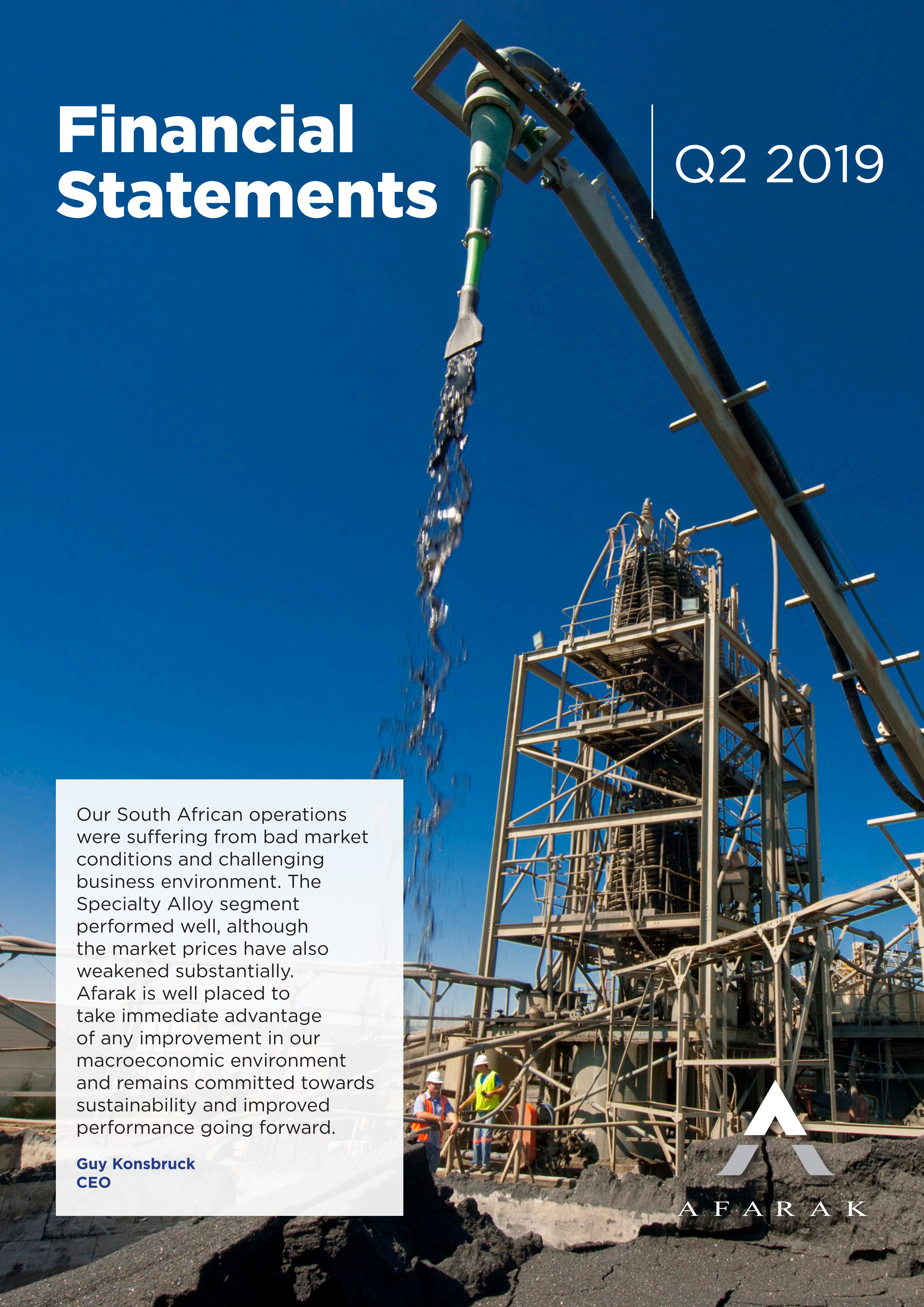
Financial Statements

Q2 2019



Our South African operations were suffering from bad market conditions and challenging business environment. The Specialty Alloy segment performed well, although the market prices have also weakened substantially. Afarak is well placed to take immediate advantage of any improvement in our macroeconomic environment and remains committed towards sustainability and improved performance going forward.

Guy Konsbruck
CEO

AFARAK

DIFFICULT ECONOMIC CIRCUMSTANCES IMPACT FERROALLOY SEGMENT AND OVERALL FINANCIAL PERFORMANCE

		Q2/19	Q2/18	H1/19	H1/18	2018
Revenue	EUR million	41.5	54.3	82.8	104.5	194.0
EBITDA	EUR million	-8.1	1.2	-12.9	0.5	-1.0
EBIT	EUR million	-31.1	-0.4	-37.7	-2.8	-14.1
Earnings before taxes	EUR million	-24.6	-3.3	-31.8	-5.8	-18.5
Profit	EUR million	-21.6	-2.7	-29.2	-4.6	-18.6
Earnings per share	EUR	-0.08	-0.01	-0.11	-0.02	-0.07
EBITDA margin	%	-19.6	2.2	-15.6	0.5	-0.5
EBIT margin	%	-74.9	-0.8	-45.6	-2.7	-7.3
Earnings margin	%	-59.3	-6.2	-38.5	-5.6	-9.6
Personnel (end of period)		1,035	929	1,035	929	942

