

Financial Statements

Q1 2019

The operational challenges in our South African operations seen in 2018, persisted into the new year. With the second lowest benchmark price in the past nine quarters, sales volumes and revenues were impacted during the first three months of the year. The specialty segment performed well, although market prices for low carbon ferrochrome have weakened. Despite this tough environment the Company is focused on improving its operational and financial performance.

Guy Konsbruck
CEO



A F A R A K

ADVERSE BUSINESS CONDITIONS IMPACT PERFORMANCE

		Q1/19	Q1/18	2018
Revenue	EUR million	41.3	50.2	194.0
EBITDA	EUR million	-4.8	-0.7	-1.0
EBIT	EUR million	-6.6	-2.4	-14.1
Earnings before taxes	EUR million	-7.2	-2.5	-18.5
Profit from continuing operations	EUR million	-7.5	-1.9	-18.6
Profit from discontinued operations	EUR million	0.0	0.0	0.0
Profit	EUR million	-7.5	-1.9	-18.6
Earnings per share	EUR	-0.03	0.01	-0.07
EBITDA margin	%	-11.6	-1.4	-0.5
EBIT margin	%	-16.1	-4.7	-7.3
Earnings margin	%	-17.5	-5.0	-9.6
Personnel at the end of the period		1,052	1,015	1,061

HIGHLIGHTS IN THE FIRST QUARTER OF 2019

- Weaker ferrochrome prices and lower sales volumes coupled by specific segment conditions, led Afarak to register a weaker performance than a year earlier;
- Revenue for the quarter contracted by 17.7% to EUR 41.3 (Q1/2018: 50.2) million on account of lower prices and sales volumes compared to a year earlier;
- Processed material sold decreased by 4.4% to 22,252 (Q1/2018: 23,284) tonnes;
- Tonnage mined decreased by 21.9% to 108,905 (Q1/2018: 139,478) tonnes;
- EBITDA was EUR -4.8 (Q1/2018: -0.7) million and the EBITDA margin was -11.6% (Q1/2018: -1.4%);
- EBIT was EUR -6.6 (Q1/2018: -2.4) million and the EBIT margin was -16.1% (Q1/2018: -4.7%);
- Profit for the period from continuing operations totalled EUR -7.5 (Q1/2018: -1.9) million;
- Cash flow from operations was EUR -4.1 (Q1/2018: 1.2) million;
- Net interest-bearing debt after deducting liquid funds amounted to EUR 11.9 (31 March 2018: 3.3) (31 December 2018: 12.3) million;
- Cash and cash equivalents at 31 March totalled EUR 10.5 (31 March 2018: 10.5) (31 December 2018: 12.1) million.

MARKET SENTIMENT FOR THE SECOND QUARTER 2019

The charge chrome benchmark price for quarter two rose by 7.1% to USD1.20 per pound. This increase is expected to improve results for quarter two, compared to the first quarter. Apart from improved prices, the Company is also expected to experience higher sales volumes throughout the second quarter. The acquisition of the joint venture partner's share of Synergy Africa will positively impact results of the second quarter as a result of change in control. However, conditions in the FerroAlloys segment remain challenging.

CEO GUY KONSBRUCK

“The operational challenges in our South African operations seen in 2018, persisted into the new year. With the second lowest benchmark price in the past nine quarters, sales volumes and revenues were impacted during the first three months of the year.

