Interim Financial Statements

Quarter 2
2017

Robust performance in Q2, Group EBITDA at €4.8 million

Afarak continued to achieve solid and robust results in 2017. In quarter two, we achieved another positive result with Group EBITDA reaching €4.8 million, up from €0.8 million, a year earlier. Ferrochrome prices, though lower than quarter one, have had a positive impact on our results. Going forward, market volatility remains and the benchmark price for quarter three has been further reduced.

Guy Konsbruck
CEO

AFARAK

Robust performance in Q2, Group EBITDA at EUR 4.8 million.

HIGHLIGHTS IN THE SECOND QUARTER OF 2017

Afarak's EBITDA stood at EUR 4.8 million, compared to EUR 0.8 million, a year earlier. This robust improvement, compared to the same quarter in 2016, was mainly driven by higher ferrochrome prices and strong market fundamentals.

- Compared to a year earlier, ferrochrome market prices were higher, though lower than those registered in the first quarter. As a result, year-on-year performance was notably stronger, but below the record results registered in quarter one. This was in line with the market sentiment communicated in quarter one
- Revenue increased by 20.0% to EUR 47.4 (Q2/2016: 39.5) million
- Processed material sold decreased by 26.4% to 20,773 (Q2/2016: 28,214) tonnes, reflecting the full switch from silicomanganese to ferrochome production at Mogale
- Tonnage mined increased by 2% to 41,427 (Q2/2016: 40,618) tonnes
- Personnel increased considerably during the period mainly driven by the employment of 82 temporary workers on a test project in Serbia and new appointments at Mogale in South Africa.
- EBITDA stood at EUR 4.8 (Q2/2016: 0.8) million and the EBITDA margin was 10.2% (Q2/2016: 2.0%)
- EBIT was EUR 3.3 (Q2/2016: -0.9) million, with the EBIT margin at 7.0% (Q2/2016: -2.2%)
- Profit for the period from continuing operations totalled EUR 1.4 (Q2/2016: -1.0) million, with cash flow from operations standing at EUR -7.3 (Q2/2016: -0.4) million. Cash and cash equivalents at 30 June totalled EUR 11.7 (30 June 2016: 13.2) (31 March 2017: 16.2) million. Net interest-bearing debt was EUR -5.0 (-7.7) (31 March 2017: -11.1) million.
- An extraordinary capital distribution of EUR 0.02 per share and a total of EUR 5.2 million was paid to shareholders during the second quarter
- In view of the realised cash flow and the funds required for capital expenditure and investments in the second half of the year, the Company will not be paying an additional capital redemption

Key Group figures

		Q2/17	**Q2/16**	**H1/17**	**H1/16**	**2016**
Revenue	EUR million	47.4	39.5	104.1	80.3	153.6
EBITDA	EUR million	4.8	0.8	17.5	4.1	5.5
EBIT	EUR million	3.3	-0.9	14.4	0.8	-1.0
Earnings before taxes	EUR million	1.0	-1.3	7.8	-0.4	-3.1
Profit	EUR million	2.9	-1.0	7.1	-0.8	-0.9
Earnings per share	EUR	0.01	-0.00	0.02	-0.00	0.00
EBITDA margin	%	10.2	2.0	16.8	5.1	3.6
EBIT margin	%	7.0	-2.2	13.8	1.0	-0.7
Earnings margin	%	2.0	-3.2	7.5	-0.5	-2.0
Personnel (end of period)		923	769	923	769	813

MARKET SENTIMENT FOR THE THIRD QUARTER 2017

The price levels for ferrochrome and Chrome Ore remain highly volatile. Although the third quarter reflects the seasonal slowdown, we still expect improved performance in Q3 2017, compared to a year earlier. We also believe that chrome ore prices have bottomed out and expect stronger price levels for second half year. Having said that, the seasonally slower market, decreased ferrochrome prices and negative effects of exchange rate movements are expected to contribute to a lower performance compared to the second quarter results.
All in all, we expect a stable continuation of our business in 2017 and further benefits from our change management initiatives throughout the company.