QUARTER TWO 2019 HIGHLIGHTS

- Revenue for the second quarter of 2019 decreased by 23.6% to EUR 41.5 (Q2/2018: 54.3) million;
- Processed material sold decreased by 18.7% to 21,082 (Q2/2018: 25,929);
- Tonnage mined decreased by 44.9% to 83,161 (Q2/2018: 150,852) tonnes due to lower mining activity at Stellite mine and no mining activity at Mecklenburg mine;
- The Group's EBITDA significantly lower at EUR -8.1 (Q2/2018: 1.2) million and the EBITDA margin was -19.6% (Q2/2018: 2.2%);
- EBIT was EUR -31.1 (Q2/2018: -0.4) million, with the EBIT margin at -74.9% (Q2/2018: -0.8%);
- Profit for the period totalled EUR -21.6 (Q2/2018: -2.7) million, negatively impacted by an impairment write-down related to the Mogale business of EUR 20.8 million, which was partly offset by the gain on change in control of Synergy Africa Ltd, acquiring 100% shareholding, amounting to EUR 7.1 million;
- Cash flow from operations stood at EUR -1.1 (Q2/2018: -4.8) million;
- Net interest-bearing debt after deducting liquid funds amounted to EUR 30.2 (10.5) (31 March 2019:11.9) million;
- Cash and cash equivalents at 30 June totalled EUR 6.1 (30 June 2018: 5.5) (31 March 2019: 10.5) million.

FIRST HALF 2019 HIGHLIGHTS

- Revenues decreased by 20.8% to EUR 82.8 (H1/2018: 104.5) million compared with the year earlier, due to lower selling prices and lower sales volumes as a result of a weakening economy;
- Profitability was primarily impacted by the negative performance in the FerroAlloys segment, due to lower market prices and the adverse conditions that the plants faced in South Africa;
- EBITDA for the first half of 2019 contracted compared to the equivalent period in 2018, to EUR -12.9 (H1/2018: 0.5) million, the main impact coming from the negative performance of the FerroAlloys segment;
- Profit for the first half of 2019 totalled to EUR -29.2 (H1/2018: -4.6) million.

MARKET SENTIMENT FOR THE THIRD QUARTER 2019

The Global economy continues to face a turbulent future, with uncertainties in US/Sino relationships and BREXIT overhanging Europe. It remains impossible to forecast prices or volumes with any accuracy.

The third quarter is typically driven by a seasonal summer slow-down in Europe where demand decreases. Since the end of Q2, we have used the summer shut down in Germany to carry-out a maintenance shut-down of 6 weeks. Additionally, in South Africa expensive winter energy tariffs came onstream in June, followed by seasonal maintenance shut-downs. We have temporarily closed furnaces P2 and P3 and replaced the roof of furnace P1. The third quarter is expected to see a weaker market demand and prices for both the FerroAlloys and the Speciality Alloys segment have already decreased. In the FerroAlloys segment the contraction of the ferrochrome benchmark to USD 104 c/lb, from USD 120 c/lb in quarter two, led management to take the measure described above. Inventories were written down in quarter two to reflect lower prices of quarter three.

CEO GUY KONSBRUCK

“The challenges faced by Afarak during 2018, continued in the first half of 2019.

In South Africa, the bad financial performance of the FerroAlloys segment continued, which heavily impacted the Group’s results. The sales volumes were below those experienced in Q2 2018 as a result of the global economic slow-down. Extremely low charge chrome benchmark prices caused the revenue to decrease further. The irregular availability and the high cost of energy resulted in a major difficulty in achieving good, reliable performance in our Mogale smelter. As a consequence, we cut production by half and concentrated on production on the DC furnace, as well as the converter. We also changed key management and started a retrenchment process to lower fixed costs. The whole South African industry is suffering heavily from the high energy prices.

The Speciality Alloys segment was also impacted by lower selling prices of low carbon ferrochrome. During the quarter, management decided to extend the summer maintenance shut-down by two weeks at our EWW plant in Germany, to manage levels of inventory. The mines in Turkey continued to perform well.

The charge chrome benchmark price for quarter three has dropped to an even lower level of USD 104 c/lb, from USD 120 c/lb in quarter two, being the lowest price in three years. With such low selling prices, together with seasonal effects, we expect quarter three to be another challenging quarter.

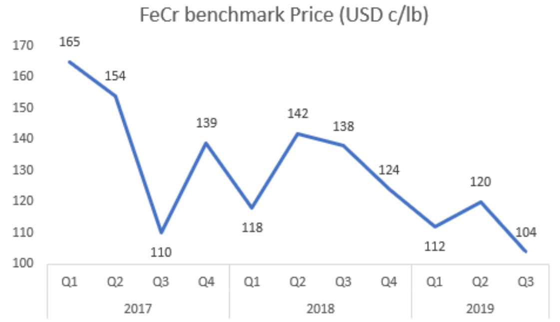
Like others in our industry, we are being badly affected by external, global economic issues and some specific issues affecting anyone in South Africa.

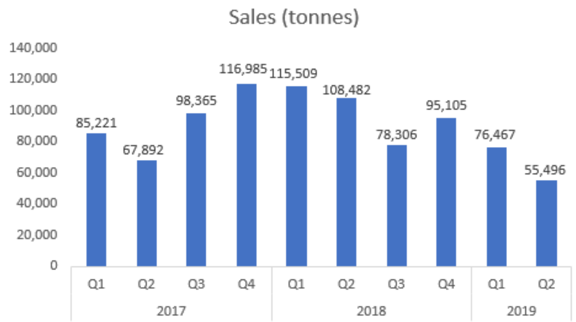
As of this quarter we have control over all the mines in our South African FerroAlloys business; our Mogale smelter has proven it can flexibly handle multiple product lines and has a record of good customer satisfaction. Like others in our industry, we are being badly affected by external, global economic issues and some specific issues affecting anyone in South Africa.

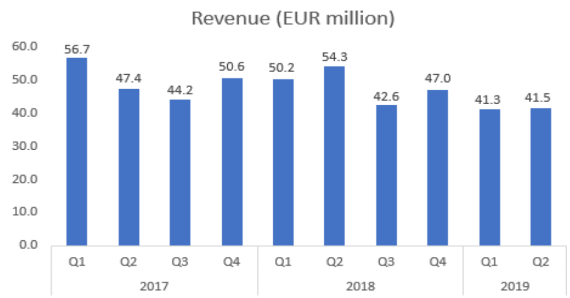
Our vertically integrated Speciality Alloys business in Germany and Turkey has ample reserves, world-class laboratory facilities and proven processing capability.