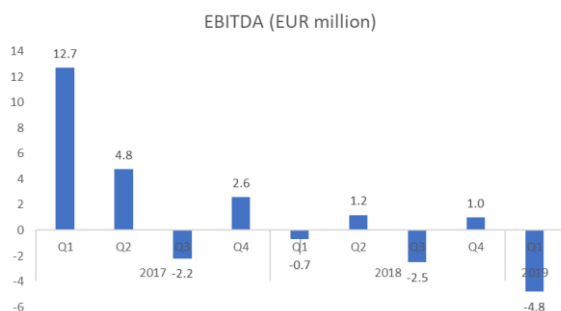
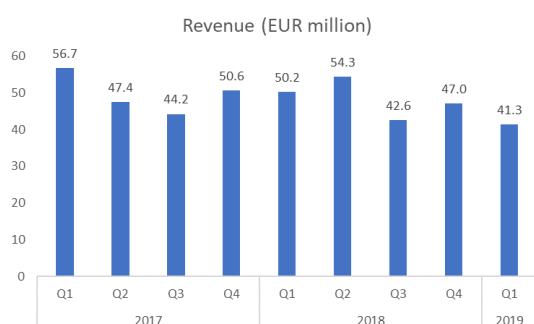
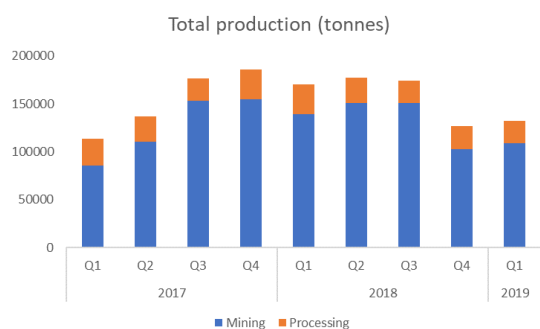
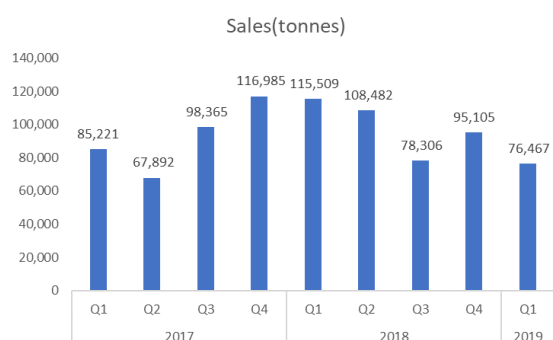
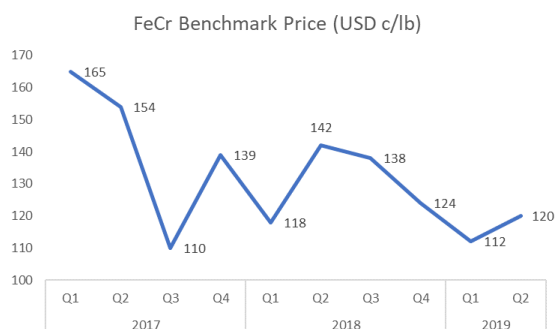
The specialty segment performed well, although market prices for low carbon ferrochrome have weakened and the sales volumes have contracted. The company has adapted the production output to the market demand in order to keep efficient inventory management in place.

The Executive Management Team together with the operational units are focusing their efforts on improving the performance in South Africa. Following the implementation of a turnaround strategy, positive results started being achieved in our South African mines towards the end of the first quarter. In addition, cash management was a key priority for the Company during the quarter. Despite the results, prudent working capital management have allowed the Company to keep cash flow stable.

The charge chrome benchmark price for quarter two rose by 7.1% to USD1.20 per pound. This increase is expected to improve results for quarter two, compared to the first quarter. Apart from improved prices, the Company is also expected to experience higher sales volumes throughout the second quarter. The acquisition of the rest of the joint venture Synergy Africa will have a positive one-time impact on the results of the second quarter. We must however emphasize that the business environment in South Africa, with the scarce availability and the high cost of energy will constitute a major obstacle to a good performance in our Mogale smelter.

Despite this tough environment the Company is focused on improving its operational and financial performance.”

OVERVIEW OF RESULTS



MARKET OVERVIEW

Global demand for stainless steel increased by 2.7% in quarter one 2019 and is set to continue with the same pace in the second quarter. Compared to a year earlier, ferrochrome prices remained generally subdued.

Following the fall in benchmark in the first quarter due to the downward movements in the Chinese spot prices, a turnaround is expected in the second quarter as the negotiated ferrochrome benchmark price improved to USD 1.20/lb, supported by the improved spot prices in China. However, average prices in 2019 are still lower than a year earlier.

Q1 2019 COMPARED TO Q1 2018

In line with previous quarters, the FerroAlloys segment continued having a significant negative impact on the Group's results. EBITDA declined to EUR -4.8 (-0.7) million solely driven by the loss registered in the FerroAlloys segment. The decline in benchmark prices together with the contraction in production and sales volumes of 22.2% and 33.8% respectively, impacted the results for the quarter.

