Interim Financial Statements

Quarter 3
2017

Resilient performance in Q3, Group EBITDA at -€2.2 million

In line with seasonal trends, Afarak's third quarter EBITDA stood at -€2.2 million, compared to -€2.8 million a year earlier. Strong revenue growth, compared to the same quarter in 2016, was mainly driven by higher ferrochrome prices and strong market fundamentals. However, higher costs of production in line with seasonal effects, and a sharp increase in raw materials negatively affected profitability. Going forward, the increase in the ferrochrome benchmark price for quarter four is expected to a have a positive impact on Afarak's performance.

Guy Konsbruck
CEO

AFARAK

Resilient performance in Q3, Group EBITDA at EUR -2.2 million.

HIGHLIGHTS IN THE THIRD QUARTER OF 2017

In line with seasonal trends, Afarak's third quarter EBITDA stood at EUR -2.2 million, compared to EUR -2.8 million a year earlier. Strong revenue growth, compared to the same quarter in 2016, was mainly driven by higher ferrochrome prices and strong market fundamentals. However, higher costs of production in line with seasonal effects and a sharp increase in cost of raw materials negatively affected profitability.

- Benchmark price for charge chrome for the third quarter was higher than that of a year earlier, though significantly lower than that in the second quarter of this year. Year-on-year performance was, as a result, better, but below that registered in quarter two, reflecting seasonal trends. This was in line with the market sentiment expressed in quarter two
- Revenue increased strongly by 52.7% to EUR 44.2 (Q3/2016: 28.9) million on account of higher sales volumes and prices
- Processed material sold increased by 52.8% to 27,538 (Q3/2016: 18,023) tonnes, reflecting strong demand in both the speciality and ferroalloys segment
- Tonnage mined increased significantly to 153,286 (Q3/2016: 45,487) tonnes, on account of increased activity in South Africa
- Management invested extensively in the Mogale plant in South Africa in preparing the P4 furnace to restart in quarter four and relining P1-2-3 furnaces
- Seasonal shutdowns, higher winter electricity tariffs in South Africa and higher raw material costs negatively affected profitability
- EBITDA stood at EUR -2.2 (Q3/2016: -2.8) million and the EBITDA margin was -4.9% (Q3/2016: -9.8%)
- EBIT was EUR -4.2 (Q3/2016: -4.5) million, with the EBIT margin at -9.4% (Q3/2016: -15.7%)
- Profit for the period from continuing operations totalled EUR -3.9 (Q3/2016: -3.2) million, with cash flow from operations standing at EUR -0.4 (Q3/2016: -5.5) million. Cash and cash equivalents at 30 September increased, however, to EUR 13.6 (30 September 2016: 7.0) (30 June 2017: 11.7) million. Net interest-bearing debt was EUR -2.1 (0.8) (30 June 2017: -5.0) million
- Charge chrome benchmark price for quarter four increased strongly by 26.4% to USD 1.39/lb

Key Group figures

		Q3/17	Q3/16	Q1-Q3/17	Q1-Q3/16	2016
Revenue	EUR million	44.2	28.9	148.2	109.2	153.6
EBITDA	EUR million	-2.2	-2.8	15.4	1.2	5.5
EBIT	EUR million	-4.2	-4.5	10.2	-3.7	-1.0
Earnings before taxes	EUR million	-5.4	-4.2	2.5	-4.6	-3.1
Profit from continuing operations	EUR million	-3.9	-3.2	1.7	-4.5	-2.8
Profit from discontinued operations	EUR million	0.0	1.0	1.5	1.5	1.9
Profit	EUR million	-3.9	-2.2	3.2	-3.0	-0.9
Earnings per share	EUR	-0.01	-0.01	0.01	-0.01	0.00
EBITDA margin	%	-4.9	-9.8	10.4	1.1	3.6
EBIT margin	%	-9.4	-15.7	6.9	-3.4	-0.7
Earnings margin	%	-12.1	-14.6	1.7	-4.2	-2.0
Personnel (end of period)		912	785	912	785	813

MARKET SENTIMENT FOR THE FOURTH QUARTER 2017

The charge chrome benchmark price increased from USD 1.10/lb in the third quarter to USD 1.39/lb in the fourth quarter and is expected to contribute to an improved performance of the Group. Quarter four results are expected to be in line with last year on account of higher raw material costs. However, full year results will be stronger than those registered in 2016 given the productivity and capacity improvements that were implemented during the year

CEO GUY KONSBRUCK

"Afarak's third-quarter results reflect the annual seasonal fluctuations. The summer period in Europe entails a weakening in demand and a related shutdown of many plants. Our plant in Germany was closed for just two weeks during the quarter. In South Africa, higher winter electricity tariffs typically lead to maintenance shutdowns during the same period. During the quarter, we extended the closure of our plant in Mogale to 4 weeks as we wanted to perform major and necessary maintenance works.