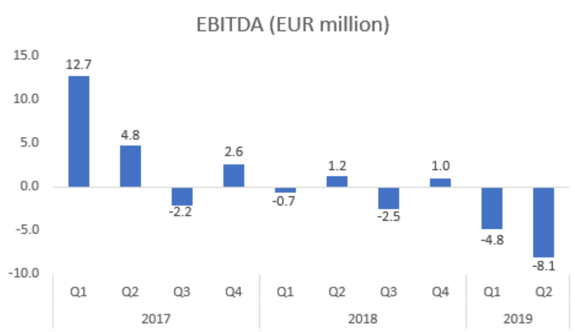
We are as well placed as we can be to take immediate advantage of any improvement in our macroeconomic environment.”

OVERVIEW OF RESULTS









MARKET OVERVIEW

Global demand for stainless steel increased by 3.1% in quarter one 2019 and is expected to decrease in the third quarter. Compared to a year earlier, ferrochrome prices remained generally subdued. Following the increased benchmark in the second quarter to USD 1.20/lb, benchmark dropped to USD 1.04/lb in the third quarter. In the chrome ore market the excessive supply of chrome ore led inventory levels at Chinese ports to increase during the quarter, and as a result South African Chrome ore prices reduced by around 20.0%. Even the low carbon ferrochrome market started showing signs of over-supply as demand from end-users reduced mainly driven by automotive sector as well as uncertainty with the trade war between the US and China.

Q2 2019 COMPARED TO Q2 2018

Total Group sales dropped by 29.6% to 76,379 (108,482) tonnes. The decrease in sales volumes together with lower selling prices led revenues to decrease by 23.6% to EUR 41.5 (Q2/2018: 54.3) million. The decline in production of 39.6% led to unabsorbed overheads which impacted the results for the quarter. EBITDA declined to EUR -8.1 (1.2) million. The FerroAlloys segment continued having a significant impact on the Group's results with production costs exceeding selling prices which led to inventory write down amounting to EUR 4.0 million in the second quarter. The Speciality Alloys was negatively affected by the shutdown of two weeks at EWW plant. Profitability was also negatively impacted by an impairment write-down on goodwill and other assets related to Mogale business of EUR 20.8 million, inventory theft at Mogale of EUR 1.2 million, which was partly offset by the accounting gain on acquisition of Synergy Africa Ltd amounting to EUR 7.1 million.

FIRST HALF 2019 COMPARED TO FIRST HALF 2018

Revenues reduced by 20.8%, and profitability was affected by the negative performance of the FerroAlloys segment, which was driven by the interplay of lower market prices and production inefficiencies that the plants faced in South Africa. EBITDA for the first half of 2019 contracted, compared to the previous year to EUR -12.9 (0.5) million.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

Speciality Alloys key figures

		Q2/19	Q2/18	H1/19	H1/18	2018
Revenue	EUR million	24.9	26.4	47.1	51.3	96.1
EBITDA	EUR million	2.2	3.9	4.2	6.6	12.6
EBIT	EUR million	1.5	3.5	2.9	5.7	10.8
EBITDA margin	%	8.7	14.8	8.8	12.9	13.1
EBIT margin	%	6.1	13.1	6.3	11.1	11.2
Sales	Tonnes	7,957	7,989	15,001	15,890	29,467
Total production	Tonnes	25,564	23,554	50,003	48,134	95,388
Mining	Tonnes	17,401	15,582	34,687	31,340	64,461
Processing	Tonnes	8,163	7,972	15,316	16.794	30,927
Personnel		518	514	518	514	526

PERFORMANCE COMPARED TO QUARTER TWO 2018

- Sales volumes of processed material decreased marginally by 0.4% during quarter two;
- Revenue for the quarter decreased by 5.6%, to EUR 24.9 (26.4) million mainly due to lower selling prices of low carbon ferrochrome during the quarter, as well as a change in sales mix;
- EBITDA retracted to EUR 2.2 (3.9) million, this was mainly driven by the decrease in sales prices; higher cost of material sold that came from the previous quarter; lower margins from speciality; as well as the two weeks of shutdown cost incurred at EWW;
- During the quarter cost of production improved as a result of reduced raw materials costs. This will be an important factor in the coming quarter to counter balance the negative impact of the declining sales prices and the lower sales;
- Production of processed material increased marginally by 2.4%. In June 2019 EWW stopped production two weeks earlier than originally planned to reduce stock piles;
- Mining activity at TMS increased by 11.7%, mainly due to increased mining activity at Tavas.

PERFORMANCE COMPARED TO FIRST HALF 2018

- Revenue decreased during the first half of 2019, when compared to the same period of last year. Despite the strengthening of the US dollar and average selling prices being at the same level as last year, lower sales volumes were recorded during the reporting period;
- Production increased slightly by 3.9% mainly due to the increased mining activity at Tavas mine, which was offset by reduced production at the EWW plant in Germany;
- The above factors caused EBITDA to decrease by 37.0% to EUR 4.2 (6.6) million, and EBIT to decrease by 48.1% to EUR 2.9 (5.7) million.

