Annual Financial Statements 2017

Strong result in 2017 as full-year EBITDA more than tripled to €18.0 million

2017 was a milestone for Afarak both financially and operationally. Afarak's full-year EBITDA increased more than three-fold, from €5.5 million to €18.0 million with sales of €198.8 million. While the robust performance was supported by improved market conditions, including higher ferrochrome prices, I am particularly proud of our persistent focus on enhancing the Company's position as a vertically-integrated producer and on its transformation to a more resilient and adaptable organisation. Through various initiatives, the Company weathered the challenges and more importantly, reaped the benefits of the market upswing.

Guy Konsbruck
CEO

AFARAK

Strong result in 2017 as full-year EBITDA more than tripled to EUR 18.0 million

HIGHLIGHTS IN THE FOURTH QUARTER OF 2017

Afarak's fourth-quarter EBITDA amounted to EUR 2.6 million, compared to the historically high EUR 4.3 million a year earlier. Despite strong revenue growth on the back of the improved market conditions, profitability was affected by mostly non-operational factors.

- Revenue increased strongly by 14.0% to EUR 50.6 (Q4/2016: 44.4) million, driven by our improved production levels
- Processed material sold increased by 6.1% to 25,371 (Q4/2016: 23,906) tonnes supported by stronger market demand and higher prices
- Tonnage mined increased significantly to 154,646 (Q4/2016: 114,898) tonnes, due to increased ore sales activity to China
- Capital expenditure for the fourth quarter of 2017 totalled EUR 3.4 (0.7) million
- EBITDA stood at EUR 2.6 (Q4/2016: 4.3) million, with the EBITDA margin of 5.2% (Q4/2016: 9.6%) and was negatively impacted by mostly non-operational factors
- EBIT was EUR 1.2 (Q4/2016: 2.7) million, with the EBIT margin at 2.3% (Q4/2016: 6.1%)

HIGHLIGHTS FOR THE FULL YEAR OF 2017

2017 was a record year for Afarak. EBITDA more than tripled to EUR 18.0 million, from EUR 5.5 million in 2016. Management's focus on productivity and efficiency gains throughout the Group, especially in South Africa, supported by stronger market conditions, resulted in significant operational and financial gains for the year

- Revenue increased by 29.5% to EUR 198.8 (FY/2016: 153.6) million, reflecting both higher production and sales volumes as well as prices
- Processed material sold increased by 4.6% to 101,598 (FY/2016: 97,095) tonnes
- Tonnage mined nearly doubled to 503,914 (FY/2016: 262,266) tonnes, primarily due to the increased activity and operational efficiency in South Africa
- The Company increased its investment substantially, particularly in South Africa, with capital expenditure for the full year 2017 standing at EUR 6.9 (2.8) million. This trend is expected to continue over the next two years.
- EBITDA stood at EUR 18.0 (FY/2016: 5.5) million and the EBITDA margin was 9.0% (FY/2016: 3.6%)
- EBIT was EUR 11.4 (FY/2016: -1.0) million, with the EBIT margin at 5.7% (FY/2016: -0.7%)

Key Group figures

		Q4/17	Q4/16	FY2017	FY2016
Revenue	EUR million	50.6	44.4	198.8	153.6
EBITDA	EUR million	2.6	4.3	18.0	5.5
EBIT	EUR million	1.2	2.7	11.4	-1.0
Earnings before taxes	EUR million	1.8	1.5	4.2	-3.1
Profit from continuing operations	EUR million	3.5	1.7	5.2	-2.8
Profit from discontinued operations	EUR million	0.0	0.4	1.5	1.9
Profit	EUR million	3.5	2.0	6.7	-0.9
Earnings per share	EUR	0.01	0.01	0.02	0.00
EBITDA margin	%	5.2	9.6	9.0	3.6
EBIT margin	%	2.3	6.1	5.7	-0.7
Earnings margin	%	3.5	3.4	2.1	-2.0
Personnel (end of period)		1,017	813	1,017	813

MARKET SENTIMENT FOR THE FIRST QUARTER 2018

The charge chrome benchmark price dropped from USD 1.39/lb in the fourth quarter 2017, to USD 1.18/lb for the first quarter 2018. The current benchmark is significantly lower than the exceptionally high price registered during the corresponding quarter in 2017. Additionally, increased raw materials; graphite electrodes and ferrosilicon; and a weakening of the US dollar combined with a strengthening of the South African Rand are expected to have a significantly negative impact on profitability. Recent developments, both in chrome ore and ferrochrome prices, have been more positive again.

CEO GUY KONSBRUCK

"2017 was a milestone for Afarak both financially and operationally. With respect to health and safety, we continued implementing various measures and investments across the Group and it is a satisfaction to note that we successfully reduced the number of lost days due to injury. In addition, no fatalities were reported across our operations. We remain committed to continue improving our safety track record across the Group.

Afarak's full-year EBITDA increased more than three-fold, from EUR 5.5 million to EUR 18.0 million with sales of EUR 198.8 million. While the robust performance was supported by improved market conditions, including higher ferrochrome prices, I am particularly proud of our persistent focus on enhancing the Company's position as a vertically-integrated producer and on its transformation to a more resilient and adaptable organisation. Through various initiatives, the Company weathered the challenges and more importantly, reaped the benefits of the market upswing.