In addition to the seasonal effects, our quarter three result was negatively impacted by quite a challenging business environment in South Africa. Just as third-party ores saw a steep price increase, thus impacting our cost of production for some grades in Mogale, the benchmark for charge chrome dropped drastically and unexpectedly to USD 1.10, resulting in much lower margins than expected. During the quarter, we were also faced with unusually bad weather conditions in South Africa which created port congestions and delays in shipments. All these challenges negatively affected our profitability of both the ferroalloys segment and the Group.

Nevertheless, despite all this, the third quarter EBITDA results for 2017 improved from a year earlier.

In our speciality alloys segment, despite a short shutdown in Germany, we performed well, both on an operational and financial level. In Turkey, our mining performance continues to improve. At EWW productivity continued to increase and our interventions focused on improving process control and laboratory facilities.

The ferroalloys segment in South Africa faced a very challenging period, as described above. We took the opportunity to invest extensively in furnace relining of P1-2-3 furnaces as well as to prepare P4 furnace to start up in the fourth quarter. P4 had not been in operation for several years and will now, moving forward, allow us to produce a broader range of alloys, making Afarak the only high carbon ferrochrome producer in South Africa.

Our mines continue to register positive performance, increasing efficiencies and productivity. Management is focused on expanding our mining capacity in South Africa in order to further consolidate our vertical integration.

On behalf of management, I would like to thank the teams across all our operations for their commitment and effort during this challenging period, which saw more ferrochrome producers in South Africa file for business rescue. Despite the difficult environment, Afarak continues to display resilience and adaptability. Our actions and interventions to enhance the Company's operations and structures continue to pay off.

The Company also continued investing in sustainability initiatives. We are fully focused on enhancing health and safety in South Africa and the improvement programme we rolled out in this regard is already yielding positive results. We continue to support our host communities and I am proud of our contribution to improving people's daily lives.

Moving forward, the increase in the fourth quarter benchmark price for ferrochrome is expected to contribute to an improved performance of the Group. I am confident that 2017 will be a positive year for Afarak not only from a results perspective but more importantly, in making the organisation even more resilient, vertically-integrated and better placed to exploit market opportunities in the years to come."

MARKET DEVELOPMENTS

The global economy continued to expand steadily during the third quarter of 2017, with a strong rebound coming from the United States and emerging economies including China and India. It is expected that this trend will continue into the fourth quarter of the year. Growth was supported by increasing investments in infrastructure and expanding the demand for various commodities, including stainless steel and alloys. However, the third quarter presents specific seasonal differences, especially for ferrochrome producers.

Stainless steel

Global stainless steel demand increased in the third quarter, with strong growth coming from China, India and Europe. The demand increase was mainly driven by the infrastructure, consumer goods and energy-related segments. The price of stainless steel continued to fall from previous quarters, but remained at higher levels than in the previous year. This is expected to persist into the final quarter of the year.

Chrome ore

The increase in demand for stainless steel positively affected the development of the chrome ore segment reversing the downward price pressures seen in quarter two. During the third quarter, prices started to increase due to the improved market sentiment, stronger demand for stainless steel and rising nickel prices.

Ferrochrome

The third quarter presents specific and seasonal challenges to ferrochrome producers like Afarak. Due to the seasonal slowdown in Europe and the winter period in South Africa, with higher costs of production, demand for ferrochrome usually contracts with a fall in prices. During the third quarter of 2017, the benchmark price fell significantly from USD 1.54/lb in the second quarter to USD 1.10/lb. The lowering of the benchmark exacerbated the challenges facing South African producers during the third quarter, relating to the winter season. As a matter of fact, during the third quarter, more South African ferrochrome producers went into business rescue. With tighter supply and an increase in demand, the benchmark for quarter four increased strongly by 26.4% to USD 1.39/lb.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

Speciality alloys key figures

		Q3/17	**Q3/16**	**y-o-y**	**Q1-Q3/17**	**Q1-Q3/16**	**2016**
Revenue	EUR million	21.2	11.4	86.4%	65.2	48.2	68.7
EBITDA	EUR million	1.0	-0.3	-	9.4	3.6	5.4
EBIT	EUR million	0.7	-0.9	-	8.2	1.7	3.1
EBITDA margin	%	4.7	-6.5		14.4	6.4	7.8
EBIT margin	%	3.1	-12.1		12.6	2.5	4.4
Total production	Tonnes	20,312	17,534	15.8%	62,197	62,088	79,172
Mining	Tonnes	13,697	12,455	10.0%	40,616	42,833	59,752
Processing	Tonnes	6,615	5,079	30.2%	21,581	19,255	19,420
Personnel		442	417	6.0%	442	417	438