CEO GUY KONSBRUCK

"Afarak continued to achieve solid and robust results in 2017. In quarter two, we achieved another positive result with Group EBITDA reaching EUR 4.8 million, up from EUR 0.8 million a year earlier. Ferrochrome prices, though lower than in quarter one, have had a positive impact on our results. This result was in line with the market sentiment we expressed in quarter one. Going forward, market volatility remains and the benchmark price for quarter three has been further reduced. On the other hand, we have been successfully reducing our COP in all business units, and continue to focus on further improvements via various programs.

Operationally, we have performed well across both business segments. We have increased revenues considerably, due to higher market prices than a year earlier. Management's interventions, including the switch of furnaces to ferrochrome and the resumption of open-cast mining, have also yielded results. During the quarter, management also preserved working capital and decided to temporarily halt production at our EWW plant in Germany, to manage levels of inventory and do early maintenance. We subsequently reduced our scheduled maintenance stop in July by one full week. Euroalliages has initiated a case calling for protectionist measures in favour of EWW in response to non-European producers. This confirms the strategic role EWW has in Europe as the sole ferrochrome producer.

Despite our operational advances, safety must be a top priority in our work. I believe that we can improve our performance in this area and the Company has increased its investing in its South African operations to further enhance health and safety. This is a key priority for the new Board that was elected during our Annual General Meeting in May 2017.

In the second quarter, the Company paid a EUR 0.02 per share capital redemption, following the exceptional result registered in quarter one. Although the second quarter was an improvement on 2016, as anticipated, it did not match the record results in Q1. We also recorded a negative cash flow in the quarter, as we managed our production for further improvements in efficiency, with a consequential impact on working capital levels. The Group is also planning a number of capital investments across our business units and it is therefore not appropriate to propose an additional extraordinary capital redemption at this time.

Moving forward, the price levels for ferrochrome and Chrome Ore remain highly volatile. Although the third quarter reflects the seasonal slowdown, we still expect improved performance in Q3 2017, compared to a year earlier. We also believe the chrome ore prices have bottomed out and expect stronger price levels for second half year. Having said that, the seasonally slower market, decreased ferrochrome prices and negative effects of exchange rate movements are expected to contribute to a lower performance compared to the second quarter results.

All in all, we expect a stable continuation of our business in 2017 and further benefits from our change management initiatives throughout the Company."

MARKET DEVELOPMENTS

Global economic growth continued into the second quarter 2017, primarily driven by increased momentum in international trade. Moving 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. However, the commodity market remained volatile and prices were lower than the first quarter, though higher than the previous year.

Ferrochrome

Although higher than the benchmark for quarter two 2016, the European benchmark price for ferrochrome decreased from USD 1.65/lb in the first quarter of 2017, to USD 1.54/lb in the second quarter of 2017, reflecting lower demand and improved availability of chrome ore in China. For the third quarter of 2017, the benchmark price was reduced further to USD 1.10/lb.

Chrome ore

As expected, the easing of demand from China reversed the upward trend in prices. Chrome ore prices slipped at the beginning of quarter two on the back of a contraction in demand from China, also supported by high stock levels in Chinese ports. Market sentiment has since improved with demand, as well as prices, starting to increase. Our mining activity , primarily at Mecklenburg, is increasing in productivity and its impact will be reflected in our Q3 and Q4 results. Full production potential of open-cast mining at Mecklenburg will be achieved during 2018.

Stainless steel

Global stainless steel consumption increased during the second quarter of 2017, compared to the same period last year. This buoyant demand led to higher prices of stainless steel during quarter two, although they were cooling off towards the end of the quarter. This downward pressure is expected to persist into the third quarter, due to the seasonally slower market.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

Speciality alloys key figures

		Q2/17	Q2/16	y-o-y	H1/17	H1/16	2016
Revenue	EUR million	22.2	18.4	20.8%	44.0	36.8	68.7
EBITDA	EUR million	3.7	1.5	138.8%	8.4	3.8	5.4
EBIT	EUR million	3.4	0.9	274.4%	7.6	2.6	3.1
EBITDA margin	%	16.7	8.4		19.0	10.4	7.8
EBIT margin	%	15.1	4.9		17.3	7.0	4.4
Total production	Tonnes	22,997	22,487	2.3%	41,884	44,554	79,172
Mining	Tonnes	16,876	15,425	9.4%	26,918	30,378	59,752
Processing	Tonnes	6,121	7,062	-13.3%	14,966	14,176	19,420
Personnel		428	414	3.4%	428	414	438