SEGMENT PERFORMANCE

SPECIALITY ALLOYS BUSINESS

Speciality alloys key figures

		Q1/19	Q1/18	y-o-y	2018
Revenue	EUR million	22.2	24.9	-10.8%	96.1
EBITDA	EUR million	2.0	2.7		12.6
EBIT	EUR million	1.4	2.2		10.8
EBITDA margin	%	9.0	10.8		13.1
EBIT margin	%	6.4	8.9		11.2
Sales	Tonnes	7,044	7,901	-10.8%	29,467
Total production	Tonnes	24,439	24,580	-0.6%	95,388
Mining	Tonnes	17,286	15,758	9.7%	64,461
Processing	Tonnes	7,153	8,822	-18.9%	30,927
Personnel		521	495		526

PERFORMANCE COMPARED TO QUARTER ONE 2018

Lower sales volumes and reduced market prices led to a contraction in EBITDA.

- Revenue for the first quarter decreased by 10.8% to EUR 22.2 (24.9) million driven mainly by the 10.8% contraction in sales volumes;
- Although production remained stable, the gains registered in mining activity at Kavak and Tavas mines were offset by reduced production at the EWW plant in Germany;
- These factors caused EBITDA to decrease to EUR 2.0 (2.7) million and EBIT to decrease to EUR 1.4 (2.2) million for the first quarter.

FERROALLOYS BUSINESS

Ferroalloys key figures

		Q1/19	Q1/18	y-o-y	2018
Revenue	EUR million	18.9	24.9	-24.3%	97.0
EBITDA	EUR million	-5.5	-2.2		-8.1
EBIT	EUR million	-6.8	-3.4		-19.30
EBITDA margin	%	-29.2	-8.7		-8.4
EBIT margin	%	-36.0	-13.6		-19.9
Sales	Tonnes	15,208	15,383	-1.1%	71,100
Total production	Tonnes	107,965	145,630	-25.9%	556,142
Mining	Tonnes	91,619	123,720	-25.9%	484,949
Processing	Tonnes	16,346	21,910	-25.4%	71,193
Personnel		438	452		443

PERFORMANCE COMPARED TO QUARTER ONE 2018

Market forces combined with a weak operational performance on account of weaker ore supply quality, higher energy cost, and technical issues, led the EBITDA deficit to widen over a year earlier.

- The lower ferrochrome benchmark price and a substantial contraction in sales volumes of chrome ore led revenue for the first quarter to slide by 24.3% to EUR 18.9 (24.9) million;
- Various technical issues in the South African operations led to a -25.9% contraction in production tonnages;
- These factors hit EBITDA which decreased significantly to EUR -5.5 (-2.2) million.

JOINT VENTURE

Joint venture key figures (Afarak's share)

		Q1/19	Q1/18	2018
Revenue	EUR million	2.4	4.5	14.8
EBITDA	EUR million	-0.2	-0.4	-0.8
EBIT	EUR million	-0.4	-0.7	-1.6
Financial income & expense	EUR million	-0.3	-0.3	-1.1
Profit for the period	EUR million	-0.9	-1.0	-2.7
EBITDA margin	%	-8.9	-9.3	-5.7
EBIT margin	%	-15.5	-15.5	-10.6

PERFORMANCE COMPARED TO QUARTER ONE 2018

- Contraction in sales volumes at Stellite and Mecklenburg and the lower prices contributed to a fall in Afarak's share of joint venture revenue for the first quarter to EUR 2.4 (4.5) million;
- Profitability was negatively affected by the significantly lower production and sales volumes at the Stellite and Mecklenburg mine, though remained at same levels of last year;
- Afarak's share of joint venture's total result for the first quarter amounted to EUR -0.9 (-1.0) million.