In the speciality alloys segment, Afarak registered a very strong performance on the back of increased production, strong market demand and improved prices. The ferroalloys segment in South Africa, also performed well. In addition, the mines continued to register positive performance, increasing efficiency and productivity. The resumption of opencast mining at Mecklenburg played a key role in the results of the Group. Throughout 2017, Afarak also took initiatives to extend the opencast mining at Stellite by increasing the high wall. Work has also started on introducing additional cycles of beneficiation and the expansion of the product mix through the introduction of higher value-add products. These projects are still in the initial stages of development and the first production results could be expected during 2018.

The acquisition of the Zeerust Chrome Mine will further extend Afarak's production capacity towards the second half of the year and will make it the only South African producer of high carbon ferrochrome.

On behalf of management, I would like to thank all the teams across our operations for their important contribution to registering these results. The adaptability and flexibility of the Group reflects the work ethic of our employees who rise to the challenges. I am confident that our actions and interventions to enhance the Company's operations and structures continue to pay off.

The Company continued to care about community initiatives, particularly in South Africa. Afarak supports the daily life of various communities close to our assets and we are committed to continue to improve their quality of life. Apart from education and social projects, we are also supporting local entrepreneurship, enhancing water supply and local infrastructure development, as well as continuing our environmental rehabilitation activity.

We are installing a 2.8 MW heat recovery unit in Mogale. This energy saving investment will contribute towards a proportional reduction of our CO_2 emissions and a respective increase of our productivity. We look forward to extending our investment in other sustainability and community initiatives.

Moving forward, the markets remain volatile. The decrease in the first quarter benchmark is expected to impinge on our results. During the coming year, management continues to consolidate Afarak's positive performance, while focusing on capital investments, production capacity growth, specialised products development and market expansion. We are currently finalising a review of our resources & reserves statement that will be published in due course.

During 2018, the Board, as instructed by shareholders, will be preparing a plan for delisting from the Helsinki Stock Exchange. The Company will inform the market once it has finalised the process and related timetable. This will develop the need to increase market liquidity in London and management is working to attract new institutional and industrial investors who believe in the long-term growth prospects of the Company."

MARKET DEVELOPMENTS

The global economic activity continued to firm up in 2017, with a faster than expected growth rate bolstered by increase in activity in both advanced and emerging economies. The economic growth was supported further by strong investments in infrastructure, stronger demand for commodities, including stainless steel and alloys.

Stainless steel

Global stainless steel demand continued to increase in the fourth quarter making 2017 a strong year for steel. Strong growth came from China, India and Europe due to higher demand from infrastructure, consumer goods and energy-related segments. Due to the increased demand, prices too were higher than those registered in 2016. Although higher, prices started to decline during the year after a very strong first quarter. The demand for stainless steel is set to continue into the first quarter of 2018.

Chrome ore

The positive market developments for stainless steel were also reflected in the chrome ore markets. Prices during 2017 were on average higher than those a year earlier. Moving into the first quarter of 2018, ore prices are expected to remain resilient.

Ferrochrome

2017 was a fairly strong year in the ferrochrome market although prices contracted in the second quarter. Going forward, the market is expected to strengthen again after quarter one.

DISTRIBUTION PROPOSAL

The Board of Directors will propose to the Annual General Meeting that the Annual General Meeting would authorise the Board to resolve on its discretion on the payment of capital redemption up to a maximum of two cents per share in quarter four 2018.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

Speciality alloys key figures

		Q4/17	Q4/16	y-o-y	FY2017	FY2016
Revenue	EUR million	24.3	20.5	18.6%	89.4	68.7
EBITDA	EUR million	3.2	1.8	78.7%	12.6	5.4
EBIT	EUR million	2.8	1.4	108.1%	11.1	3.1
EBITDA margin	%	13.2	8.8		14.1	7.8
EBIT margin	%	11.6	6.6		12.4	4.4
Total production	Tonnes	20,075	17,083	17.5%	82,271	79,172
Mining	Tonnes	12,504	16,918		53,120	59,752
Processing	Tonnes	7,571	165		29,151	19,420
Personnel		483	438		483	438

Fourth Quarter (October-December) 2017

Stronger market conditions supported revenue growth during the fourth quarter, which increased by 18.6% to EUR 24.3 (20.5) million. Profitability also increased at a fast rate due to the absence of shutdown costs incurred a year earlier. As a result, EBITDA during the fourth quarter increased to EUR 3.2 (1.8) million and EBIT stood at EUR 2.8 (1.4) million.

Operationally, the fourth quarter registered strong growth driven by higher processing levels at the EWW plant in Germany. During the corresponding period a year earlier, management had decided to shutdown EWW plant to reduce the piling of inventory. This increase in processing levels outweighed a contraction in mining tonnages due to planned maintenance at Kavak mine in Turkey.

Full Year 2017

The speciality alloys segment registered a very strong performance during the year, both financially and operationally. Revenue expanded at a fast pace of 30.2% over the previous year and stood at EUR 89.4 (68.7) million. The improved performance reflected the stronger market fundamentals seen throughout 2017, with both stronger demand and higher prices, when compared to the previous year. Profitability also increased significantly due to higher prices and lower costs of production at higher production volumes. As a result, EBITDA more than doubled to EUR 12.6 (5.4) million, whilst EBIT stood at EUR 11.1 (3.1) million.

Production levels during 2017 increased by 3.9% to 82,271 (79,172) tonnes. The increase was driven by higher processing levels at EWW. During 2017, temporary stoppages at EWW were much shorter than in 2016. Stoppages at Kavak mines for maintenance led to a Q4 contraction in mining tonnages.