The Speciality Alloys segment continued the positive trend seen in the first quarter of 2017, with revenue for the second quarter increased by 20.8%, to EUR 22.2 (18.4) million, when compared to the same period last year. The increase in revenue is mainly attributable to improved market conditions compared to a year earlier. In the comparable period last year, ferrochrome prices and market fundamentals were very weak and Afarak did not compromise on its selling prices leading to lower sales volumes in the specialty segment. The improved market conditions enabled EBITDA for the quarter to increase to EUR 3.7 (1.5) million, resulting in EBIT of EUR 3.4 (0.9) million. Second quarter EBITDA was lower than that registered in the first quarter (Q1/2017: 4.7), on account of the temporary stoppage at EWW and lower sales of TMS ore to the market.

During the second quarter of 2017, production marginally increased to 22,997 (22,487) tonnes. The increase in higher levels of lumpy ore from the Kavak mine in Turkey was partly offset by a decrease in processing levels at the EWW plant in Germany, following management's decision to halt production in April in order to manage levels of inventory and do some early maintenance work.

FERROALLOYS BUSINESS

Ferroalloys key figures

		Q2/17	Q2/16	y-o-y	H1/17	H1/16	2016
Revenue	EUR million	24.1	21.1	14.6%	58.3	43.4	84.5
EBITDA	EUR million	2.0	0.5	296.4%	11.2	2.4	5.0
EBIT	EUR million	0.8	-0.5	261.6%	8.8	0.4	0.9
EBITDA margin	%	8.3	2.4		19.2	5.6	5.9
EBIT margin	%	3.4	-2.4		15.1	1.0	1.0
Total production	Tonnes	113,734	60,694	87.4%	208,150	111,744	278,833
Mining	Tonnes	93,755	40,970	128.8%	169,064	71,503	202,514
Processing	Tonnes	19,979	19,724	1.3%	39,086	40,241	76,319
Personnel		404	348	16.1%	404	348	369

Revenue for the second quarter increased to EUR 24.1 (21.1) million, representing an increase of 14.6%, compared to the equivalent period in 2016. The revenue was mainly driven by the significantly higher selling prices of both charge chrome and medium carbon ferrochrome seen in the first half of 2017. 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 second quarter to EUR 2.0 (0.5) million.

Production increased sharply in the second quarter of 2017 growing to 113,733 (60,694) tonnes, representing a strong growth of 87%, when compared to the same period in 2016. This was mainly driven by the additional tonnages from the shaking tables plant and enhanced mining activity at Stellite mine to supply the stronger demand, especially from third parties. The positive trend is also attributable to the resumed opencast mining at the Mecklenburg mine. Processing levels at Mogale Alloys during the first quarter of 2017 were marginally higher than those registered during the comparative quarter.

During the quarter, employment growth was significant mainly driven by Mogale. In January 2016, due to the poor market conditions, the Company successfully went through a Section 189 process in Mogale with a number of job redundancies and a freezing of new employment positions. Throughout the year, recruitment processes restarted and new positions were being filled in line with operational requirements reflecting the improved market conditions.

In the ferroalloys business segment, EBITDA in quarter two was significantly lower than that in quarter one (Q1/2017: 9.2). Primarily, this was the result of lower sales volumes, comparatively lower sales prices of silico manganese together with a seasonal increase in the cost of production, primarily electricity, during June.

JOINT VENTURE

Joint venture key figures (Afarak's share)

		Q2/17	Q2/16	H1/17	H1/16	2016
Revenue	EUR million	3.2	0.9	8.5	1.7	5.3
EBITDA	EUR million	0.5	0.1	3.8	0.0	1.3
EBIT	EUR million	0.3	0.0	3.4	-0.2	0.8
Financial income & expense	EUR million	0.3	-0.2	0.6	-0.3	-0.5
Profit for the period	EUR million	0.7	-0.3	4.1	-0.5	0.1
EBITDA margin	%	16.3	5.6	44.9	-2.4	24.4
EBIT margin	%	9.7	-5.3	40.3	-12.3	15.7