The speciality alloys segment registered a strong performance during a traditionally weak quarter. Given the summer period, demand is traditionally weaker in the third quarter and many plants in Europe shutdown. However, the EWW plant in Germany shut down for just two weeks, a shorter period than usual due to demand for its products. This led to revenue increasing significantly by 86.4% to EUR 21.2 (11.4) million. The increase in revenue is mainly attributable to improved market conditions when compared to a year earlier.

EBITDA for the quarter increased to EUR 1.0 (-0.3) million and EBIT increased to EUR 0.7 (-0.9) million when compared to the same period last year, reflecting the higher sales volumes. In line with seasonal patterns, the third quarter EBITDA and EBIT were lower than those registered in the second quarter (Q2/2017: EURM 3.7). Apart from the seasonal shutdown expense, cost of production increased due to higher raw material cost.

Operationally, the segment registered a robust performance in the third quarter. Production increased by 15.8% to 20,312 (17,534) tonnes, with processing activities in EWW being the main contributor. Processing levels in EWW increased at a fast rate due to the shorter shut down period in 2017 on account of an increase in market demand. In Turkey, our mining performance continued to improve.

Overall, during the first nine months of 2017, the segment registered a strong performance compared to a year earlier, with EBITDA and EBIT already exceeding 2016 full year figures.

FERROALLOYS BUSINESS

Ferroalloys key figures

		Q3/17	Q3/16	y-o-y	Q1-Q3/17	Q1-Q3/16	2016
Revenue	EUR million	22.2	17.5	26.8%	80.5	60.9	84.5
EBITDA	EUR million	-1.8	-1.6	-	9.4	0.8	5.0
EBIT	EUR million	-3.4	-2.7	-	5.4	-2.2	0.9
EBITDA margin	%	-8.0	-9.1		11.6	1.3	5.9
EBIT margin	%	-15.4	-15.2		6.7	-3.7	1.0
Total production	Tonnes	155,802	46,443	235.5%	363,952	158,186	278,833
Mining	Tonnes	139,588	33,033	322.6%	308,652	104,535	202,514
Processing	Tonnes	16,214	13,410	20.9%	55,300	53,651	76,319
Personnel		396	362	9.4%	396	362	369

Apart from the seasonal challenges associated with the third quarter, the ferroalloys segment faced a very particular and difficult business environment in South Africa, negatively impacting the segment's profitability.

Revenue for the third quarter increased strongly to EUR 22.2 (17.5) million on account of an expansion in sales volumes and prices. The ferrochrome benchmark for the third quarter 2017 was much higher at USD 1.10/lb (USD 0.83/lb) when compared to the equivalent period in 2016. However, given that the benchmark price dropped drastically from the previous quarter, customers shifted their orders from the second to third quarter to benefit from the lower prices. This resulted in higher sales volumes and revenues when compared to the third quarter 2016.

Despite the growth in revenues, EBITDA stood at EUR -1.8 (-1.6) million and EBIT at EUR -3.4 (-2.7) million. EBITDA for the quarter was positively impacted by an insurance receivable provision. In South Africa, higher winter electricity tariffs lead to maintenance shutdowns during the third quarter, thus increasing the cost of production. During the quarter, management extended the closure of the Mogale plant to four weeks, further increasing shutdown costs, in order to perform major maintenance and investment works. Afarak invested extensively in the relining of P1-P2-P3 furnaces and commenced preparatory works to re-start the P4 furnace. An impairment of EUR 0.6 (0.0) million was registered on furnace refractories which had to be replaced earlier than expected. In addition, third-party ores saw a steep price increase, further increasing the cost of production. During the quarter, unusually bad weather conditions in South Africa caused several delays in shipments. Together, all these factors negatively affected the segment's profitability, which however was partly compensated by the joint venture share of profit. The share included in the segment's EBITDA amounted to EUR 0.4 (-0.2) million.

Operationally, the segment continued with its strong growth registered in 2017. Production increased sharply in the third quarter of 2017 growing to 155,802 (46,443) tonnes. This was mainly driven by the additional tonnages of both chromite concentrate and lumpy ore at the Stellite mine and by the constant growth in opencast mining at the Mecklenburg mine.