BALANCE SHEET, CASH FLOW AND FINANCING

The Group's total assets on 31 March 2019 stood at EUR 251.2 (262.0) (31 December 2018: 258.6) million and net assets totalled EUR 145.7 (169.2) (31 December 2018: 150.8) million. During the quarter the translation differences on conversion of foreign denominated subsidiaries positively reduced by EUR 2.3 (-1.4) million. The Group's cash and cash equivalents, as at 31 March 2018, totalled EUR 10.5 (10.5) million (31 December 2018: 12.1). Operating cash flow in the first quarter was EUR -4.1 (1.2) million.

Equity ratio was 58% (64.6%) (31 December 2018: 59.8%). Afarak's gearing at the end of the first quarter increased to 8.2% (2%) (31 December 2018: 7.7%), with interest-bearing debt totalling EUR 22.4 (13.9) (31 December 2018: 24.4) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the first quarter of 2019 totalled EUR 1.2 (2.6) million, with the major part being TMS where it continued investing in the new fines tailing plant at Kavak mine.

UNALLOCATED ITEMS

For the first quarter of 2019, the EBITDA from unallocated items was EUR -1.3 (-1.2) million. EBITDA included EUR -0.2 (-0.2) million, relating to net operating expenditure incurred by the Group in Magnohrom.

PERSONNEL

At the end of the first quarter 2019, Afarak had 1,052 (1,015) employees. The average number of employees during the first quarter of 2019 was 1,051 (1,008).

SUSTAINABILITY

In the first three months of 2019, no fatalities were recorded. Significant safety improvements across Units, particularly in Mogale were registered. During the first quarter of 2019 there were 9 (Q1/2018: 14) recordable injuries, of which 2 (Q1/2018: 6) were lost-time injuries. These injuries resulted in 138 (Q1/2018: 169) lost days due to injury, decreasing the lost time injury frequency rate to 3.2 from 8.7 a year earlier.

The Company continues to invest continuously in improving its safety equipment and in introducing enhanced policies and procedures together with training initiatives across all its plants.

SHARES & SHAREHOLDERS

On 31 March 2019, the registered number of Afarak Group Plc shares was 263,040,695 (263,040,695) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 March 2019, the Company had 1,887,494 (2,387,494) own shares in treasury, which was equivalent to 0.72% (0.91%) of the issued share capital. The decrease in the own shares in treasury relate to share transfers undertaken by the Company. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 March 2019, was 261,153,201 (260,186,534).

At the beginning of the period under review, the Company's share price was EUR 0.74 on NASDAQ Helsinki and GBP 0.55 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.82 and GBP 0.66 respectively. During the first quarter of 2019 the Company's share price on NASDAQ Helsinki ranged from EUR 0.74 to 0.95 per share and the market capitalisation, as at 31 March 2019, was EUR 215.7 (1 January 2019: 191.0) million. For the same period on the London Stock Exchange the share ranged from GBP 0.55 to 0.73 per share and the market capitalisation was GBP 172.3 (1 January 2019: 190.7) million, as at 31 March 2019.

Based on the resolution at the AGM on 29 May 2018, 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 first quarter of 2019.

Furthermore, based on the resolution at the EGM on 12 November 2018, the Board is authorised to decide on the acquisition of a maximum of 31,500,000 own shares by a voluntary takeover bid made to Afarak's shareholders at a price of EUR 1.015 per share. This authorisation is valid until 31 May 2019. The Company did not carry out any share buybacks during the first quarter of 2019.

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 also manages its cash flows to minimise the time during which the Group is exposed to exchange movements.

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

CORPORATE GOVERNANCE

REPORTING

EVENTS DURING THE REVIEW PERIOD

On 11 January 2019, the Board of Directors announced that Melvin Grima was appointed as the Group's Chief Financial Officer.

On 12 January 2019, the Company announced that it had completed a share-based compensation to Guy Konsbruck as part of the CEO's contract.

On 20 February 2019, the Board of Directors issued a profit warning due to an impairment write-down of EUR 6.5 million on the goodwill of the Mogale business.

On 22 February 2019, the company published the financial statements release for 2018.

On 1 March 2019, the company was notified from the administration Court of Helsinki that made a decision related to FIN-FSA, that Mr Danko Koncar was obliged to make a tender on all shares of Afarak Group Plc.

On 28 March 2019, the board of directors announced an update on a buy-back shares of Afarak's own shares, after the EGM held on 12 November 2018.