FERROALLOYS BUSINESS

Ferroalloys key figures

		Q4/17	Q4/16	y-o-y	FY2017	FY2016
Revenue	EUR million	25.6	23.6	8.6%	106.1	84.5
EBITDA	EUR million	2.0	4.2	-51.4%	11.4	5.0
EBIT	EUR million	1.0	3.1	-68.2%	6.4	0.9
EBITDA margin	%	8.0	17.9		10.8	5.9
EBIT margin	%	3.9	13.2		6.0	1.0
Total production	Tonnes	166,099	120,647	37.7%	529,273	278,833
Mining	Tonnes	142,142	97,979		450,794	202,514
Processing	Tonnes	23,957	22,668		78,479	76,319
Personnel		434	369		434	369

Fourth Quarter (October-December) 2017

Revenue grew by 8.6% during the fourth quarter of 2017 compared to the previous year to EUR 25.6 (23.6) million. Profitability from processed material recovered during the quarter and contributed positively to EBITDA by EUR 3.4 (3.3) million, this was mainly driven by the increase in benchmark price from $1.10/lb in Q3 2017 to $1.38/lb in Q4 2017. This result was impacted by the negative effect of the joint venture which led EBITDA to contract to EUR 2.0 (4.2) million.

Production during the final quarter of 2017 grew at a rapid pace to 166,099 (120,647) tonnes. Mining operations continued to register significant improvements over the previous year as mining activity at Mecklenburg resumed during 2017. Processing levels at Mogale also increased during the quarter.

Full Year 2017

The Ferroalloys segment registered a very strong performance in 2017, compared to 2016. Revenues increased by 25.6% supported by stronger market conditions, especially in the first quarter of the year. In addition, initiatives undertaken by management, which made the segment more adaptable and responsive to market trends, allowed the Group to benefit from the market upswing. The strong ferrochrome and chrome ore market allowed profitability to improve significantly and led to a record EBITDA of EUR 11.4 (5.0) million, and EBIT of EUR 6.4 (0.9) million in the Ferroalloys segment.

Operationally, the segment registered a very strong performance during the year. Annual production increased by 89.8% and was bolstered by the resumption of opencast mining at Mecklenburg in January 2017. In addition, mining activity at Stellite also increased to meet the higher demand. During the year, management took the decision to increase the high-wall, thus extending the opencast mining at Stellite with the effect of increasing production. Further productivity improvements and capital investments at Mogale led to an increase in processing levels too. During the year, Afarak invested extensively in the relining of P1-P2-P3 furnaces and re-started the P4 furnace. These all had a positive impact on the operational performance of Mogale.

JOINT VENTURE

Joint venture key figures (Afarak's share)

		Q4/17	Q4/16	FY2017	FY2016
Revenue	EUR million	4.7	2.8	16.8	5.3
EBITDA	EUR million	-0.2	1.4	4.0	1.3
EBIT	EUR million	-0.5	1.3	3.0	0.8
Financial income & expense	EUR million	-0.7	-0.1	0.2	-0.5
Profit for the period	EUR million	-1.4	0.9	3.1	0.1
EBITDA margin	%	-4.3	50.1	23.6	24.4
EBIT margin	%	-9.9	45.1	17.6	15.7

Fourth Quarter (October-December) 2017

The fourth quarter of 2017 presented some challenges to the joint venture. Despite the share of revenue grew substantially to EUR 4.7 (2.8) million due to the increases in sales volumes from Mecklenburg, profitability was negatively impacted by comparatively lower prices than the previous year and inventory write-offs. As a result, Afarak's share of joint venture EBITDA decreased to EUR -0.2 (1.4) million. Financial items and deferred tax effects had a negative effect on the joint venture results which led to Afarak's share of profit to EUR -1.4 (0.9) million.

Full Year 2017

The joint venture was an important contributor to the positive performance of Afarak during the year. Revenue increased three-fold to EUR 16.8 (5.3) million due to the increase in sales volumes from the Mecklenburg mine, as well as stronger sales of both concentrate and lumpy chrome ore from the Stellite mine. Profitability also grew at a fast pace. The joint venture's total profit for the full year amounted to EUR 6.0 (0.2) million, with Afarak's share amounting to EUR 3.1 (0.1) million. The share of joint venture EBITDA for the full year amounted to a record EUR 4.0 (1.3) million.

Afarak expects the joint venture to continue being an important contributor to its performance over the medium-term, on account of increased activity at the Mecklenburg mine and substantial improvements in the Stellite mine.

FINANCIAL PERFORMANCE

SALES OF PROCESSED MATERIAL

Sales, tonnes

	Q4/17	Q4/16	FY2017	FY2016
Total	25,371	23,906	101,598	97,095
FerroAlloys	17,915	18,148	76,258	77,092
Speciality alloys	7,456	5,758	25,340	20,003

Fourth Quarter (October-December) 2017

Demand for the Group's processed material continued to expand steadily. Processed material sold from its processing plants stood at 25,371 (Q4/2016: 23,906) tonnes, an increase of 6.1% over the preceding year. Sales volume growth in the Speciality Alloys segment was particularly strong due to the growth in business of the standard grade ferrochrome, which started being processed at EWW in 2017.

Full Year 2017

2017 was characterized by buoyant demand for the Group's products. The Group's sales from processing stood at 101,598 (FY/2016: 97,095) tonnes, representing an increase of 4.6% when compared to a year earlier. The increase was driven by higher sales volumes in the speciality alloys segment on the back of stronger market fundamentals.