Processing levels at Mogale Alloys during the third quarter of 2017 were also significantly higher than those registered during the comparative quarter. Increases were recorded both in the processing of charge chrome and medium carbon ferrochrome.

2017 continues to be a strong year for the segment. Performance in the first nine months of 2017 has already exceeded the full year results of 2016.

JOINT VENTURE

Joint venture key figures (Afarak's share)

		Q3/17	Q3/16	Q1-Q3/17	Q1-Q3/16	2016
Revenue	EUR million	3.6	0.7	12.1	2.5	5.3
EBITDA	EUR million	0.3	-0.1	4.2	-0.1	1.3
EBIT	EUR million	0.0	-0.2	3.4	-0.4	0.8
Financial income & expense	EUR million	0.3	0.0	0.9	-0.4	-0.5
Profit for the period	EUR million	0.4	-0.2	4.4	-0.8	0.1
EBITDA margin	%	9.3	-9.3	34.4	-4.5	24.4
EBIT margin	%	-0.6	-29.6	28.3	-17.5	15.7

The joint venture registered a total profit of EUR 0.7 (-0.5) million, with Afarak's share amounting to EUR 0.4 (-0.2) million. Afarak's share of joint venture revenue increased to EUR 3.6 (0.7) million, compared to the equivalent period in 2016. The substantial increase in revenue was mainly 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. Furthermore, both the Mecklenburg mine and the Stellite mine registered surges in sales volumes during the third quarter when compared to the previous quarter. During the quarter, the results were dampened due to an increase in rehabilitation provision of EUR 0.5 (0.1) 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

	Q3/17	Q3/16	Q1-Q3/17	Q1-Q3/16	2016
Total	27,538	18,023	76,227	73,189	97,095
FerroAlloys	21,275	14,516	58,343	58,944	77,092
Speciality alloys	6,263	3,507	17,884	14,245	20,003

The buoyant demand for the Group's products continued into the third quarter of 2017. The Group's sales from processing, which includes all the products produced at the Mogale Alloys and EWW processing plants, stood at 27,538 (Q3/2016: 18,023) tonnes, increasing substantially by 52.8% over a year earlier. Sales volumes in the Speciality Alloys segment increased sharply by 78.6% on the back of increased demand which also led EWW to shut down for a shorter period during the third quarter. The positive performance was also registered in the FerroAlloys segment which increased its sales volumes by 46.6%. The increase was primarily driven by customers who delayed their orders from the second quarter to the third quarter to take advantage from the drastic fall in benchmark price from USD 1.54/lb in the second quarter 2017 to USD 1.10/lb in third quarter.

REVENUE AND PROFITABILITY

In line with the higher sales volumes and higher benchmark prices compared to a year earlier, Afarak's revenue in the third quarter of 2017 increased by a strong 52.7% to EUR 44.2 (28.9) million.

Key Group highlights

		Q3/17	**Q3/16**	**Q1-Q3/17**	**Q1-Q3/16**	**2016**
Revenue	EUR million	44.2	28.9	148.2	109.2	153.6
EBITDA	EUR million	-2.2	-2.8	15.4	1.2	5.5
EBIT	EUR million	-4.2	-4.5	10.2	-3.7	-1.0
Profit from continuing operations	EUR million	-3.9	-3.2	1.7	-4.5	-2.8
Profit from discontinuing operations	EUR million	0.0	1.0	1.5	1.5	1.9
Profit	EUR million	-3.9	-2.2	3.2	-3.0	-0.9
EBITDA margin	%	-4.9	-9.8	10.4	1.1	3.6
EBIT margin	%	-9.4	-15.7	6.9	-3.4	-0.7

Revenue increased both in the Speciality Alloys and FerroAlloys segments, primarily due to higher selling prices and increased sales volumes when compared to the third quarter in 2016. Together with the expansion in sales volumes by 52.8%, the benchmark price for the third quarter 2017 stood at USD 1.10/lb compared to USD 0.83/lb in the comparable period a year earlier.

Profitability was negatively affected by both a number of seasonal effects related to the third quarter and specific events that happened in the period under review. The seasonal shutdowns in both Europe and South Africa; with the one in the latter being extended; result in unabsorbed overhead costs. In addition, the high winter electricity tariffs in South Africa further contribute to the seasonal effects. During the third quarter of 2017, the price of third-party ores increased significantly further impacting the cost of production. Combined, these factors caused EBITDA to improve from that registered a year earlier, EUR -2.2 (-2.8) million. Due to the impairment of EUR 0.6 (0.0) million in relation to P1 furnace refractories at Mogale Alloys, EBIT stood at EUR -4.2 (-4.5) million during the third quarter. The share of joint venture profit for the period amounted to EUR 0.4 (-0.2) million. The results were negatively affected by net finance expenses of EUR 1.2 (-0.3) million, mainly on account of currency movements.