On 29 March 2019, the board issued a notification correction on the announcement made on 28 March 2019 relating to some details.

On 29 March 2019, the company published the financial statements and Annual report for 2018.

EVENTS SINCE THE END OF 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.

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.

FINANCIAL INFORMATION

FINANCIAL REPORTING IN 2019

	Closed period	Reporting date
Q2 Interim Report 2019	24.7.-23.08.2019	23 August 2019
Q3 Interim Report 2019	16.10.-15.11.2019	15 November 2019

FINANCIAL TABLES

FINANCIAL DEVELOPMENT AND ASSETS AND LIABILITIES BY SEGMENT

Q1/2019 3 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	22,199	18,871	800	-591	41,279
EBITDA	1,998	-5,503	-1,263	0	-4,768
EBIT	1,417	-6,794	-1,265	0	-6,642
Segment's assets	154,608	118,629	16,592	-38,632	251,197
Segment's liabilities	67,077	72,866	4,473	-38,979	105,437

Q1/2018 3 months EUR '000	Speciality Alloys	Ferro Alloys	Unallocated items	Eliminations	Group total
Revenue	24,898	24,915	925	-569	50,169
EBITDA	2,694	-2,169	-1,230	0	-705
EBIT	2,228	-3,379	-1,231	0	-2,382
Segment's assets	135,515	139,349	12,749	-25,637	261,976
Segment's liabilities	53,982	50,241	2,112	-13,574	92,761

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	-5,540	0	-14,092
Segment's assets	156,874	118,706	16,480	-33,446	258,614
Segment's liabilities	69,731	65,504	5,853	-33,322	107,766

RESULTS DEVELOPMENT

	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
Sales (tons)									
Mining	51,972	41,427	67,339	85,698	85,289	79,547	50,099	66,316	51,351
Processing	27,916	20,773	27,538	25,371	23,284	25,929	25,521	25,833	22,252
Trading	5,333	5,692	3,488	5,916	6,936	3,006	2,686	2,956	2,864
Total	85,221	67,892	98,365	116,985	115,509	108,482	78,306	95,105	76,467
Average rates*									
EUR/USD	1.065	1.083	1.114	1.130	1.229	1.192	1.163	1.141	1.1358
EUR/ZAR	14.081	14.306	14.706	15.049	14.710	15.072	16.363	16.295	15.9206
Euro (million)	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
Revenue	56.7	47.4	44.2	50.6	50.2	54.3	42.6	47.0	41.3
EBITDA	12.7	4.8	-2.2	2.6	-0.7	1.2	-2.5	1.0	-4.8
EBITDA margin	22.4%	10.2%	-4.9%	5.2%	-1.4%	2.2%	-5.9%	2.1%	-11.6%
EBIT	11.1	3.3	-4.2	1.2	-2.4	-0.4	-4.3	-7.0	-6.6
EBIT margin	19.6%	7.0%	-9.4%	2.3%	-4.7%	-0.8%	-10.0%	-14.9%	-16.1%

*Average rates in the respective quarters

CONSOLIDATED INCOME STATEMENT, SUMMARY

EUR '000	Q1/19	Q1/18	FY2018
Revenue	41,279	50,169	194,013
Other operating income	354	393	4,624
Operating expenses	-45,533	-50,270	-196,961
Depreciation and amortisation	-1,874	-1,677	-6,532
Impairment	0	0	-6,543
Share of profit from joint ventures	-868	-997	-2,693
Operating profit	-6,642	-2,382	-14,092
Financial income and expense	-580	-108	-4,449
Profit before tax	-7,222	-2,490	-18,541
Income tax	-322	627	-42
Profit for the period from continuing operations	-7,544	-1,863	-18,583
Discontinued operations			
Profit for the period from discontinued operations	0	0	0
Profit for the period	-7,544	-1,863	-18,583
Profit attributable to:			
Owners of the parent	-7,397	-1,653	-18,056
Non-controlling interests	-147	-210	-527
Total	-7,544	-1,863	-18,583
Earnings per share for profit attributable to the shareholders of the parent company, EUR			
Basic earnings per share, EUR	-0.03	-0.01	-0.07
Diluted earnings per share, EUR	-0.03	-0.01	-0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Q1/19	Q1/18	FY2018
Profit for the period	-7,544	-1,863	-18,583
Other comprehensive income			
Remeasurement of defined benefit pension plans	0	0	-577
Exchange differences on translating foreign operations – Group	3,357	-1,209	-2,208
Exchange differences on translating foreign operations – Associate and JV	-1,033	-221	-340
Other comprehensive income, net of tax	2,324	-1,430	-3,125
Total comprehensive income for the period	-5,220	-3,293	-21,708
Total comprehensive income attributable to:			
Owners of the parent	-5,079	-3,094	-21,111
Non-controlling interests	-141	-199	-597