REVENUE AND PROFITABILITY

Key Group highlights

		Q4/17	Q4/16	FY2017	FY2016
Revenue	EUR million	50.6	44.4	198.8	153.6
EBITDA	EUR million	2.6	4.3	18.0	5.5
EBIT	EUR million	1.2	2.7	11.4	-1.0
Profit from continuing operations	EUR million	3.5	1.7	5.2	-2.8
Profit from discontinuing operations	EUR million	0.0	0.4	1.5	1.9
Profit	EUR million	3.5	2.0	6.7	-0.9
EBITDA margin	%	5.2	9.6	9.0	3.6
EBIT margin	%	2.3	6.1	5.7	-0.7

Fourth Quarter (October-December) 2017

Revenue for the fourth quarter increased by 14.0% to EUR 50.6 (44.4) million compared to the previous year. The increase in revenues was driven by the higher sales volumes in both the speciality and ferroalloys segments. This notwithstanding, profitability was negatively impacted by the developments in the joint venture.

Full Year 2017

Afarak Group performed strongly throughout 2017, with revenue increasing by 29.5% to EUR 198.8 (153.6) million. Revenues increased in both segments, due to higher levels of production, sales and stronger market conditions. Revenues in the ferroalloys segment grew by 25.6% reflecting the change in the sales mix away from silicomanganese and focusing exclusively on charge chrome and medium carbon ferrochrome. The strong market conditions and the robust performance by the joint venture led to EBITDA increasing to EUR 18.0 (5.5) million. The joint venture increased its share of profit during 2017 to EUR 3.1 (0.1) million. Profit from discontinued operations during 2017 amounted to EUR 1.5 (1.9) million that includes a release of EUR 0.6 (0.8) million in provisions related to the final sale of the saw mill equipment that was acquired in 2008.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 31 December 2017 stood at EUR 259.9 (260.2) (30 September 2017: 255.6) million and net assets totalled EUR 172.4 (176.2) (30 September 2017: 164.6) million. During the quarter the translation differences on conversion of foreign denominated subsidiary reduced by EURM 4.1 (4.9). This was mainly driven by the strengthening of the South African rand which was partially offset by the weakening of the US dollar. In annual terms the weakening of the US dollar was the main driver to negatively affect Afarak's balance sheet with translation reserve moving by EUR -2.5 (11.9) million.

The Group's cash and cash equivalents, as at 31 December 2017, totalled EUR 10.7 (9.7) (30 September 2017: 13.6) million. Operating cash flow in the fourth quarter was EUR 0.7 (7.7) million, whereas for the full year was EUR 1.6 (9.0) million. The cash generated by the operation during the year was mainly used to support working capital.

During the quarter the company reduced its debt with financial intermediaries by EUR 0.4 (4.2) million, whereas when seeing funding throughout the year the Group increased its debt with financial intermediaries by EUR 5.6 (11.7) million.

The equity ratio was 66.3% (67.7%) (30 September 2017: 64.4%). Afarak's gearing at the end of the fourth quarter stood at 0.7% (-3.3%) (30 September 2017: -1.3%), with interest-bearing debt totalling EUR 11.9 (3.8) (30 September 2017: 11.4) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the fourth quarter of 2017 totalled EUR 3.4 (0.7) million and in the full year 2017 totalled EUR 6.9 (2.8) million. Capital expenditure in the Speciality Alloys segment was incurred to sustain Group operations. Capital expenditure within the Ferro Alloys segment includes large-scale investment in plant and machinery, including a restarting of the P4, as well as furnace refractories at P1 furnace at Mogale during the shutdown period.

During the first quarter of 2017, Afarak Mogale had 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 had led to a reduction in equity of EUR 3.4 million.

Throughout 2017, Afarak also took initiatives to extend the opencast mining at Stellite by increasing the high wall. Work has also started on introducing additional cycles of beneficiation and the expansion of the product mix through the introduction of the higher value-add products and further recovery plants. These projects are still in the initial stages of development and the first production results could be expected during 2018. The acquisition of the Zeerust Chrome Mine will further bolster Afarak's production capacity and will make it the only South African producer of high carbon ferrochrome.

PERSONNEL

At the end of the fourth quarter 2017, Afarak had 1017 (813) employees. The average number of employees during the fourth quarter of 2017 was 985 (804). Throughout 2017, employment increased in the Turkish operation due to increased mining activity and at Mogale in South Africa, reflecting the resumption of recruitment following the successful Section 189 process in quarter one 2016 and ahead of the restarting of P4 furnace. During the quarter, the Group was employing 86 employees on a temporary basis, up from 61 in the previous quarter, running the operation of a sintered magnesite plant on a test project in Serbia.

UNALLOCATED ITEMS

For the fourth quarter of 2017, the EBITDA from unallocated items was EUR -2.6 (-1.7) million. This increase in loss mainly related to senior management incentive bonuses which were given in recognition of the Group's achievements during 2017.

The full year EBITDA from unallocated items was EUR -6.0 (-4.9) million. During 2017, the operation of a sintered magnesite plant on a test project in Serbia negatively affected EBITDA by EUR -0.4 (0.0) million. This increase in loss related also to receivables write-downs.

DISCONTINUED OPERATIONS

During 2017 the company sold the final part of the saw mill equipment that was acquired in 2008 for the now discontinued wood business. Profit from discontinued operations in 2017, amounted to EUR 1.5 (1.9) million and includes a release of EUR 0.6 (0.8) million from the provision in relation to the discontinued wood business.