The joint venture registered a total profit of EUR 1.3 (-0.6) million, with Afarak's share amounting to EUR 0.7 (-0.3) million. Afarak's share of joint venture revenue increased to EUR 3.2 (0.9) million, compared to the equivalent period in 2016. The substantial increase in revenue was mainly driven by year-on-year comparatively higher selling prices, the increase in sales volumes from the Mecklenburg mine, as well as the strong third party sales of the Stellite mine materials. Together, these contributed positively to a higher share of joint venture EBITDA for the second quarter amounting to EUR 0.5 (0.1) million. However, compared to quarter one (Q1/2017: 3.3), the Q2 share of EBITDA from the joint venture was considerably lower, due to tighter market conditions. In addition, a comparatively higher cost of production at Stellite due to the increase in the high-wall, also contributed to this decline.

Going forward, 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

	Q2/17	Q2/16	H1/17	H1/16	2016
Total	20,773	28,214	48,689	55,166	97,095
FerroAlloys	14,347	23,149	37,068	44,428	77,092
Speciality alloys	6,426	5,065	11,621	10,738	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 20,773 (Q2/2016: 28,214) tonnes, a substantial decrease of 26.4% compared to the equivalent period in 2016. Sales volumes in the FerroAlloys segment decreased sharply by 38.0%, mainly driven by the transition of the P2 furnace at Mogale Alloys to ferrochrome production from silicomanganese. In addition, some clients, whose agreements were linked to the benchmark, delayed orders to the third quarter. These reductions were counter-balanced by the higher sales volumes in the Speciality Alloys segment, which increased sharply by 26.9%, on the back of stronger market fundamentals than in the previous year.

REVENUE AND PROFITABILITY

Afarak's revenue in the second quarter of 2017 increased by 20.0% to EUR 47.4 (39.5) million due to higher selling prices of ferrochrome.

Key Group highlights

		Q2/17	Q2/16	H1/17	H1/16	2016
Revenue	EUR million	47.4	39.5	104.1	80.3	153.6
EBITDA	EUR million	4.8	0.8	17.5	4.1	5.5
EBIT	EUR million	3.3	-0.9	14.4	0.8	-1.0
Profit from continuing operations	EUR million	1.4	-1.0	5.6	-1.3	-2.8
Profit from discontinuing operations	EUR million	1.5	0.0	1.5	0.5	1.9
Profit	EUR million	2.9	-1.0	7.1	-0.8	-0.9
EBITDA margin	%	10.2	2.0	16.8	5.1	3.6
EBIT margin	%	7.0	-2.2	13.8	1.0	-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 equivalent quarter in 2016. These favourable market conditions, together with the share of joint venture profit for the period, which amounted to EUR 0.7 (-0.3) million, enabled the Group to significantly increase EBITDA to EUR 4.8 (0.8) million and EBIT to EUR 3.3 (-0.9) million.

Profit from operations, during the second quarter of 2017, amounted to EUR 1.4 (-1.0) million and was negatively affected by net finance items of EUR -2.4 (-0.4) million. As in Q1, these were mainly made up of realised differences on exchange losses in relation to the repayment of loans from the joint venture, but included also exchange loss differences which were driven by the weakening of the US dollar during the period under review.

Historically, Afarak's results were always, to a varying degree, affected by the differences in exchange, arising from the fact that, by the virtue of the market, our business is mostly conducted in US dollars, while our reporting currency remains EUR. While we are not able to change our reporting currency on the Group level, as of July 1st 2017, the functional currency of Afarak Trading Limited will be changed to US dollar. Apart from being more reflective of the actual currency profile of our trading business, this will, on the Group level, also result in differences on exchange having a lesser effect on the reported result in our Income statement in the future.

Profit from discontinued operations, during the second quarter of 2017, amounted to EUR 1.5 (0.0) million and includes a provision release of EUR 0.6 (0.0) million in relation 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 30 June 2017 stood at EUR 264.7 (260.0) (31 March 2017: 270.3) million and net assets totalled EUR 175.7 (170.7) (31 March 2017: 181.2) million. Translation differences on conversion of foreign denominated subsidiary amounted to EUR -3.4 million, during the quarter, driven by the South African rand weakening by close to 5.0% during the same period.