Despite the seasonality of the third quarter, the overall results for the first nine months of 2017 confirm a robust performance by Afarak both on revenues and profitability.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 30 September 2017 stood at EUR 255.6 (257.7) (30 June 2017: 264.7) million and net assets totalled EUR 164.6 (170.5) (30 June 2017: 175.7) million. Translation differences on conversion of foreign denominated subsidiaries amounted to EUR -7.4 million, during the quarter, driven by the South African rand weakening by 6.9%, and US dollar weakening by 3.5%.

The Group's cash and cash equivalents, as at 30 September 2017, totalled EUR 13.6 (7.0) million (30 June 2017: 11.7). Operating cash flow in the third quarter was EUR -0.4 (-5.5) million. Management continued to take a prudent approach to working capital management with its initiatives paying off. During the quarter the company increased its debt with financial intermediaries to EUR 5.5 (3.0) million.

The equity ratio was 64.4% (66.2%) (30 June 2017: 66.4%). Afarak's gearing at the end of the third quarter stood at -1.3% (0.4%) (30 June 2017: -2.8%), with interest-bearing debt totalling EUR 11.4 (7.8) (30 June 2017: 6.7) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the third quarter of 2017 totalled EUR 2.3 (0.5) million. The significant increase in capital outlays relates to the substantial investment undertaken at the Mogale plant in South Africa. Afarak invested in the relining of P1-2-3 furnaces as well as in the preparation for P4 furnace to start up in the fourth quarter. P4 had not been in operation for several years and will now, moving forward, allow the Company to produce a broader range of alloys making it the only high carbon ferrochrome producer in South Africa. Additional investments were made in EWW and TMS.

PERSONNEL

At the end of the third quarter 2017, Afarak had 912 (785) employees. The average number of employees during the third quarter of 2017 was 899 (773). 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 61 employees on a temporary basis, down from 82 in the previous quarter, running the operation of a sintered magnesite plant on a test project in Serbia

UNALLOCATED ITEMS

For the third quarter of 2017, the EBITDA from unallocated items was EUR -1.4 (-1.0) million. The operation of a sintered magnesite plant on a test project in Serbia negatively affected EBITDA by EUR -0.3 (0.0) million, during the quarter.

SUSTAINABILITY

Afarak remains committed to investing and enhancing its safety procedures across its units and plants. The third quarter presented some challenges as there were 20 (Q3/2016: 6) recordable injuries, of which 7 (Q3/2016: 3) were lost-time injuries. These injuries resulted in 169 (Q2/2016: 62) lost days due to injury, increasing the lost time injury frequency rate to 12.3 from 6.9 a year earlier. The main contributor to this result was a series of minor injuries at the mines in Turkey. On the other hand, the number of injuries in South Africa decreased over the period when compared to a year earlier. The months long performance improvement project undertaken with Alexander Proudfoot, a leading international consulting firm, at our Mogale plant is yielding its benefits, as health and safety was one of the key element in the project.

With a stated focus on water management and recycling, various units continued with their investments in this area. In Turkey, a second press filter was installed and this will increase Afarak's efforts to recycle and reuse water during its mining operations. In South Africa, works continued on building a storm water dam which will allow for the harvesting of water and its use in operations. Management is determined to reduce the Group's water consumption with a drive on efficiency improvements through reuse and recycling.

Throughout the quarter, Afarak invested substantially in the Magakala Community in the areas of Sefara and Madifahlane in South Africa. Due to its growth and water scarcity in the area, the community required an investment in water tanks to sustain the demand for water by the community. To this end, Afarak invested in the purchase and installation of 10 water tanks with a capacity of 10,000 litres each. This project also supported local entrepreneurship and local companies were entrusted with the installation and commissioning of the tanks. Afarak Group continues to support the Magakala Community in various other ways including educational and training initiatives.

SHARES & SHAREHOLDERS

On 30 September 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 September 2017, the Company had 3,744,717 (3,744,717) own shares in treasury, which was equivalent to 1.42% (1.42%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 30 September 2017, was 259,295,978 (259,295,978).