PLEDGES AND CONTINGENT LIABILITIES

On 31 December 2017, the Group had loans from financial institutions totalling EUR 9.3 (3.7) million. The Group has provided real estate mortgages; other assets as collaterals; and corporate guarantees for total carrying value of EUR 11.3 (53.9) million. Afarak Group Plc has given guarantees for third party loans totalling EUR 0.0 (0.3) million.

SUSTAINABILITY

Afarak remains committed to investing and enhancing its safety procedures across its units and plants. In 2017, no fatalities were recorded. During the fourth quarter there were 15 (Q4/2016: 21) recordable injuries, of which 2 (Q3/2016: 2) were lost-time injuries. These injuries resulted in 135 (Q4/2016: 630) lost days due to injury, reducing the lost time injury frequency rate to 3.2 from 4.1 a year earlier. During the quarter, the Company invested in an ear protection system at its EWW plant. In addition, training initiatives were organised across the Group's units and mines. The Company is planning further initiatives during 2018.

Throughout the year, the Company invested heavily in environmental initiatives. In South Africa its focus was on mine rehabilitation

Afarak continued to support the communities surrounding its plants, in particular in the Magakala Community in the areas of Sefara and Madifahlane in South Africa. Apart from its regular contributions towards supporting various educational and social initiatives such as orphanages and care homes, Afarak also invested in a road-building project which connects the main road to the local school.

SHARES & SHAREHOLDERS

On 31 December 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 December 2017, the Company had 3,354,161 (3,744,717) own shares in treasury, which was equivalent to 1.28% (1.42%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2017, was 259,686,534 (259,295,978).

At the beginning of the period under review, the Company's share price was EUR 0.90 on NASDAQ Helsinki and GBP 0.83 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.85 and GBP 0.73 respectively. During the fourth quarter of 2017 the Company's share price on NASDAQ Helsinki ranged from EUR 0.76 to 0.93 per share and the market capitalisation, as at 31 December 2017, was EUR 222.3 (1 January 2017: 203.9) million. For the same period on the London Stock Exchange the share ranged from GBP 0.73 to 0.83 per share and the market capitalisation was GBP 190.7 (1 January 2017: 98.6) million, as at 31 December 2017.

Based on the resolution at the AGM on 23 May 2017, the Board is authorised to buy-back up to a maximum of 15,000,000 of its own shares. This authorisation is valid until 12 November 2018. The Company did not carry out any share buy-backs during the fourth 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. Going forward, global financial markets continue to remain volatile and there is uncertainty as to how commodity prices will respond for the 2018, which could considerably impact the Company’s revenue and financial performance in 2018.

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

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

CORPORATE GOVERNANCE

ANNUAL GENERAL MEETING

The Company’s Annual General Meeting (“AGM’) was held on 23 May 2017. 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 2016.

The AGM resolved that no dividend would be paid for 2016. However, given the exceptional result attained in quarter one 2017, the AGM resolved that a capital redemption of EUR 0.02 per share would be paid for the year ended on 31 December 2016. The payment was made from the company's fund for invested unrestricted equity on 9 June 2017.

The AGM resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership.

The AGM resolved that the Board of Directors would comprise of five members: Dr Jelena Manojlovic, Mr Barry Rourke and Mr Ivan Jakovcic were re-elected. Mr Thomas Hoyer and Mr Thorstein Abrahamsen were elected.

The AGM resolved that authorised public accountant firm Ernst & Young Oy is re-elected as the Auditor of the Company for the year 2017.

The AGM authorised the Board of Directors to resolve upon acquiring a maximum of 15,000,000 of the Company's own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision of the Annual General Meeting.

BOARD OF DIRECTORS

On 23 May 2017, Afarak announced that Dr Jelena Manojlovic was unanimously elected as Chairman of the Board of Board of Directors. Following the election of the new Board, the Board Committees are now as follows:

Audit and Risk Management Committee
Barry Rourke (Chair), Thomas Hoyer and Thorstein Abrahamsen
Nomination and Remuneration Committee
Ivan Jakovcic (Chair), Dr Jelena Manojlovic and Barry Rourke
Safety, Health and Environment Committee
Thorstein Abrahamsen (Chair) and members of Management

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. The Company increased the high wall to 65 metres from 40 metres. Full production is at 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.

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. 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 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.

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 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. In addition, open-cast mining at Mecklenburg has resumed and preparations are underway for underground mining. These initiatives have further increased Afarak's vertical-integration and has made 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.

On 17 May 2017, Afarak issued clarifications discussed and/or requested during the investor call, relating to the first quarter results (published on May 12, 2017) and with respect to currency movements that were being accounted for in equity and moved to the income statement; and tax charge.

On 22 June 2017, Afarak announced that Afarak Mogale will be shutting down P1 furnace temporarily for unscheduled maintenance from the 24th of July to end of August and P2 & P3 furnaces will be down for scheduled maintenance for a week.

On 10 July 2017, Afarak communicated the sale of shares by Mihajlo Djakov, a closely associated person.

On 12 July 2017, Afarak communicated the sale of shares by Mihajlo Djakov, a closely associated person.

On 27 July 2017, Afarak communicated that it completed the sale of the saw mill equipment.

