**

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

EUR '000	**Property, plant and equipment**	**Intangible assets**
Acquisition cost 1.1.2017	81,422	224,337
Additions	616	30
Disposals	-21	0
Reclass between items	-90	0
Effect of movements in exchange rates	2,515	2,355
Acquisition cost 31.3.2017	84,442	226,722
Acquisition cost 1.1.2016	73,942	206,835
Additions	2,239	557
Disposals	-162	-96
Reclass between items	411	-1
Effect of movements in exchange rates	4,992	17,041
Acquisition cost 31.12.2016	81,422	224,337

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

EUR '000	**Q1/17**	**Q1/16**	**FY2016**
Profit for the period	4,185	218	-937
Adjustments to profit for the period	4,525	2,285	2,902
Changes in working capital	-205	4,410	6,113
Discontinued operations	0	269	925
Net cash from operating activities	**8,505**	**7,182**	**9,003**
Acquisition of non-controlling interest	-612	0	0
Capital expenditure on non-current assets, net	-635	-311	-2,596
Other investments, net	-50	63	414
Proceeds from repayments of loans and loans given	776	2	54
Net cash used in investing activities	**-521**	**-246**	**-2,128**
Capital Redemption	0	0	-5,176
Proceeds from borrowings	1,856	1,931	7,093
Repayment of borrowings, and other financing activities	-3,305	-6,875	-18,867
Net cash used in financing activities	**-1,449**	**-4,944**	**-16,950**
Net increase in cash and cash equivalents	**6,535**	**1,992**	**-10,075**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR '000	A	B	C	D	E	F	G	H	I
Equity at 31.12.2015	**23,642**	**25,740**	**240,240**	**-28,692**	**-93,755**	**187**	**167,362**	**3,845**	**171,207**
Profit for the period 1-3/2016 + comprehensive income				-1,609	290		-1,319	-72	-1,391
Share of OCI in associates and JV				2,556			2,556	0	2,556
Translation differences							0	37	37
Share-based payments			75		21		96	0	96
Other changes in equity						-2	-2	0	-2
Equity at 31.3.2016	**23,642**	**25,740**	**240,315**	**-27,745**	**-93,444**	**185**	**168,693**	**3,810**	**172,503**
Profit for the period 4-12/2016 + comprehensive income				6,717	-905		5,812	-250	5,562
Share of OCI in associates and JV				4,241			4,241	0	4,241
Translation differences								591	591
Share-based payments			103		-5		98		98
Capital redemption			-5,176				-5,176		-5,176
Remeasurements of defined benefit pension plans					-1,609		-1,609		-1,609
Other changes in equity						-25	-25		-25
Equity at 31.12.2016	**23,642**	**25,740**	**235,242**	**-16,787**	**-95,963**	**160**	**172,034**	**4,151**	**176,185**
Profit for the period 1-3/2017 + comprehensive income				4,446	3,576		8,022	609	8,631
Share of OCI in associates and JV				-293			-293		-293
Translation differences								3	3
Share-based payments			93		1		94	0	94
Acquisition of non-controlling interest					246		246	-3,629	-3,383
Other changes in equity						-7	-7	0	-7
Equity at 31.3.2017	**23,642**	**25,740**	**235,335**	**-12,634**	**-92,140**	**153**	**180,096**	**1,134**	**181,230**

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	Q1/17	Q1/16	FY2016
Sales to joint ventures	343	28	423
Sales to other related parties	8	6	27
Purchases from joint ventures	0	0	-74
Financing income from joint ventures	169	204	760
Financing expense to other related parties	-1	-13	-21
Loan receivables from joint ventures	27,399	30,272	28,134
Loan receivables from other related parties	3,508	3,517	3,513
Trade and other receivables from joint ventures	8,564	7,954	8,451
Trade and other receivables from other related parties	96	62	96
Trade and other payables to joint ventures	71	309	339

FINANCIAL INDICATORS

	Q1/17	Q1/16	FY2016
Return on equity, % p.a.	9.5%	0.0%	-1.6%
Return on capital employed, % p.a.	25.7%	0.3%	0.9%
Equity ratio, %	67.1%	65.4%	67.7%
Gearing, %	-6.1%	-6.8%	-3.3%
Personnel at the end of the period	906	767	813

EXCHANGE RATES

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

The key exchange rates applied in the accounts:

Average rates

	Q1/17	Q1/16	FY2016
TRY	3.9378	3.2470	3.3433
USD	1.0648	1.1020	1.1069
ZAR	14.0814	17.4552	16.2645

Balance sheet rates

	31.3.2017	31.3.2016	31.12.2016
TRY	3.8894	3.2118	3.7072
USD	1.0691	1.1385	1.0541
ZAR	14.2404	16.7866	14.4570

FORMULAS FOR FINANCIAL INDICATORS

Financial ratios and indicators have been calculated with the same principles as applied in the 2016 financial statements. These principles are presented below.

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

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES

This Interim Report is prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and should be read in conjunction with Afarak’s financial statements for 2016. Afarak has applied the same accounting principles in the preparation of this Interim Report as in its financial statements for 2016, except for the adoption of new standards and interpretations that become effective in 2017. The changes did not have material impact on the Interim Report.

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

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

The Interim Report data are unaudited.

Share-related key figures

		Q1/17	Q1/16	FY2016
Share price development in London Stock Exchange				
Average share price*	EUR	0.88	0.42	0.37
	GBP	0.76	0.33	0.30
Lowest share price*	EUR	0.64	0.42	0.34
	GBP	0.55	0.33	0.28
Highest share price*	EUR	1.02	0.42	0.46
	GBP	0.88	0.33	0.38
Share price at the end of the period**	EUR	0.79	0.41	0.44
	GBP	0.68	0.33	0.38
Market capitalisation at the end of the period**	EUR million	207.5	108.0	115.2
	GBP million	177.6	85.5	98.6
Share trading development				
Share turnover	thousand shares	39	1	2,452
Share turnover	EUR thousand	32	1	902
Share turnover	GBP thousand	27	0	739
Share turnover	%	0.0 %	0.0%	0.9 %
Share price development in NASDAQ Helsinki				
Average share price	EUR	0.90	0.41	0.51
Lowest share price	EUR	0.72	0.39	0.39
Highest share price	EUR	1.14	0.49	0.90
Share price at the end of the period	EUR	0.79	0.43	0.78
Market capitalisation at the end of the period	EUR million	207.8	112.3	203.9
Share trading development				

Share turnover	thousand shares	25,387	5,103	36,108
Share turnover	EUR thousand	22,974	2,080	18,315
Share turnover	%	9.7 %	1.9%	13.7 %

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

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

Formulas for share-related key indicators

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

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

FORWARD LOOKING STATEMENTS

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

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