At the beginning of the period under review, the Company's share price was EUR 0.85 on NASDAQ Helsinki and GBP 0.78 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.90 and GBP 0.83 respectively. During the third quarter of 2017 the Company's share price on NASDAQ Helsinki ranged from EUR 0.75 to 1.01 per share and the market capitalisation, as at 30 September 2017, was EUR 235.4 (1 January 2017: 203.9) million. For the same period on the London Stock Exchange the share ranged from GBP 0.70 to 0.83 per share and the market capitalisation was GBP 217.0 (1 January 2017: 98.6) million, as at 30 September 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 third 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.

REPORTING

EVENTS DURING THE 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.

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 has been 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 Limted, 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 effected over a 12-month period.

EVENTS SINCE THE END OF REVIEW 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.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

Q1-Q3/2017 9 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	65,157	80,506	2,555	-1	148,217
EBITDA	9,363	9,376	-3,380	0	15,359
EBIT	8,237	5,392	-3,383	0	10,246
Segment's assets	147,591	126,160	12,369	-30,480	255,640
Segment's liabilities	66,631	42,827	1,493	-19,893	91,058

Q1-Q3/2016 9 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	48,215	60,913	51	-9	109,170
EBITDA	3,566	809	-3,161	0	1,214
EBIT	1,697	-2,236	-3,166	0	-3,705
Segment's assets	140,761	125,297	11,729	-20,113	257,674
Segment's liabilities	48,076	53,219	2,142	-16,265	87,172

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

	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17
Sales (tonnes)									
Mining	101,701	64,487	22,959	40,618	19,559	55,212	53,938	41,427	66,211
Processing	20,059	31,137	26,952	28,214	18,023	23,906	27,892	20,773	27,538
Trading	8,798	11,953	10,177	7,262	12,256	8,619	5,331	5,692	3,488
Total	**130,558**	**107,577**	**60,088**	**76,094**	**49,838**	**87,737**	**87,161**	**67,892**	**97,237**
Average rates									
EUR/USD	1.114	1.110	1.102	1.116	1.116	1.107	1.065	1.083	1.114
EUR/ZAR	13.701	14.172	17.455	17.198	16.683	16.265	14.081	14.306	14.706
Euro (million)	**Q3/15**	**Q4/15**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**Q1/17**	**Q2/17**	**Q3/17**
Revenue	44.8	49.2	40.8	39.5	28.9	44.4	56.7	47.4	44.2
EBITDA	1.3	3.7	3.3	0.8	-2.8	4.3	12.7	4.8	-2.2
EBITDA margin	2.8%	7.5%	8.0%	2.0%	-9.8%	9.6%	22.4%	10.2%	-4.9%
EBIT	-0.7	1.8	1.7	-0.9	-4.5	2.7	11.1	3.3	-4.2
EBIT margin	-1.5%	3.7%	4.2%	-2.2%	-15.7%	6.1%	19.6%	7.0%	-9.4%

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	Q3/17	Q3/16	Q1-Q3/17	Q1-Q3/16	FY2016
Revenue	**44,153**	**28,916**	**148,217**	**109,170**	**153,570**
Other operating income	2,684	580	3,953	1,107	1,705
Operating expenses	-49,372	-32,098	-141,241	-108,273	-149,913
Depreciation and amortisation	-1,427	-1,698	-4,547	-4,920	-6,488
Impairment	-567	0	-567	0	0
Share of profit from joint ventures	370	-241	4,431	-790	116
Operating profit	**-4,159**	**-4,541**	**10,246**	**-3,706**	**-1,010**
Financial income and expense	-1,205	307	-7,777	-926	-2,127
Profit before tax	**-5,364**	**-4,234**	**2,469**	**-4,632**	**-3,137**
Income tax	1,501	1,028	-765	147	339
Profit for the period from continuing operations	**-3,863**	**-3,206**	**1,704**	**-4,485**	**-2,798**
Discontinued operations					
Profit for the period from discontinued operations	0	1,048	1,519	1,509	1,861
Profit for the period	**-3,863**	**-2,158**	**3,223**	**-2,976**	**-937**
Profit attributable to:					
Owners of the parent	-3,862	-1,919	2,561	-2,572	-615
Non-controlling interests	-1	-239	662	-404	-322
Total	-3,863	-2,158	3,223	-2,976	-937
Earnings per share for profit attributable to the shareholders of the parent company, EUR					
Basic earnings per share, EUR	-0.01	-0.01	0.01	-0.01	0.00
Diluted earnings per share, EUR	-0.01	-0.01	0.01	-0.01	0.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Q3/17	Q3/16	Q1-Q3/17	Q1-Q3/16	FY2016
Profit for the period	**-3,863**	**-2,158**	**3,223**	**-2,976**	**-937**
Other comprehensive income					
Remeasurement of defined benefit pension plans	0	0	0	0	-1,609
Exchange differences on translating foreign operations – Group	-7,165	2,982	-5,838	2,317	5,736
Exchange differences on translating foreign operations – Associate and JV	-495	1,794	-1,258	6,011	6,797
Income tax relating to other comprehensive income	0	-251	0	-1,039	0
Other comprehensive income, net of tax	**-7,660**	**4,525**	**-7,096**	**7,289**	**10,924**
Total comprehensive income for the period	**-11,523**	**2,367**	**-3,873**	**4,313**	**9,987**
Total comprehensive income attributable to:					
Owners of the parent	-11,240	2,392	-4,097	4,390	9,681
Non-controlling interests	-283	-25	224	-77	306