On 19 September 2017, Afarak announced that The Company has learnt that a minority group of shareholders, (Joensuun Kauppa ja Kone Oy, Markku Kankaala, Esa Hukkanen, Petri Suokas, Tomi Hyttinen, Taloustieto Incrementum Ky, Juhani Lemmetti, Kare Kakkonen, Antti Kivimaa, AJ Elite Value Hedge Fund, Aarne Simula and Timo Kankaala) who jointly have a 10.79 per cent shareholding in Afarak Group Plc ("Afarak Group") have filed on 18 September 2017 a joint petition to the Finnish Financial Supervision Authority ("FIN-FSA") and demanded the FIN-FSA to obligate Danko Koncar and/or Kermas Resources Limited to launch mandatory takeover bid regarding the shares of Afarak Group at least for a price of EUR 2.50 per share. The petition has been based on chapter 11, section 19 and chapter 11, section 20, subsections 1 and 3 of the Finnish Securities Market Act (746/2012).

On 25 September 2017, Afarak announced that the European benchmark ferrochrome price settled at USD 1.39 per pound for the fourth quarter of 2017, an increase of 26.4% from the USD 1.10 per pound price in the third quarter of 2017.

On 29 September 2017, Afarak announced that through its South African subsidiary Afarak Mining Limited, has reached an agreement in principle to acquire a 70% shareholding in ZCM (Zeerust Chrome Mine) from Afrika Mineral Trading & Investment Trust ("AMTIT"), with the remaining 30% to be allocated to workers, community and other BEE partners. The transaction will amount to ZAR20 million and will be affected over a 12-month period.

On 8 November 2017, the Company received a request to convene an extraordinary annual general meeting by a group of shareholders representing 10.86% of shares and voting rights.

On 10 November 2017, the Company issued a statement in response to various media reports in Finland.

On 5 December 2017, Afarak announced that it has received a request on the 4th December 2017 from Kermas Resources Ltd, representing 26.90% of shares and voting rights, to convene an extraordinary meeting of shareholders. Kermas proposed, that the shareholders meeting would oblige the Board to present a plan and time-line for an organised delisting process from the Finnish stock exchange by the earliest practicable date.

EVENTS SINCE THE END OF THE REVIEW PERIOD

On 1 February 2018, Afarak Group has received a notification from a group of shareholders, representing 10.86% of shares and voting rights, that they withdrew their demand for an extraordinary general meeting and demand for resolutions and proposals for decisions they had presented on the 8th November 2017. The resolutions presented by the shareholders and inserted as Agenda items 9, 10 and 11 in the invitation to the Extraordinary General Meeting published on 15th December 2017 that were withdrawn are:

- Agenda Item 9. Demand for conducting a special audit in the Company
- Agenda Item 10. Dismissal of the Board of Directors.
- Agenda Item 11. Election of a new Board of Directors.

On 1 February 2018, the Nomination and Remuneration Committee of Afarak Group proposed to the Annual General Meeting that Dr Jelena Manojlovic, Ivan Jakovcic, Thorstein Abrahamsen and Barry Rourke will be re-elected. The Committee also proposed Guy Konsbruck, the current CEO, to replace Thomas Hoyer who was not seeking re-election.

On 1 February 2018, the Company received a copy of a letter sent by Joensuun Kauppa ja Kone Oy to the Finnish Financial Supervisory Authority informing it that it is withdrawing from the petition presented by a group of shareholders on 18 September 2017. Out of the group of shareholders holding 10.79 per cent shareholding that presented the petition, Joensuun Kauppa ja Kone Oy held 4.73 per cent.

On 5 February 2018, the Company held its Extraordinary General Meeting. The resolutions presented by a minority group of shareholders related to the demand for conducting a special audit and the dismissal of the Board of Directors were withdrawn. The EGM resolved that the Board of Directors would start working on preparing a plan for delisting from the Helsinki

Stock Exchange. The EGM resolved that the Board of Directors would comprise of five (5) members: Dr Jelena Manojlovic (UK citizen), Mr Barry Rourke (UK citizen), Mr Ivan Jakovcic (Croatian citizen) and Mr Thorstein Abrahamsen (Norwegian citizen) were re-elected. Mr Guy Konsbruck(Luxembourg citizen) was elected. Following the EGM, the Board of Directors held a meeting in which Dr Jelena Manojlovic was unanimously re-appointed as the Chairman.

On 22 February 2018, the Company announced that it had received a communication from FIN-FSA.

MARKET SENTIMENT FOR THE FIRST QUARTER 2018

The charge chrome benchmark price dropped from USD 1.39/lb in the fourth quarter 2017, to USD 1.18/lb for the first quarter 2018. The current benchmark is significantly lower than the exceptionally high price registered during the corresponding quarter in 2017. Additionally, increased raw materials; graphite electrodes and ferrosilicon; and a weakening of the US dollar combined with a strengthening of the South African Rand are expected to have a significantly negative impact on profitability. Recent developments, both in chrome ore and ferrochrome prices, have been more positive again.