FERROALLOYS BUSINESS

FerroAlloys key figures

		Q2/19	Q2/18	H1/19	H1/18	2018
Revenue	EUR million	16.6	27.8	35.5	52.7	97.0
EBITDA	EUR million	-8.5	-1.1	-14.0	-3.3	-8.1
EBIT	EUR million	-30.9	-2.3	-37.7	-5.7	-19.3
EBITDA margin	%	-51.4	-4.1	-39.6	-6.3	-8.4
EBIT margin	%	-185.7	-8.4	-106.1	-10.8	-19.9
Sales	Tonnes	13,125	17,940	28,333	33,323	71,100
Total production	Tonnes	81,642	153,795	189,607	299,425	556,142
Mining	Tonnes	65,760	135,270	157,379	258,990	484,949
Processing	Tonnes	15,882	18,525	32,228	40,435	71,193
Personnel		423	334	423	334	324

PERFORMANCE COMPARED TO QUARTER TWO 2018

- Revenue and sales volumes decreased by 40.2% and 26.8% respectively due to lower sales volumes and lower benchmark prices;
- EBITDA was negatively impacted at EUR -8.5 (-1.1) million. This was mainly driven by weak ferrochrome prices; inefficiencies in production; under absorption of overhead costs as a result lower production; and an inventory write-down of Mogale material amounting to EUR 4.0 million in relation to a lower benchmark prices of expected sales in the third quarter of 2019, and EUR 1.2 million in relation to inventory theft at Mogale. Management have taken action and introduced internal control measures to mitigate this risk;
- Production decreased to 81,642 (153,795) tonnes in the second quarter of 2019, representing a significant decrease of 46.9%, when compared to the same period in 2018, due to no mining activity at Mecklenburg mine and Mogale plants P2 and P3 being switched off during June 2019;
- Profitability was further impacted by an impairment related to the Mogale business of EUR 20.8 million, which was partly offset by the gain on change in control of Synergy Africa Ltd, acquiring 100% shareholding, amounting to EUR 7.1 million.

PERFORMANCE COMPARED TO FIRST HALF 2018

- Contraction in sales volumes and lower ferrochrome benchmark prices contributed to a fall in revenue for the first half of 2019 to EUR 35.5 (52.7) million;
- Production decreased significantly by 36.7% to 189,607 (299,425) tonnes;
- Such factors together with higher cost of production and inventory write-down of Mogale material, negatively affected EBITDA to EUR -14.0 (-3.3) million;
- Profitability was further impacted by an impairment on goodwill and other assets related to Mogale business of EUR 20.8 million, which was partly offset by the gain on change in control of Synergy Africa Ltd, acquiring 100% shareholding, amounting to EUR 7.1 million.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 30 June 2019 stood at EUR 253.3 (262.8) (31 March 2019: 251.2) million and net assets totalled EUR 131.6 (165.6) (31 March 2019: 145.7) million. During the quarter, currency movements had a slight effect on Afarak's balance sheet, with the translation reserve moving by EUR -0.7 (-0.9) million. The Group's cash and cash equivalents, as at 30 June 2019, totalled EUR 6.1 (5.5) million (31 March 2019: 10.5). Operating cash flow in the second quarter was EUR -1.1 (-4.8) million.

The equity ratio was 51.9% (63.0%) (31 March 2019: 58%). Afarak's gearing at the end of the second quarter increased to 23.0% (6.3%) (31 March 2019: 8.2%), driven by the expansion in the interest-bearing debt to EUR 36.4 (16.0) (31 March 2019: 22.4) million.

Major changes in Balance sheet relate to the acquisition of Synergy Africa as explained in the purchase price allocation, and changes resulting from the impairment test review of South African minerals processing.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the second quarter of 2019 totalled EUR 1.1 (2.8) million, with the major part being TMS where it continued construction of the new fines tailing plant at Kavak mine.

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

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

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

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

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

During the quarter Afarak acquired a further 23% of the shares in Zeerust Chrome Mine, in exchange for total consideration of two million shares in Afarak Group Plc. Afarak now holds 74% interest in the company.

IMPAIRMENT TESTING

Afarak Group has carried out impairment testing on goodwill and other assets for the South African minerals processing business (Mogale Alloys) cash generating unit, which has ferroalloys smelting operations with four furnaces as of 30 June 2019.

At end of 30 June 2019 an impairment of EUR 20.8 million was recognised.

EUR million	**30.06.2019**
Goodwill	12.5
Other assets and liabilities, net	46.0
Carrying amount	58.5
Recoverable amount	37.7
Impairment	20.8

The pre-tax discount rates applied in the impairment testing was of 21.8%.

Impairment test results were as follows:

Cash generating unit	**Goodwill (MEUR), pre-testing**	**Goodwill (MEUR), post-testing**	**Carrying amount (MEUR), pre-testing**	**Conclusion**
South African minerals processing	12.5	0	58.5	Impairment

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

Cash generating unit	**Sales volume**	**Sales prices**	**Costs**
South African minerals processing	Metal alloys: 91,000 mt/a Assumption made: P1 will operate throughout the period; P2 and P3 will start to operate as from Q4 2020; P4 will not be operating during the period	Forecast based on 10 year price average adjusted for inflation	Raw material costs generally change in line with sales price; Electricity cost was assumed to be higher than inflation, while other costs growing at inflation rate

Moreover, the USD/ZAR foreign exchange rate affects significantly the testing of the South African minerals business. The foreign exchange rate used in the test was 14.2.

PERSONNEL

At the end of the second quarter 2019, Afarak had 1,035 (929) employees. The average number of employees during the second quarter of 2019 was 1,059 (932). The increase in workforce is mainly driven by the acquisition of Synergy Africa by 98 employees.

UNALLOCATED ITEMS

For the second quarter of 2019, the EBITDA from unallocated items remained stable compared with last year EUR -1.7 (-1.6) million. EBITDA included EUR -0.6 (-0.3) million, relating to net operating expenditure incurred by the Group in Magnohrom.

SUSTAINABILITY

The health and safety of our employees across business units remains a key central focus. No fatalities were recorded during the quarter under review.

The improvement process that was spearheaded by local management at Mogale is continuing and has led to tangible improvements as no injuries were reported during the quarter. The management continues to focus on improving health and safety practices in the TMS mines in Turkey, given the fast expansion of the unit in terms of employees and assets.