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	30.9.2017	30.9.2016	31.12.2016
ASSETS			
Non-current assets			
Goodwill	60,480	61,082	63,780
Other intangible assets	15,439	17,538	18,311
Property, plant and equipment	42,232	44,145	45,131
Other non-current assets	26,005	39,311	38,651
Non-current assets total	**144,156**	**162,076**	**165,873**
Current assets			
Inventories	43,754	55,751	48,424
Trade receivables	37,013	19,409	23,643
Other receivables	17,148	13,397	12,649
Cash and cash equivalents	13,569	7,041	9,651
Current assets total	**111,484**	**95,598**	**94,367**
Total assets	**255,640**	**257,674**	**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	230,545	235,217	235,242
Legal Reserve	142	177	160
Translation reserves	-23,446	-21,729	-16,787
Retained earnings	-93,127	-96,313	-95,963
Equity attributable to owners of the parent	**163,496**	**166,734**	**172,034**
Non-controlling interests	**1,086**	**3,769**	**4,151**
Total equity	**164,582**	**170,503**	**176,185**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	3,789	5,318	5,857
Provisions	10,132	10,274	10,691
Share of joint ventures' losses	13,262	17,957	16,234
Pension liabilities	19,841	18,402	20,097
Financial liabilities	5,428	3,346	4,199
Non-current liabilities total	**52,452**	**55,297**	**57,078**
Current liabilities			
Trade payables	20,853	14,873	13,620
Other current liabilities	17,753	17,001	13,357
Current liabilities total	**38,606**	**31,874**	**26,977**
Total liabilities	**91,058**	**87,171**	**84,055**
Total equity and liabilities	**255,640**	**257,674**	**260,240**

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

EUR '000	**30.9.2017**	**30.9.2016**	**31.12.2016**
Cash and cash equivalents	**13,569**	**7,041**	**9,651**
Interest-bearing receivables			
Current	3,508	3,514	3,513
Non-current	18,969	28,799	28,287
Interest-bearing receivables	**22,477**	**32,313**	**31,800**
Interest-bearing liabilities			
Current	8,938	7,758	3,764
Non-current	2,490	50	29
Interest-bearing liabilities	**11,428**	**7,808**	**3,793**
NET TOTAL	**24,618**	**31,546**	**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	4,608	71
Disposals	-666	0
Reclass between items	-146	0
Effect of movements in exchange rates	-7,030	-11,074
Acquisition cost 30.9.2017	78,188	213,334
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	**Q1-Q3/17**	**Q1-Q3/16**	**FY2016**
Profit for the period	3,224	-2,976	-937
Adjustments to profit for the period	11,927	1,836	2,902
Changes in working capital	-15,133	1,500	6,113
Discontinued operations	809	948	925
Net cash from operating activities	**827**	**1,308**	**9,003**
Acquisition of subsidiaries and associates, net of cash acquired	0	-19	0
Acquisition of non-controlling interest	-714	0	0
Capital expenditure on non-current assets, net	-4,757	-1,269	-2,596
Other investments, net	-244	344	414
Proceeds from repayments of loans and loans given	8,865	-251	54
Net cash used in investing activities	**3,150**	**-1,195**	**-2,128**
Capital Redemption	-5,186	-5,176	-5,176
Proceeds from borrowings	1,215	-1,740	411
Repayment of borrowings	-3,293	-4,417	-7,462
Movement in short-term financing activities*	7,990	-1,427	-4,724
Net cash used in financing activities	**726**	**-12,760**	**-16,951**
Net increase in cash and cash equivalents	**4,703**	**-12,647**	**-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 1-9/2016 + comprehensive income				951	-2,573		-1,622	-403	-2,025
Share of OCI in associates and JV				6,012			6,012		6,012
Translation differences								327	327
Share-based payments			153		15		168	0	168
Capital redemption			-5,176				-5,176		-5,176
Other changes in equity						-10	-10		-10
Equity at 30.6.2016	**23,642**	**25,740**	**235,217**	**-21,729**	**-96,313**	**177**	**166,734**	**3,769**	**170,503**
Profit for the period 10-12/2016 + comprehensive income				4,157	1,958		6,115	81	6,196
Share of OCI in associates and JV				785			785		785
Translation differences								301	301
Share-based payments			25		1		26		26
Remeasurements of defined benefit pension plans					-1,609		-1,609		-1,609
Other changes in equity						-17	-17		-17
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 1-9/2017 + comprehensive income				-5,401	2,562		-2,839	662	-2,177
Share of OCI in associates and JV				-1,258			-1,258		-1,258
Translation differences							0	-437	-437
Share-based payments			489		4		493		493
Capital Redemption			-5,186				-5,186		-5,186
Acquisition of non-controlling interest					267		267	-3,290	-3,023
Other changes in equity					3	-18	-15		-15
Equity at 30.9.2017	**23,642**	**25,740**	**230,545**	**-23,446**	**-93,127**	**142**	**163,496**	**1,086**	**164,582**