DISTRIBUTION PROPOSAL

The Board of Directors will propose to the Annual General Meeting to authorise the Board to pay a capital redemption of up to a maximum of two cents in Q4.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

FY2017 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	89,419	106,094	5,338	-2,037	198,814
EBITDA	12,572	11,423	-6,025	0	17,970
EBIT	11,054	6,378	-6,033	0	11,399
Segment's assets	143,349	135,109	13,693	-32,210	259,941
Segment's liabilities	60,610	44,881	2,867	-20,782	87,576

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

	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Sales (tonnes)									
Mining	64,487	22,959	40,618	19,559	55,212	53,938	41,427	67,339	85,698
Processing	31,137	26,952	28,214	18,023	23,906	27,892	20,773	27,538	25,371
Trading	11,953	10,177	7,262	12,256	8,619	5,331	5,692	3,488	5,916
Total	**107,577**	**60,088**	**76,094**	**49,838**	**87,737**	**87,161**	**67,892**	**98,365**	**116,985**
Average rates									
EUR/USD	1.110	1.102	1.116	1.116	1.107	1.065	1.083	1.114	1.130
EUR/ZAR	14.172	17.455	17.198	16.683	16.265	14.081	14.306	14.706	15.049
Euro (million)	**Q4/15**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**Q1/17**	**Q2/17**	**Q3/17**	**Q4/17**
Revenue	49.2	40.8	39.5	28.9	44.4	56.7	47.4	44.2	50.6
EBITDA	3.7	3.3	0.8	-2.8	4.3	12.7	4.8	-2.2	2.6
EBITDA margin	7.5%	8.0%	2.0%	-9.8%	9.6%	22.4%	10.2%	-4.9%	5.2%
EBIT	1.8	1.7	-0.9	-4.5	2.7	11.1	3.3	-4.2	1.2
EBIT margin	3.7%	4.2%	-2.2%	-15.7%	6.1%	19.6%	7.0%	-9.4%	2.3%

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	**Q4/17**	**Q4/16**	**FY2017**	**FY2016**
Revenue	**50,597**	**44,400**	**198,814**	**153,570**
Other operating income	390	597	4,343	1,705
Operating expenses	-47,014	-41,638	-188,255	-149,913
Depreciation and amortisation	-1,470	-1,569	-6,017	-6,488
Impairment	13	0	-554	0
Share of profit from joint ventures	-1,363	905	3,068	116
Operating profit	**1,153**	**2,695**	**11,399**	**-1,010**
Financial income and expense	619	-1,201	-7,158	-2,127
Profit before tax	**1,772**	**1,494**	**4,241**	**-3,137**
Income tax	1,715	193	951	339
Profit for the period from continuing operations	**3,487**	**1,687**	**5,192**	**-2,798**
Discontinued operations				
Profit for the period from discontinued operations	0	352	1,519	1,861
Profit for the period	**3,487**	**2,039**	**6,711**	**-937**
Profit attributable to:				
Owners of the parent	3,699	1,957	6,261	-615
Non-controlling interests	-212	82	450	-322
Total	3,487	2,039	6,711	-937
Earnings per share for profit attributable to the shareholders of the parent company, EUR				
Basic earnings per share, EUR	0.01	0.01	0.02	0.00
Diluted earnings per share, EUR	0.01	0.01	0.02	0.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Q4/17	Q4/16	FY2017	FY2016
Profit for the period	**3,487**	**2,039**	**6,711**	**-937**
Other comprehensive income				
Remeasurement of defined benefit pension plans	-196	-1,609	-196	-1,609
Exchange differences on translating foreign operations – Group	3,811	3,419	-2,028	5,736
Exchange differences on translating foreign operations – Associate and JV	650	786	-608	6,797
Income tax relating to other comprehensive income	0	1,039	0	0
Other comprehensive income, net of tax	**4,265**	**3,635**	**-2,832**	**10,924**
,				
Total comprehensive income for the period	**7,752**	**5,674**	**3,879**	**9,987**
Total comprehensive income attributable to:				
Owners of the parent	7,615	5,291	3,518	9,681
Non-controlling interests	137	383	361	306

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	31.12.2017	31.12.2016
ASSETS		
Non-current assets		
Goodwill	62,409	63,780
Other intangible assets	16,205	18,311
Property, plant and equipment	45,806	45,131
Other non-current assets	25,441	38,651
Non-current assets total	**149,861**	**165,873**
Current assets		
Inventories	49,944	48,424
Trade receivables	24,006	23,643
Other receivables	25,428	12,649
Cash and cash equivalents	10,702	9,651
Current assets total	**110,080**	**94,367**
Total assets	**259,941**	**260,240**

EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	23,642	23,642
Share premium reserve	25,740	25,740
Paid-up unrestricted equity reserve	230,835	235,242
Legal Reserve	131	160
Translation reserves	-19,334	-16,787
Retained earnings	-89,618	-95,963
Equity attributable to owners of the parent	**171,396**	**172,034**
Non-controlling interests	**969**	**4,151**
Total equity	**172,365**	**176,185**
Liabilities		
Non-current liabilities		
Deferred tax liabilities	4,460	5,857
Provisions	9,180	10,691
Share of joint ventures' losses	13,778	16,234
Pension liabilities	19,936	20,097
Financial liabilities	5,716	4,199
Non-current liabilities total	**53,070**	**57,078**
Current liabilities		
Trade payables	16,504	13,620
Other current liabilities	18,002	13,357
Current liabilities total	**34,506**	**26,977**
Total liabilities	**87,576**	**84,055**
Total equity and liabilities	**259,941**	**260,240**

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

EUR '000	**31.12.2017**	**31.12.2016**
Cash and cash equivalents	**10,702**	**9,651**
Interest-bearing receivables		
Current	3,508	3,513
Non-current	26,435	28,287
Interest-bearing receivables	**29,943**	**31,800**
Interest-bearing liabilities		
Current	9,393	3,764
Non-current	2,548	29
Interest-bearing liabilities	**11,941**	**3,793**
NET TOTAL	**28,704**	**37,658**