The Group's cash and cash equivalents, as at 30 June 2017, totalled EUR 11.7 (13.2) million (31 March 2017: 16.2). Operating cash flow in the second quarter was EUR -7.3 (-0.4) million. This reduction was driven by the movement in working capital, primarily by an increase in inventories in anticipation of the planned shut-down of processing plants in quarter three. In addition, receivables increased mainly due to an advance payment given to secure raw material. The positive cash flow brought over from the first quarter, enabled Afarak to pay a capital redemption of EUR 5.2 (2.6) million. During the quarter the company increased its debt with financial intermediaries by EUR 1.9 (-4.5) million.

The equity ratio was 66.4% (65.7%) (31 March 2017: 67.1%). Afarak's gearing at the end of the second quarter stood at -2.8% (-4.5%) (31 March 2017: -6.1%), with interest-bearing debt totalling EUR 6.7 (5.5) (31 March 2017: 5.0) million. Net interest-bearing debt was EUR -5.0 (-7.7) (31 March 2017: -11.1) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the second quarter of 2017 totalled EUR 0.7 (0.7) million. Capital expenditure both in the Speciality Alloys segment and in the Ferro Alloys segment was incurred to sustain Group operations.

PERSONNEL

At the end of the second quarter 2017, Afarak had 923 (769) employees. The average number of employees during the second quarter of 2017 was 928 (771). During the quarter, the Group was employing 82 employees on a temporary basis, running the operation of a sintered magnesite plant on a test project in Serbia. This employment level is expected to decline considerably during quarter three. Employment also 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.

UNALLOCATED ITEMS

For the second quarter of 2017, the EBITDA from unallocated items was EUR -0.9 (-1.3) million. The operation of a sintered magnesite plant on a test project in Serbia positively affected EBITDA by EUR 0.2 (0.0) million, during the quarter.

DISCONTINUED OPERATIONS

During quarter two, 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, during the second quarter of 2017, amounted to EUR 1.5 (0.0) million and includes a release of EUR 0.6 (0.0) million from the provision in relation to the discontinued wood business.

SUSTAINABILITY

Safety remains a key priority for Afarak. During quarter two 2017, there were 7 (Q2/2016:3) recordable injuries, of which 5 (Q2/2016:3) were lost-time injuries. These injuries resulted in 167 (Q2/2016: 106) lost days due to injury, increasing the lost time injury frequency rate to 9.5 from 6.8 a year earlier. With the main driver being incidents at Mogale, the new Board is focused on improving the safety performance at our plant in South Africa. As part of the change management programme that is currently underway at Mogale, health and safety remain an important area of focus and intervention.

Afarak continued to invest in environmental projects and initiatives. At EWW we continued investing in the de-dusting system which will mitigate the release of dust from the plant. Water management and conservation plays a key role in the Company's environmental strategy. At the TMS mines in Turkey, the Company has continued to invest in press filter systems, which will allow for the recycling and reuse of water. Also, at Mogale in South Africa, work is underway on a storm water dam, which will harvest all rain water together with a water recycling process.

Afarak also continued investing in and supporting its corporate social responsibility programme in South Africa. Throughout 2017, it continued with its commitment to support daily meals to 155 children. Similar meal schemes are also run in conjunction with Magda Fourie at the Paardekraal and Millennium Primary schools.

SHARES & SHAREHOLDERS

On 30 June 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 30 June 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 30 June 2017, was 259,295,978 (258,795,978).

At the beginning of the period under review, the Company's share price was EUR 0.79 on NASDAQ Helsinki and GBP 0.68 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.85 and GBP 0.78 respectively. During the second quarter of 2017 the Company's share price on NASDAQ Helsinki ranged from EUR 0.76 to 1.15 per share and the market capitalisation, as at 30 June 2017, was EUR 223.6 (1 January 2017: 203.9) million. For the same period on the London Stock Exchange the share ranged from GBP 0.68 to 0.93 per share and the market capitalisation was GBP 203.9 (1 January 2017: 98.6) million, as at 30 June 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 second quarter of 2017.

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

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 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 tonnes 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.

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. It is expected that around 5,500 tonnes of charge chrome will not be produced. The Company is still assessing the extent of the impact on the financial performance in Q3 and has initiated talks with insurers.