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	Q1-Q3/17	Q1-Q3/16	FY2016
Sales to joint ventures	769	144	423
Sales to other related parties	334	19	27
Purchases from joint ventures	0	-74	-74
Financing income from joint ventures	414	590	760
Financing expense to other related parties	-6	-18	-21
Loan receivables from joint ventures	18,802	28,130	28,134
Loan receivables from other related parties	3,508	3,614	3,513
Trade and other receivables from joint ventures	14,370	7,896	8,451
Trade and other receivables from other related parties	95	80	96
Trade and other payables to joint ventures	-31	310	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

	Q1-Q3/17	Q1-Q3/16	FY2016
Return on equity, % p.a.	1.4%	-3.5%	-1.6%
Return on capital employed, % p.a.	8.1%	-1.3%	0.9%
Equity ratio, %	64.4 %	66.2%	67.7%
Gearing, %	-1.3%	0.4%	-3.3%
Personnel at the end of the period	912	785	813

EXCHANGE RATES

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

The key exchange rates applied in the accounts:

Average rates

	Q1-Q3/17	Q1-Q3/16	FY2016
TRY	4.0031	3.2766	3.3433
USD	1.1140	1.1162	1.1069
ZAR	14.7055	16.6827	16.2645

Balance sheet rates

	30.9.2017	30.9.2016	31.12.2016
TRY	4.2013	3.3576	3.7072
USD	1.1806	1.1161	1.0541
ZAR	15.9440	15.5238	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

		Q3/2017	Q3/2016	Q1-Q3/2017	Q1-Q3/2016	FY2016
Share price development in London Stock Exchange						
Average share price*	EUR	1.01	0.41	0.84	0.41	0.37
	GBP	0.89	0.33	0.74	0.33	0.30
Lowest share price*	EUR	0.80	0.38	0.63	0.35	0.34
	GBP	0.70	0.31	0.55	0.28	0.28
Highest share price*	EUR	0.94	0.40	1.06	0.40	0.46
	GBP	0.83	0.33	0.93	0.33	0.38
Share price at the end of the period**	EUR	0.94	0.38	0.94	0.38	0.44
	GBP	0.83	0.33	0.83	0.33	0.38
Market capitalisation at the end of the period**	EUR million	246.1	99.3	246.1	99.3	115.2
	GBP million	217.0	85.5	217.0	85.5	98.6
Share trading development						
Share turnover	thousand shares	2	60	53	63	2,452
Share turnover	EUR thousand	2	25	44	26	902
Share turnover	GBP thousand	2	20	39	21	739
Share turnover	%	0.0 %	0.0 %	0.0 %	0.0 %	0.9 %
Share price development in NASDAQ Helsinki						

Average share price	EUR	0.84	0.42	0.91	0.42	0.51
Lowest share price	EUR	0.75	0.39	0.72	0.39	0.39
Highest share price	EUR	1.01	0.46	1.15	0.51	0.90
Share price at the end of the period	EUR	0.90	0.43	0.90	0.43	0.78
Market capitalisation at the end of the period	EUR million	235.4	113.4	235.4	113.4	203.9
Share trading development						
Share turnover	thousand shares	10,108	5,329	56,612	16,250	36,108
Share turnover	EUR thousand	8,532	2,219	51,727	6,789	18,315
Share turnover	%	3.8 %	2.0 %	21.5 %	6.2 %	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.