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY

EUR '000	31.3.2019	31.3.2018	31.12.2018
ASSETS			
Non-current assets			
Goodwill	57,375	62,188	56,245
Other intangible assets	13,260	15,987	13,475
Property, plant and equipment	44,535	47,069	44,984
Deferred tax asset	3,735	0	3,935
Other non-current assets	<u>23,881</u>	<u>32,840</u>	<u>22,703</u>
Non-current assets total	142,786	158,084	141,342
Current assets			
Inventories	54,348	54,850	56,965
Trade receivables	22,840	24,876	27,223
Other receivables	20,738	13,628	20,952
Cash and cash equivalents	<u>10,485</u>	<u>10,538</u>	<u>12,132</u>
Current assets total	108,411	103,892	117,272
Total assets	251,197	261,976	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	231,429	230,987	231,292
Legal Reserve	94	121	98
Translation reserves	-19,494	-20,775	-21,811
Retained earnings	<u>-115,882</u>	<u>-91,271</u>	<u>-108,485</u>
Equity attributable to owners of the parent	145,529	168,444	150,476
Non-controlling interests	231	771	372
Total equity	145,760	169,215	150,848
Liabilities			
Non-current liabilities			
Deferred tax liabilities	3,327	3,356	3,435
Provisions	9,327	9,457	8,876
Share of joint venture losses	18,526	14,986	16,871
Pension liabilities	20,012	19,836	20,106
Financial liabilities	<u>4,900</u>	<u>5,631</u>	<u>4,783</u>
Non-current liabilities total	56,092	53,266	54,071
Current liabilities			
Trade payables	19,597	21,346	20,512
Other current liabilities	<u>29,748</u>	<u>18,149</u>	<u>33,183</u>
Current liabilities total	49,345	39,495	53,695
Total liabilities	105,437	92,761	107,766
Total equity and liabilities	251,197	261,976	258,614

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

EUR '000	31.3.2019	31.3.2018	31.12.2018
Cash and cash equivalents	10,485	10,538	12,132
Interest-bearing receivables			
Current	3,500	3,508	10,786
Non-current	20,162	27,305	19,198
Interest-bearing receivables	23,662	30,813	29,984
Interest-bearing liabilities			
Current	20,362	11,340	22,330
Non-current	2,064	2,515	2,103
Interest-bearing liabilities	22,426	13,855	24,433
NET TOTAL	11,721	27,496	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	1,087	69
Disposals	-293	0
Reclass between items	52	0
Effect of movements in exchange rates	-1,706	-10,711
Acquisition cost 31.3.2019	81,696	202,527
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	Q1/19	Q1/18	FY2018
Profit for the period	-7,544	-1,863	-18,583
Adjustments to profit for the period	4,034	2,331	19,048
Changes in working capital	-583	696	2,604
Discontinued operations	0	0	0
Net cash from operating activities	-4,093	1,164	3,069
Acquisition of subsidiaries and associates, net	0	0	-1,003
Acquisition of non-controlling interest	-112	-64	-457
Capital expenditure on non-current assets, net	-879	-2,431	-7,497
Other investments, net	-83	-52	141
Proceeds from repayments of loans and loans given	216	-423	-1,139
Net cash used in investing activities	-858	-2,970	-9,955
Proceeds from borrowings	1,105	3,029	7,787
Repayment of borrowings, and other financing activities	552	-792	-6,327
Movement in short-term financing activities*	1,478	-342	6,518
Net cash used in financing activities	3,135	1,895	7,978
Net increase in cash and cash equivalents	-1,816	89	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 1-3/2018 + comprehensive income				-1,220	-1,653		-2,873	-210	-3,083
Share of OCI in associates and JV				-221			-221		-221
Translation differences								11	11
Share-based payments			152				152		152
Other changes in equity						-10	-10	1	-9
Equity at 31.3.2018	23,642	25,740	230,987	-20,775	-91,271	121	168,444	771	169,215
Profit for the period 4-12/2018+ comprehensive income				-917	-16,403		-17,320	-317	-17,637
Share of OCI in associates and JV				-119			-119		-119
Translation differences								-81	-81
Share-based payments			305		-234		71		71
Remeasurements of defined benefit pension plans					-577		-577		-577
Other changes in equity						-23	-23	-1	-24
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 1-3/2019 + comprehensive income				3,350	-7,397		-4,047	-147	-4,194
Share of OCI in associates and JV				-1,033			-1,033		-1,033
Translation differences								6	6
Share-based payments			137				137		137
Other changes in equity						-4	-4		-4
Equity at 31.3.2019	23,642	25,740	231,429	-19,494	-115,882	94	145,529	231	145,760