Our efforts with local communities continues also this quarter, with the subvention of funds to support local projects and infrastructural development. Our aim remains to improve the daily lives of the communities where our investments resides. Our community relationship team continues with its mission to invest directly in such communities.

From the environmental perspective, investments were made in the plants in Turkey in terms of water conservation and management. Installing a 2.8MW heat recovery unit at Mogale is in its final phase, which will reduce CO_2 emissions and help reduce electricity costs too,

SHARES & SHAREHOLDERS

On 30 June 2019, the registered number of Afarak Group Plc shares was 261,155,695 (263,040,695) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 30 June 2019, the Company had 2,494 (2,854,161) own shares in treasury, which was equivalent to 0.00% (1.09%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 30 June 2019, was 261,153,201 (260,186,534).

At the beginning of the period under review, the Company's share price was EUR 0.73 on NASDAQ Helsinki and GBP 0.73 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.92 and GBP 0.73 respectively. During the second quarter of 2019, the Company's share price on NASDAQ Helsinki ranged from EUR 0.77 to 0.96 per share and the market capitalisation, as at 30 June 2019, was EUR 240.26 (1 January 2019: 191.0) million. For the same period on the London Stock Exchange, the share ranged from GBP 0.63 to 0.73 per share and the market capitalisation was GBP 189.34 (1 January 2019: 190.7) million, as at 30 June 2019.

Based on the resolution at the AGM on 25 Jun 2019, the Board is authorised to buy-back up to a maximum of 15,000,000 of its own shares. This authorisation is valid until 29 November 2019. The Company did not carry out any share buy-backs during the second quarter of 2018.

The board resolved on 29 May 2019, based on authorization granted by the EGM held on 12 November 2018, that the Company repurchases 26 million of its own shares at a price of EUR 1.015 by means of voluntary public tender offer made to all shareholders.

RISKS & UNCERTAINTIES

Afarak´s financial performance is dependent on the general market conditions of the mining, smelting and minerals processing business. Global stainless-steel demand also carries direct influence on the company. In particular, the chrome ore prices as well as the benchmark settlements have been extremely volatile in the past. This situation is likely to continue going forward.

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 continuously assesses its working capital to minimise the time during which the Group is exposed to exchange movements and to ensure that it has sufficient funds to meet its liabilities.

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 25 Jun 2019. The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2018.

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

The AGM resolved that all Board members shall be paid EUR 3,500 per month, and will receive additional Eur 1,500 for the committee work. Chairman of the Audit and Risk Management Committee shall receive in addition EUR 500 a month while chairmen of the board will receive additional Eur 2,000 a month. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership or Board Committee work. Board Members shall be compensated for travel and accommodation expenses as well as other costs directly related to Board and Committee work in accordance with the company's travel rules.

The AGM resolved that the Board of Directors would comprise of five members: Dr Jelena Manojlovic, Mr Barry Rourke, Mr Thorstein Abrahamsen and Mr Guy Konsbruck were re-elected and Yolanda Bolleurs was elected as a new Board member.

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

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

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

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

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 25 Jun 2019, the Board of Directors would comprise of five (5) members: Dr Jelena Manojlovic (UK citizen), Mr Barry Rourke (UK citizen), Mr Thorstein Abrahamsen (Norwegian citizen) and Mr Guy Konsbruck (Luxembourg citizen) were re-elected and Yolanda Bolleurs (Dutch citizen) was elected as a new Board member.

Audit and Risk Management Committee
Yolanda Bolleurs (Chair) and Thorstein Abrahamsen

Nomination and Remuneration Committee
Dr Jelena Manojlovic (Chair) and Thorstein Abrahamsen

Safety, Health and Environment Committee
Thorstein Abrahamsen (Chair) and members of Management

Following the AGM, the Board of Directors held a meeting in which Barry Rourke was unanimously appointed as the Chairperson.

REPORTING

EVENTS DURING THE REVIEW PERIOD

On 1 April 2019, the company published the auditor's report for the annual financial statements for 2018.

On 3 April 2019, the board of directors announced that Afarak would acquire the 49% balance of Synergy Africa, after this transaction Afarak will hold 100% of Synergy Africa Ltd and the Joint Venture agreement will be terminated.

On 5 April 2019, the company announced that Afarak group completed the transaction relating to Synergy Africa Ltd.

On 2 May 2019, the company received notification of manager's transaction relating to the disposal of shares.

On 14 May 2019, the company issued a profit warning that it expected to post a negative EBITDA in the broad region of EUR -5 million for the first quarter, due to weaker demand for stainless steel in China that resulted in low benchmark prices.

On 17 May 2019, the company published the Interim Reports results for the first quarter of 2019.

On 20 May 2019, the board of directors proposed the conversion of Afarak into a European company.

On 29 May 2019, Afarak Group Plc signs two agreements whereby it acquires additional ownership in certain African mining assets.

On 29 May 2019, the company announced that Afarak made agreements regarding its funding for repurchase of shares

On 29 May 2019, the board of directors announced that the company would repurchase its own shares by means of voluntary public tender offer made to all shareholder, together with terms and conditions for the offer.

On 29 May 2019, Afarak Group plc, invited shareholders to the Annual General Meeting to be held on 25 June 2019.

On 7 June 2019, the company published a statement that the Regional State Administrative Agency had requested a special audit on Afarak Group Plc administration and accounts for the year 2015 to 2018 in order to clarify the business and legal transactions conducted by Mr Danko Koncar.

On 12 Jun 2019, the company published production guidance & operational update on Ferro-Alloy segment.

On 13 Jun 2019, the company published that changes occurring in the production do not affect the buy-back or its financing.

On 14 Jun 2019, the company published a supplement to the offer document regarding the public tender offer for own shares.