EVENTS SINCE THE END OF REVIEW PERIOD

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 and which will affect profit for quarter two.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

H1/2017 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	43,952	58,278	2,851	-1,017	104,064
EBITDA	8,366	11,161	-2,003	0	17,524
EBIT	7,585	8,824	-2,004	0	14,405
Segment's assets	145,032	132,296	13,673	-26,269	264,732
Segment's liabilities	44,682	58,190	2,550	-16,352	89,070

H1/2016 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	36,836	43,389	81	-52	80,254
EBITDA	3,822	2,411	-2,176	0	4,057
EBIT	2,592	424	-2,181	0	835
Segment's assets	146,748	120,028	11,141	-17,924	259,993
Segment's liabilities	50,223	49,789	2,295	-13,047	89,260

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

	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17
Sales (tonnes)										
Mining	51,401	86,884	101,701	64,487	22,959	40,618	19,559	55,212	53,938	41,427
Processing	22,466	30,556	20,059	31,137	26,952	28,214	18,023	23,906	27,892	20,773
Trading	4,188	6,466	8,798	11,953	10,177	7,262	12,256	8,619	5,331	5,692
Total	**78,055**	**123,906**	**130,558**	**107,577**	**60,088**	**76,094**	**49,838**	**87,737**	**87,161**	**67,892**
Average rates										
EUR/USD	1.126	1.116	1.114	1.110	1.102	1.116	1.116	1.107	1.065	1.083
EUR/ZAR	13.228	13.305	13.701	14.172	17.455	17.198	16.683	16.265	14.081	14.306
Euro (million)	**Q1/15**	**Q2/15**	**Q3/15**	**Q4/15**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**Q1/17**	**Q2/17**
Revenue	40.7	53.1	44.8	49.2	40.8	39.5	28.9	44.4	56.7	47.4
EBITDA	4.6	7.6	1.3	3.7	3.3	0.8	-2.8	4.3	12.7	4.8
EBITDA margin	11.4%	14.4%	2.8%	7.5%	8.0%	2.0%	-9.8%	9.6%	22.4%	10.2%
EBIT	2.9	5.8	-0.7	1.8	1.7	-0.9	-4.5	2.7	11.1	3.3
EBIT margin	7.2%	11.0%	-1.5%	3.7%	4.2%	-2.2%	-15.7%	6.1%	19.6%	7.0%

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	**Q2/17**	**Q2/16**	**H1/17**	**H1/16**	**FY2016**
Revenue	**47,380**	**39,484**	**104,064**	**80,254**	**153,570**
Other operating income	1,048	221	1,269	527	1,705
Operating expenses	-44,260	-38,637	-91,869	-76,175	-149,913
Depreciation and amortisation	-1,507	-1,663	-3,119	-3,222	-6,488
Share of profit from joint ventures	652	-292	4,060	-549	116
Operating profit	**3,313**	**-887**	**14,405**	**835**	**-1,010**
Financial income and expense	-2,362	-372	-6,572	-1,233	-2,127
Profit before tax	**951**	**-1,259**	**7,833**	**-398**	**-3,137**
Income tax	431	223	-2,266	-881	339
Profit for the period from continuing operations	**1,382**	**-1,036**	**5,567**	**-1,279**	**-2,798**
Discontinued operations					
Profit for the period from discontinued operations	1,519	0	1,519	461	1,861
Profit for the period	**2,901**	**-1,036**	**7,086**	**-818**	**-937**
Profit attributable to:					
Owners of the parent	2,848	-944	6,424	-653	-615
Non-controlling interests	53	-92	662	-165	-322
Total	2,901	-1,036	7,086	-818	-937
Earnings per share for profit attributable to the shareholders of the parent company, EUR					
Basic earnings per share, EUR	0.01	-0.00	0.02	-0.00	0.00
Diluted earnings per share, EUR	0.01	-0.00	0.02	-0.00	0.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Q2/17	Q2/16	H1/17	H1/16	FY2016
Profit for the period	**2,901**	**-1,036**	**7,086**	**-818**	**-937**
Other comprehensive income					
Remeasurement of defined benefit pension plans	0	0	0	0	-1,609
Exchange differences on translating foreign operations – Group	-3,122	395	1,326	-664	5,736
Exchange differences on translating foreign operations – Associate and JV	-470	1,662	-762	4,218	6,797
Income tax relating to other comprehensive income	0	-276	0	-789	0
Other comprehensive income, net of tax	**-3,592**	**1,781**	**564**	**2,765**	**10,924**
Total comprehensive income for the period	**-691**	**745**	**7,650**	**1,947**	**9,987**
Total comprehensive income attributable to:					
Owners of the parent	-587	762	7,143	1,998	9,681
Non-controlling interests	-104	-17	507	-51	306