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	7,412	261
Disposals	-197	-2
Reclass between items	-18	-139
Effect of movements in exchange rates	-4,400	-3,612
Acquisition cost 31.12.2017	84,219	220,845
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	17,042
Acquisition cost 31.12.2016	81,422	224,337

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

EUR '000	**FY2017**	**FY2016**
Profit for the period	6,711	-937
Adjustments to profit for the period	8,108	2,902
Changes in working capital	-14,076	6,113
Discontinued operations	809	925
Net cash from operating activities	**1,552**	**9,003**
Acquisition of non-controlling interest	-727	0
Capital expenditure on non-current assets, net	-7,601	-2,596
Other investments, net	-591	414
Proceeds from repayments of loans and loans given	8,851	54
Net cash used in investing activities	**-68**	**-2,128**
Capital Redemption	-5,186	-5,176
Proceeds from borrowings	3,063	411
Repayment of borrowings	-4,067	-7,462
Movement in short-term financing activities*	6,412	-4,724
Net cash from / (used) in financing activities	**222**	**-16,951**
Net increase / (decrease) in cash and cash equivalents	**1,706**	**-10,076**

*This includes bank overdrafts, factoring and other trade receivable facilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR '000	A	B	C	D	E	F	G	H	I
Equity at 31.12.2015	**23,642**	**25,740**	**240,240**	**-28,692**	**-93,755**	**187**	**167,362**	**3,845**	**171,207**
Profit for the period 1-12/2016 + comprehensive income				5,108	-615		4,493	-322	4,171
Share of OCI in associates and JV				6,797			6,797		6,797
Translation differences								628	628
Share-based payments			178		16		194		194
Capital redemption			-5,176				-5,176		-5,176
Remeasurements of defined benefit pension plans					-1,609		-1,609		-1,609
Other changes in equity						-27	-27		-27
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 1-12/2017 + comprehensive income				-1,939	6,261		4,322	450	4,772
Share of OCI in associates and JV				-608			-608		-608
Translation differences								-89	-89
Share-based payments			779		6		785		785
Capital Redemption			-5,186				-5,186		-5,186
Acquisition of non-controlling interest					271		271	-3,543	-3,272
Remeasurements of defined benefit pension plans					-196		-196		-196
Other changes in equity					3	-29	-26		-26
Equity at 31.12.2017	**23,642**	**25,740**	**230,835**	**-19,334**	**-89,618**	**131**	**171,396**	**969**	**172,365**

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	**FY2017**	**FY2016**
Sales to joint ventures	1,063	423
Sales to other related parties	452	27
Purchases from joint ventures	0	-74

Financing income from joint ventures	870	760
Financing expense to other related parties	-6	-21
Loan receivables from joint ventures	18,687	28,134
Loan receivables from other related parties	3,508	3,513
Trade and other receivables from joint ventures	14,038	8,451
Trade and other receivables from other related parties	89	96
Trade and other payables to joint ventures	655	339

During the third quarter, Afarak Group concluded the purchase of a 15% minority shareholding in LL Resources, an Austrian metal trading company. In May 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 was just over EUR 227,000.00. The transaction was concluded in July 2017. Given that LL Resources is a business partner of Afarak and the share ownership of the newly elected 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 transaction was considered to be insignificant to the parties involved, as described in the Rules of Helsinki Stock Exchange, section 2.3.3.6.

FINANCIAL INDICATORS

	FY2017	**FY2016**
Return on equity, % p.a.	3.0%	-1.6%
Return on capital employed, % p.a.	8.2%	0.9%
Equity ratio, %	66.3%	67.7%
Gearing, %	0.7%	-3.3%
Personnel at the end of the period	1,017	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

	FY2017	**FY2016**
TRY	4.1206	3.3433
USD	1.1297	1.1069
ZAR	15.049	16.2645

Balance sheet rates

	31.12.2017	**31.12.2016**
TRY	4.5464	3.7072

USD	1.1993	1.0541
ZAR	14.8054	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

		Q4/2017	Q4/2016	FY2017	FY2016
Share price development in London Stock Exchange					
Average share price*	EUR	0.84	0.37	0.84	0.37
	GBP	0.74	0.30	0.74	0.30
Lowest share price*	EUR	0.83	0.42	0.63	0.34
	GBP	0.73	0.35	0.55	0.28
Highest share price*	EUR	0.94	0.46	1.06	0.46
	GBP	0.83	0.38	0.93	0.38
Share price at the end of the period**	EUR	0.82	0.44	0.82	0.44
	GBP	0.73	0.38	0.73	0.38
Market capitalisation at the end of the period**	EUR million	214.9	115.2	214.9	115.2
	GBP million	190.7	98.6	190.7	98.6
Share trading development					
Share turnover	thousand shares	14	2,389	66	2,452
Share turnover	EUR thousand	11	877	56	902
Share turnover	GBP thousand	10	718	49	739
Share turnover	%	0.0 %	0.9 %	0.0 %	0.9 %
Share price development in NASDAQ Helsinki					
Average share price	EUR	0.85	0.58	0.91	0.51
Lowest share price	EUR	0.76	0.40	0.72	0.39
Highest share price	EUR	0.93	0.90	1.15	0.90
Share price at the end of the period	EUR	0.85	0.78	0.85	0.78
Market capitalisation at the end of the period	EUR million	222.3	203.9	222.3	203.9
Share trading development					
Share turnover	thousand shares	8,255	19,858	64,867	36,108
Share turnover	EUR	7,046	11,526	58,773	18,315

	thousand				
Share turnover	%	3.1 %	7.5 %	24.7 %	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.