On 17 Jun 2019, Afarak Group plc, receives decision from FIN_FSA relating to Danko Koncar.
On 18 Jun 2019, the company published supplement to the offer document regarding the public tender offer for own shares.

On 24 Jun 2019, Afarak Group plc gave specifications relating to the invitation of the annual general meeting.

On 28 Jun 2019, Afarak Group extended the offer period of the tender offer regarding the acquisition of Afarak's own shares.

On 28 Jun 2019, the company published supplement to the offer document regarding the public tender offer for own shares.

EVENTS SINCE THE END OF REVIEW PERIOD

On 1 Jul 2019, the company announced changes in Afarak group plc treasury shares, of two directed share issues.

On 12 Jul 2019, Afarak Group extended the offer period of the tender offer regarding the acquisition of Afarak's own shares.

On 16 Jul 2019, Afarak Group plc, announced changes in important dates relating to the tender offer.

On 30 Jul 2019, the company published preliminary result of Afarak Group Plc's public offer for own shares.

On 31 Jul 2019, the company published the final result of Afarak Group Plc's public offer for own shares.

In July Afarak received the prepayment of USD 30 million for chrome ore as announced on 29 May 2019.

On 7 August 2019, Afarak announced that the Company's financial performance will be adversely impacted by the challenges faced at Mogale.

On 8 August 2019, Afarak announced that the Company cancelled 25,998,881 of its own shares as a result of the completion of a voluntary public tender for the Company's shares.

FLAGGING NOTIFICATIONS

On 7 May 2019, Afarak received a flagging notification in accordance with Chapter 9, Section 5 of the Finnish Securities Markets Act from Atkey Ltd, a company incorporated and existing under the laws of Malta, regarding the shares of Afarak Group Oyj. In accordance with the flagging notification, Atkey Ltd has completed a sale of shares in Afarak Group and the transaction has resulted in Atkey decreasing its shareholding in the Company to under 25 per cent and becoming a 23.62% per cent holder of the shares and voting rights in Afarak.

On 7 August 2019, Afarak received from Joensuun Kauppa ja Kone Oy, Esa Hukkanen, Markku Kankaala, Kari Kakkonen, Timo Kankaala, Juhani Lemmetti, Antti Kivimaa, Juha Halttunen, AJ Elite Value Hedge and Veikko Karhulahti (together the "Flagging Notifies") a flagging notification pursuant to Chapter 9, Section 5 and Section 6 of the Finnish Securities Markets Act, according to which the Flagging Notifiers aggregate portion of the Company's shares and votes has gone below the threshold of 10 per cent. According to the notification the Flagging Notifies have agreed to use the voting rights of Afarak together in consensus.

According to the notification, the Flagging Notifies holds together 13,768,809 shares in Afarak, which corresponds to approximately 5.81 % of the shares and voting rights in Afarak as a result of the transaction that was executed on 2 August 2019 whereby Afarak purchased its own shares.

FINANCIAL INFORMATION

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

H1/2019 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	47,064	35,496	1,101	-899	82,763
EBITDA	4,151	-14,041	-3,012	0	-12,902
EBIT	2,946	-37,665	-3,014	0	-37,733
Segment's assets	145,478	133,525	17,144	-42,815	253,331
Segment's liabilities	60,076	99,699	4,961	-43,009	121,727

H1/2018 6 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	51,251	52,728	1,723	-1,249	104,453
EBITDA	6,588	-3,304	-2,782	0	502
EBIT	5,681	-5,710	-2,789	0	-2,818
Segment's assets	144,555	132,682	16,509	-30,925	262,821
Segment's liabilities	60,130	51,975	6,328	-21,228	97,205

FY 2018 12 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	96,148	97,046	3,318	-2,499	194,013
EBITDA	12,605	-8,114	-5,508	0	-1,017
EBIT	10,771	-19,323	-5,539	0	-14,092
Segment's assets	156,874	118,706	16,480	-33,446	258,614
Segment's liabilities	69,731	65,832	5,853	-33,650	107,766

RESULTS DEVELOPMENT

	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Sales (tons)									
Mining	41,427	67,339	85,698	85,289	79,646	50,099	66,316	51,351	53,661
Processing	20,773	27,538	25,371	23,284	25,929	25,521	25,833	22,252	21,082
Trading	5,692	3,488	5,916	6,936	3,006	2,686	2,956	2,864	1,636
Total	**67,892**	**98,365**	**116,985**	**115,509**	**108,581**	**78,306**	**95,105**	**76,467**	**76,379**
Average rates*									
EUR/USD	1.083	1.114	1.130	1.229	1.191	1.163	1.141	1.136	1.124
EUR/ZAR	14.306	14.706	15.049	14.710	15.072	16.363	16.295	15.921	16.168
Euro (million)	**Q2/17**	**Q3/17**	**Q4/17**	**Q1/18**	**Q2/18**	**Q3/18**	**Q4/18**	**Q1/19**	**Q2/19**
Revenue	47.4	44.2	50.6	50.2	54.3	42.6	47.0	41.3	41.5
EBITDA	4.8	-2.2	2.6	-0.7	1.2	-2.5	1.0	-4.8	-8.1
EBITDA margin	10.2%	-4.9%	5.2%	-1.4%	2.2%	-5.9%	2.1%	-11.6%	-19. 6%
EBIT	3.3	-4.2	1.2	-2.4	-0.4	-4.3	-7.0	-6.6	-31.1
EBIT margin	7.0%	-9.4%	2.3%	-4.7%	-0.8%	-10.0%	-14.9%	-16.1%	-74.9%