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	30.6.2017	30.6.2016	31.12.2016
ASSETS			
Non-current assets			
Goodwill	63,331	59,199	63,780
Other intangible assets	16,912	16,988	18,311
Property, plant and equipment	43,761	43,328	45,131
Other non-current assets	27,709	39,946	38,651
Non-current assets total	**151,713**	**159,461**	**165,873**
Current assets			
Inventories	51,751	50,131	48,424
Trade receivables	32,852	22,963	23,643
Other receivables	16,685	14,269	12,649
Cash and cash equivalents	11,731	13,169	9,651
Current assets total	**113,019**	**100,533**	**94,367**
Total assets	**264,732**	**259,994**	**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	230,306	237,780	235,242
Legal Reserve	148	185	160
Translation reserves	-16,068	-26,040	-16,787
Retained earnings	-89,250	-94,367	-95,963
Equity attributable to owners of the parent	**174,518**	**166,940**	**172,034**
Non-controlling interests	**1,143**	**3,794**	**4,151**
Total equity	**175,661**	**170,734**	**176,185**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	5,621	6,011	5,857
Provisions	10,551	9,759	10,691
Share of joint ventures' losses	12,977	19,536	16,234
Pension liabilities	19,926	18,513	20,097
Financial liabilities	5,890	3,186	4,199
Non-current liabilities total	**54,965**	**57,005**	**57,078**
Current liabilities			
Trade payables	16,507	16,897	13,620
Other current liabilities	17,599	15,357	13,357
Current liabilities total	**34,106**	**32,255**	**26,977**
Total liabilities	**89,071**	**89,260**	**84,055**
Total equity and liabilities	**264,732**	**259,994**	**260,240**

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

EUR '000	**30.6.2017**	**30.6.2016**	**31.12.2016**
Cash and cash equivalents	**11,731**	**13,169**	**9,651**
Interest-bearing receivables			
Current	3,508	3,516	3,513
Non-current	19,032	29,687	28,287
Interest-bearing receivables	**22,540**	**33,203**	**31,800**
Interest-bearing liabilities			
Current	4,021	5,418	3,764
Non-current	2,723	50	29
Interest-bearing liabilities	**6,745**	**5,468**	**3,793**
NET TOTAL	**27,526**	**40,905**	**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	2,417	55
Disposals	-138	0
Reclass between items	-76	0
Effect of movements in exchange rates	-2,968	-3,102
Acquisition cost 30.6.2017	80,657	221,290
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	**H1/17**	**H1/16**	**FY2016**
Profit for the period	7,087	-818	-937
Adjustments to profit for the period	8,478	4,198	2,902
Changes in working capital	-15,139	3,169	6,113
Discontinued operations	809	273	925
Net cash from operating activities	**1,235**	**6,822**	**9,003**
Acquisition of subsidiaries and associates, net of cash acquired	0	-19	0
Acquisition of non-controlling interest	-666	0	0
Capital expenditure on non-current assets, net	-2,305	-1,354	-2,596
Other investments, net	-246	66	414
Proceeds from repayments of loans and loans given	8,875	3	54
Net cash used in investing activities	**5,658**	**-1,304**	**-2,128**
Capital Redemption	-5,186	-2,588	-5,176
Proceeds from borrowings	664	260	411
Repayment of borrowings	-3,428	-5,227	-7462
Movement in short-term financing activities*	3,176	-4,453	-4,724
Net cash used in financing activities	**-4,774**	**-12,008**	**-16,950**
Net increase in cash and cash equivalents	**2,119**	**-6,490**	**-10,075**