RELATED PARTY TRANSACTIONS DURING THE REVIEW PERIOD

EUR '000	Q1/19	Q1/18	FY2018
Sales to joint ventures	131	402	1,302
Sales to other related parties	7	91	286
Purchases from joint ventures	-1326	-5	-18,411
Purchases from other related parties	0	-540	-562
Financing income from joint ventures	115	244	964
Loan receivables from joint ventures	27,399	27,099	26,269
Loan receivables from other related parties	3,508	3,508	3,508
Trade and other receivables from joint ventures	8,233	4,750	7,280
Trade and other receivables from other related parties	81	118	77
Trade and other payables to joint ventures	1,002	201	1,105

FINANCIAL INDICATORS

	Q1/19	Q1/18	FY2018
Return on equity, % p.a.	-20.3%	-4.4%	-11.5%
Return on capital employed, % p.a.	-13.8%	-1.5%	-6.0%
Equity ratio, %	58.0%	64.6%	58.3%
Gearing, %	8.2%	2.0%	8.2%
Personnel at the end of the period	1,052	1,015	1,061

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

	Q1/19	Q1/18	FY2018
TRY	6.1102	4.6899	5.7077
USD	1.1358	1.2292	1.1810
ZAR	15.9206	14.7102	15.6186

Balance sheet rates

	31.3.2019	31.3.2018	31.12.2018
TRY	6.3446	4.8976	6.0588
USD	1.1235	1.2321	1.1450
ZAR	16.2642	14.6210	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

		Q1/19	Q1/18	FY2018
Share price development in London Stock Exchange				
Average share price*	EUR	0.76	0.92	1.00
	GBP	0.66	0.81	0.89
Lowest share price*	EUR	0.63	0.82	0.82
	GBP	0.55	0.73	0.73
Highest share price*	EUR	0.83	0.99	1.05
	GBP	0.73	0.88	0.93
Share price at the end of the period**	EUR	0.76	0.99	0.81
	GBP	0.66	0.88	0.73
Market capitalisation at the end of the period**	EUR million	200.7	260.30	213.2
	GBP million	172.3	230.2	190.7
Share trading development				
Share turnover	thousand shares	6	26	28
Share turnover	EUR thousand	5	26	28
Share turnover	GBP thousand	4	23	25
Share turnover	%	0.0 %	0.0 %	0.0 %
Share price development in NASDAQ Helsinki				
Average share price	EUR	0.84	0.98	0.94
Lowest share price	EUR	0.74	0.85	0.67
Highest share price	EUR	0.95	1.15	1.20
Share price at the end of the period	EUR	0.82	0.97	0.73
Market capitalisation at the end of the period	EUR million	215.7	254.6	191.0
Share trading development				
Share turnover	thousand shares	3,852	12,678	29,238
Share turnover	EUR thousand	3,217	12,420	27,594
Share turnover	%	1.5 %	4.8 %	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.