***Average rates in the respective quarters

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	**Q2/19**	**Q2/18**	**H1/19**	**H1/18**	**FY2018**
Revenue	**41,484**	**54,284**	**82,763**	**104,453**	**194,013**
Other operating income	857	1,150	1,211	1,543	4,624
Operating expenses	-50,474	-53,852	-96,007	-104,122	-196,960
Depreciation and amortisation	-2,207	-1,643	-4,081	-3,320	-6,532
Impairment	-20,751	0	-20,751	0	-6,543
Share of profit from joint ventures*	0	-375	-868	-1,373	-2,693
Operating profit	**-31,091**	**-436**	**-37,733**	**-2,818**	**-14,092**
Gain on acquisition of Synergy Group	7,069	0	7,069	0	0
Financial income and expense	-588	-2,907	-1,168	-3,015	-4,449
Profit before tax	**-24,610**	**-3,343**	**-31,832**	**-5,834**	**-18,541**
Income tax	2,971	601	2,648	1,228	-42
Profit for the period from continuing operations	**-21,640**	**-2,742**	**-29,184**	**-4,605**	**-18,583**
Discontinued operations					
Profit for the period from discontinued operations	0	0	0	0	0
Profit for the period	**-21,640**	**-2,742**	**-29,184**	**-4,605**	**-18,583**
Profit attributable to:					
Owners of the parent	-21,063	-2,693	-28,460	-4,346	-18,056
Non-controlling interests	-576	-50	-724	-259	-527
Total	-21,640	-2,742	-29,184	-4,605	-18,583
Earnings per share for profit attributable to the shareholders of the parent company, EUR					
Basic earnings per share, EUR	-0.08	-0.01	-0.11	-0.02	-0.07
Diluted earnings per share, EUR	-0.08	-0.01	-0.11	-0.02	-0.07

*The joint venture has been acquired and the results are being consolidated as from Q2 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR ‘000	**Q2/19**	**Q2/18**	**H1/19**	**H1/18**	**FY2018**
Profit for the period	**-21,640**	**-2,742**	**-29,184**	**-4,605**	**-18,583**
Other comprehensive income					
Remeasurement of defined benefit pension plans	0	0	0	0	-577
Exchange differences on translating foreign operations – Group	-1,596	-777	1,761	-1,986	-2,208
Exchange differences on translating foreign operations – Associate and JV	859	-205	-174	-426	-340
Other comprehensive income, net of tax	**-737**	**-982**	**1,587**	**-2,412**	**-3,125**
Total comprehensive income for the period	**-22,377**	**-3,724**	**-27,597**	**-7,017**	**-21,708**
Total comprehensive income attributable to:					
Owners of the parent	-21,798	-3,607	-26,877	-6,702	-21,111
Non-controlling interests	-579	-117	-720	-315	-597

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	**30.6.2019**	**30.6.2018**	**31.12.2018**
ASSETS			
Non-current assets			
Goodwill	44,689	61,940	56,245
Other intangible assets	8,033	14,175	13,475
Property, plant and equipment	119,262	45,425	44,984
Deferred tax asset	3,568	5,027	3,935
Other non-current assets	1,069	23,172	22,704
Non-current assets total	**176,620**	**149,739**	**141,342**
Current assets			
Inventories	45,185	58,113	56,965
Trade receivables	17,090	28,449	27,223
Other receivables	8,316	21,047	20,952
Cash and cash equivalents	6,120	5,473	12,132
Current assets total	**76,711**	**113,082**	**117,272**
Total assets	**253,331**	**262,821**	**258,614**
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	233,143	231,123	231,292
Legal Reserve	90	111	98
Translation reserves	-20,228	-21,690	-21,811
Retained earnings	-138,459	-93,964	-108,485
Equity attributable to owners of the parent	**123,928**	**164,963**	**150,476**
Non-controlling interests	**7,676**	**654**	**372**
Total equity	**131,604**	**165,616**	**150,848**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	20,675	3,827	3,435
Provisions	16,541	8,878	8,876
Share of joint ventures' losses	0	15,625	16,871
Pension liabilities	19,919	19,735	20,106
Financial liabilities	20,083	5,045	4,783
Non-current liabilities total	**77,218**	**53,110**	**54,071**
Current liabilities			
Trade payables	14,884	20,650	20,512
Other current liabilities	29,625	23,444	33,183
Current liabilities total	**44,509**	**44,094**	**53,695**
Total liabilities	**121,727**	**97,205**	**107,766**
Total equity and liabilities	**253,331**	**262,821**	**258,614**

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

EUR '000	**30.6.2019**	**30.6.2018**	**31.12.2018**
Cash and cash equivalents	**6,120**	**5,473**	**12,132**
Interest-bearing receivables			
Current	0	10,931	10,786
Non-current	328	18,895	19,198
Interest-bearing receivables	**328**	**29,826**	**29,984**
Interest-bearing liabilities			
Current	19,022	13,734	22,330
Non-current	17,384	2,234	2,103
Interest-bearing liabilities	**36,406**	**15,968**	**24,433**
NET TOTAL	**-29,958**	**19,331**	**17,683**

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

EUR '000	**Property, plant and equipment**	**Intangible assets**
Acquisition cost 1.1.2019	82,556	213,169
Additions	2,124	147
Disposals	-323	0
Business combinations	82,936	3,874
Reclass between items	86	0
Effect of movements in exchange rates	-133	-3,468
Acquisition cost 30.6.2019	167,248	213,721
Acquisition cost 1.1.2018	84,219	220,845
Additions	9,348	442
Disposals	-2,262	-1
Business combinations	602	398
Reclass between items	641	0
Effect of movements in exchange rates	-9,992	-8,515
Acquisition cost 31.12.2018	82,556	213,169