*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 1-6/2016 + comprehensive income				-1,567	-653		-2,220	-165	-2,385
Share of OCI in associates and JV				4,218			4,218	0	4,218
Translation differences							0	114	114
Share-based payments			128		42		170	0	170
Capital redemption			-2,588				-2,588	0	-2,588
Other changes in equity						-2	-2	0	-2
Equity at 30.6.2016	**23,642**	**25,740**	**237,780**	**-26,041**	**-94,366**	**185**	**166,940**	**3,794**	**170,734**
Profit for the period 7-12/2016 + comprehensive income				6,675	38		6,713	-157	6,556
Share of OCI in associates and JV				2,579			2,579		2,579
Translation differences							0	514	514
Share-based payments			50		-26		24		24
Capital redemption			-2,588				-2,588		-2,588
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 1-6/2017 + comprehensive income				1,481	6,424		7,905	662	8,567
Share of OCI in associates and JV				-762			-762		-762
Translation differences							0	-155	-155
Share-based payments			249		3		252		252
Capital Redemption			-5,186				-5,186		-5,186
Acquisition of non-controlling interest					286		286	-3,515	-3,229
Other changes in equity						-12	-12		-12
Equity at 30.6.2017	**23,642**	**25,740**	**230,306**	**-16,068**	**-89,250**	**148**	**174,518**	**1,143**	**175,661**

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	H1/17	H1/16	FY2016
Sales to joint ventures	469	96	423
Sales to other related parties	15	13	27
Purchases from joint ventures	0	-74	-74
Financing income from joint ventures	300	402	760
Financing expense to other related parties	-3	-14	-21
Loan receivables from joint ventures	18,855	29,046	28,134
Loan receivables from other related parties	3,508	3,516	3,513
Trade and other receivables from joint ventures	15,042	7,881	8,451
Trade and other receivables from other related parties	91	69	96
Trade and other payables to joint ventures	72	411	339

FINANCIAL INDICATORS

	H1/17	H1/16	FY2016
Return on equity, % p.a.	6.4%	-1.5%	-1.6%
Return on capital employed, % p.a.	18.1%	2.1%	0.9%
Equity ratio, %	66.4%	65.7%	67.7%
Gearing, %	-2.8%	-4.5%	-3.3%
Personnel at the end of the period	923	769	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

	H1/17	H1/16	FY2016
TRY	3.9391	3.2593	3.3433
USD	1.0830	1.1159	1.1069
ZAR	14.3063	17.1983	16.2645

Balance sheet rates

	30.6.2017	30.6.2016	31.12.2016
TRY	4.0134	3.2060	3.7072
USD	1.1412	1.1102	1.0541
ZAR	14.9200	16.4461	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

		Q2/17	Q2/16	H1/17	H1/16	FY2016
Share price development in London Stock Exchange						
Average share price*	EUR	0.91	0.41	0.90	0.41	0.37
	GBP	0.79	0.32	0.77	0.32	0.30
Lowest share price*	EUR	0.78	0.36	0.64	0.36	0.34
	GBP	0.68	0.28	0.55	0.28	0.28
Highest share price*	EUR	1.07	0.42	1.07	0.42	0.46
	GBP	0.93	0.33	0.93	0.33	0.38
Share price at the end of the period**	EUR	0.88	0.37	0.88	0.37	0.44
	GBP	0.78	0.31	0.78	0.31	0.38
Market capitalisation at the end of the period**	EUR million	231.8	97.1	231.8	97.07	115.2
	GBP million	203.9	80.2	203.9	80.2	98.6
Share trading development						
Share turnover	thousand shares	12	1	50	3	2,452
Share turnover	EUR thousand	11	1	43	1	902
Share turnover	GBP thousand	9	0	37	1	739
Share turnover	%	0.0 %	0.0 %	0.0 %	0.0 %	0.9 %
Share price development in NASDAQ Helsinki						
Average share price	EUR	0.96	0.43	0.93	0.42	0.51
Lowest share price	EUR	0.76	0.39	0.72	0.39	0.39
Highest share price	EUR	1.15	0.51	1.15	0.51	0.90
Share price at the end of the period	EUR	0.85	0.41	0.85	0.41	0.78
Market capitalisation at the end of the period	EUR million	223.6	107.8	223.6	107.8	203.9
Share trading development						
Share turnover	thousand shares	21,117	5,819	46,504	10,921	36,108
Share turnover	EUR thousand	20,221	2,490	43,195	4,570	18,315
Share turnover	%	8.0 %	2.2 %	17.7 %	4.2 %	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.