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

EUR '000	**H1/19**	**H1/18**	**FY2018**
Profit for the period	-29,184	-4,605	-18,583
Adjustments to profit for the period	9,953	7,654	19,048
Changes in working capital	14,068	-6,636	2,604
Net cash from operating activities	**-5,163**	**-3,587**	**3,069**
Acquisition of subsidiaries and associates, net	684	-1,003	-1,003
Acquisition of non-controlling interest	-111	-240	-457
Capital expenditure on non-current assets, net	-1,931	-5,352	-7,497
Other investments, net	-141	-42	141
Proceeds from repayments of loans and loans given	413	0	-1,139
Net cash used in investing activities	**-1,086**	**-6,637**	**-9,955**
Proceeds from borrowings	3,140	4,622	7,787
Repayment of borrowings, and other financing activities	-3,871	-2,841	-6,327
Movement in short-term financing activities*	919	3,282	6,518
Net cash used in financing activities	**189**	**5,063**	**7,978**
Net increase in cash and cash equivalents	**-6,061**	**-5,161**	**1,092**

*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 31.12.2017	**23,642**	**25,740**	**230,835**	**-19,334**	**-89,618**	**131**	**171,396**	**969**	**172,365**
Profit for the period 1-6/2018 + comprehensive income				-1,930	-4,346		-6,276	-259	-6,535
Share of OCI in associates and JV				-426			-426		-426
Translation differences								-56	-56
Share-based payments			288				288		288
Other changes in equity						-20	-20		-20
Equity at 30.6.2018	**23,642**	**25,740**	**231,123**	**-21,690**	**-93,964**	**111**	**164,962**	**654**	**165,616**
Profit for the period 7-12/2018 + comprehensive income				-207	-13,710		-13,917	-268	-14,185
Share of OCI in associates and JV				86			86		86
Translation differences								-14	-14
Share-based payments			169		-234		-65		-65
Remeasurements of defined benefit pension plans					-577		-577		-577
Other changes in equity						-13	-13		-13
Equity at 31.12.2018	**23,642**	**25,740**	**231,292**	**-21,811**	**-108,485**	**98**	**150,476**	**372**	**150,848**
Profit for the period 1-6/2019 + comprehensive income				1,757	-28,460		-26,703	-724	-27,427
Share of OCI in associates and JV				-174			-174		-174
Translation differences								3	3
Share-based payments			291				291		291
Acquisition of non-controlling interest			1,559		-1,514		45	8,024	8,069
Other changes in equity						-8	-8		-8
Equity at 30.06.2019	**23,642**	**25,740**	**233,142**	**-20,228**	**-138,459**	**90**	**123,927**	**7,675**	**131,602**

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	**H1/19**	**H1/18**	**FY2018**
Sales to joint ventures	123	640	1,302
Sales to other related parties	12	237	286
Purchases from joint ventures	-1,344	-11,140	-18,411
Purchases from other related parties	0	-548	-562
Financing income from joint ventures	115	483	964
Loan receivables from joint ventures	0	26,135	26,269
Loan receivables from other related parties	8	3,508	3,508
Trade and other receivables from joint ventures	0	3,812	7,280
Trade and other receivables from other related parties	80	110	77
Loan payables from other related parties	15,141	0	0
Trade and other payables to joint ventures	0	263	1,105

FINANCIAL INDICATORS

	H1/19	**H1/18**	**FY2018**
Return on equity, % p.a.	-41.1%	-5.5%	-11.5%
Return on capital employed, % p.a.	-33.9%	-2.3%	-6.0%
Equity ratio, %	52.1%	63.0%	58.3%
Gearing, %	22.8%	6.3%	8.2%
Personnel at the end of the period	1,035	929	942

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

	H1/19	**H1/18**	**FY2018**
TRY	6.3562	4.9566	5.7077
USD	1.1298	1.2104	1.1810
ZAR	16.0434	14.8913	15.6186

Balance sheet rates

	30.6.2019	**30.6.2018**	**31.12.2018**
TRY	5.5655	5.3385	6.0588
USD	1.1380	1.1658	1.1450
ZAR	16.1218	16.0484	16.4594

FORMULAS FOR FINANCIAL INDICATORS

Financial ratios and indicators have been calculated with the same principles as applied in the 2018 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 2018. Afarak has applied the same accounting principles in the preparation of this Interim Report as in its financial statements for 2018, except for the adoption of new standards and interpretations that become effective in 2019. 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

		Q2/19	Q2/18	H1/19	H1/18	FY2018
Share price development in London Stock Exchange						
Average share price*	EUR	0.78	1.01	0.78	0.97	1.00
	GBP	0.68	0.89	0.68	0.85	0.89
Lowest share price*	EUR	0.72	0.91	0.72	0.82	0.82
	GBP	0.63	0.80	0.63	0.73	0.73
Highest share price*	EUR	0.83	1.05	0.83	1.05	1.05
	GBP	0.73	0.93	0.73	0.93	0.93
Share price at the end of the period**	EUR	0.81	0.99	0.81	0.99	0.81
	GBP	0.73	0.88	0.73	0.88	0.73
Market capitalisation at the end of the period**	EUR million	211.18	259.8	211.2	259.8	213.2
	GBP million	189.34	230.2	189.3	230.2	190.7
Share trading development						
Share turnover	thousand shares	95.51	1	96	27	28
Share turnover	EUR thousand	72.86	1	73	27	28
Share turnover	GBP thousand	63.65	1	64	24	25
Share turnover	%	0.00	0.0 %	0.0 %	0.0 %	0.0 %
Share price development in NASDAQ Helsinki						
Average share price	EUR	0.86	1.03	0.85	1.00	0.94
Lowest share price	EUR	0.77	0.90	0.74	0.85	0.67
Highest share price	EUR	0.96	1.20	0.96	1.20	1.20
Share price at the end of the period	EUR	0.92	1.01	0.92	1.01	0.73
Market capitalisation at the end of the period	EUR million	240.26	265.7	240.26	265.7	191.0
Share trading development						
Share turnover	thousand shares	3645	6,149	7,496	18,827	29,238
Share turnover	EUR thousand	3124	6,336	6,341	18,756	27,594
Share turnover	%	0.01	2.3 %	2.9 %	7.2 %	11.1 %

* 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.