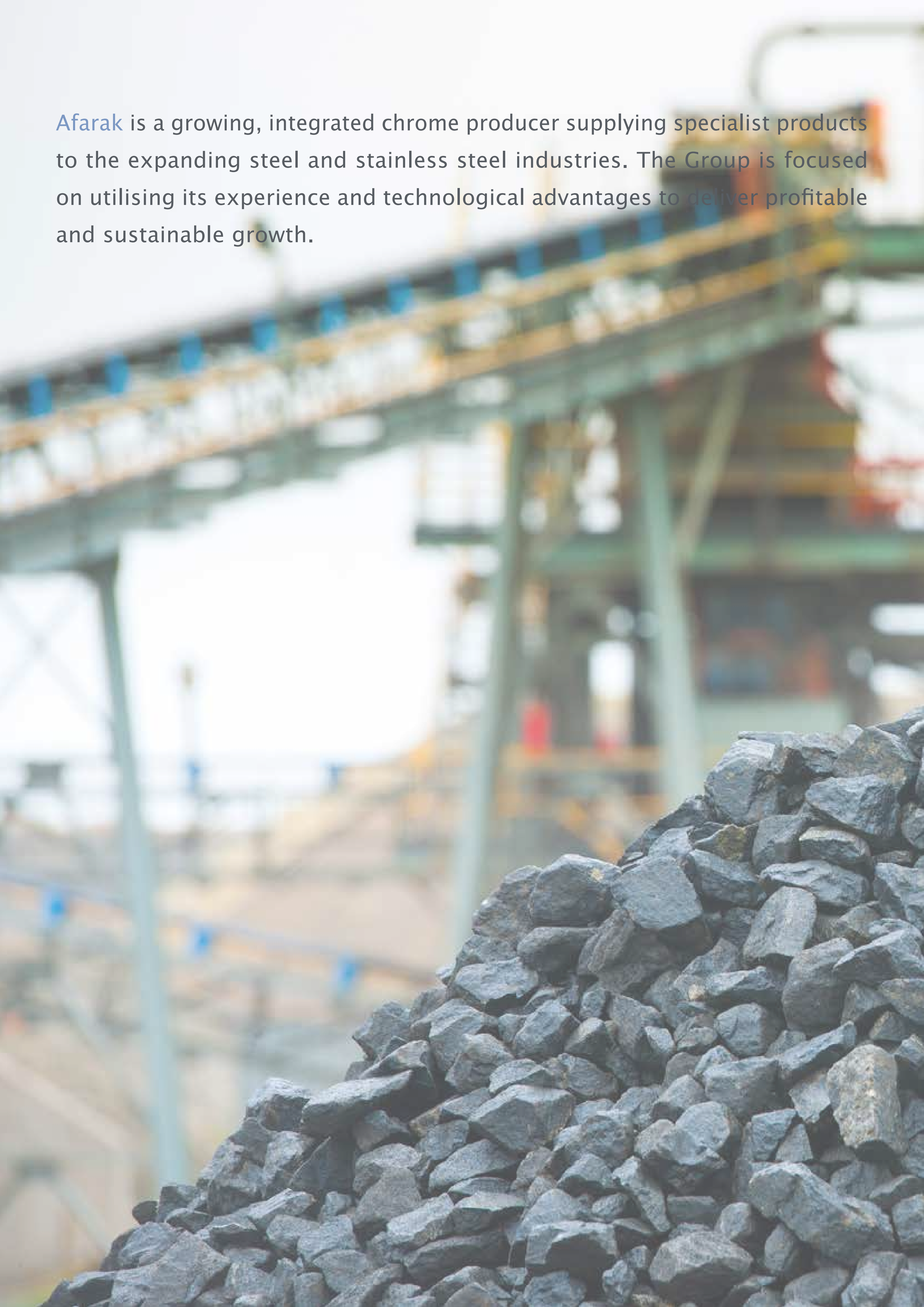
Annual Report 2014

AFARAK GROUP

Afarak is a growing, integrated chrome producer supplying specialist products to the expanding steel and stainless steel industries. The Group is focused on utilising its experience and technological advantages to deliver profitable and sustainable growth.



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2014 HIGHLIGHTS

Zero Harm continues being a key focus, with zero fatality rate in 2014 .

The granulation and converter plant at Mogale Alloys was commissioned in December 2014 and allowed the production of medium carbon ferrochrome, which will affects positively the profitability of Mogale Alloys in 2015

PRODUCTION

Mining –38.7%

Mining activity negatively affected by local unrest and strike

Processing +53.3%

Processing increased substantially in both segments during 2014

RESULTS

Revenue +27.4%

Sales volumes of processed material increased in both segments and growth in trading operations
and growth in trading operations

EBITDA €8.4 million

EBITDA was negatively affected by weak US Dollar, increase in production costs and writedowns in joint venture operation

EBIT +€1.7 million

The Company achieved positive EBIT for the first time since entering the mineral business

Profit €2.2 million

The profit was positively affected by the sales of part of the saw mill equipment the Company acquired in 2008

OUR BUSINESS MODEL

The Group's chrome operations are split into two businesses: Speciality Alloys in Europe and FerroAlloys in southern Africa. Speciality Alloys consists of the Turkish mining operation TMS and the German processing plant, EWW. FerroAlloys consists of the Stellite mining operation, the Mecklenburg mining operation and the alloy processing plant, Mogale Alloys..

Afarak exports raw chrome ore directly to China through it's business partners and through its centralised sales and marketing arm RCS, sells a diverse range of chrome products to customers worldwide, operating in the stainless steel and steel sectors, including the automotive, aerospace and power generation industries.

MINING	PROCESSING	PRODUCTS
		

Speciality Alloys

Mining	Processing	Products
TMS (Turkey)	EWW (Germany)	Chome Ore Low Carbon Ferrochrome Ultra low Carbon Ferrochrome Speciallity Low Carbon Ferrochrome

RCS (Malta)
Sales & Marketing

FerroAlloys

Mining	Processing	Products
Synergy Afriva Group (JV) Stellite Mine (South Africa) Mecklenburg Mine (South Africa)	Moglae Alloys (South Africa)	Chrome Ore Plasma Charge Ferrochrome Medium Carbon Ferrochrome Silico Manganese

OUR BUSINESS MODEL

ANNUAL CAPACITY	FerroAlloys Segment	Speciality Alloys Segment
	Mogale 110,000MT	TMS 71,000MT
	Stellite mine 240,000MT	EWW 36,000MT
	Meckleburg mine 240,000MT	

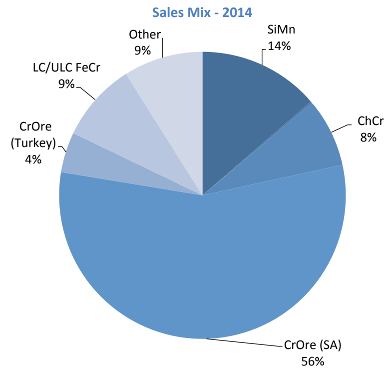
2014	MINING	PROCESSING	SALES & MARKETING

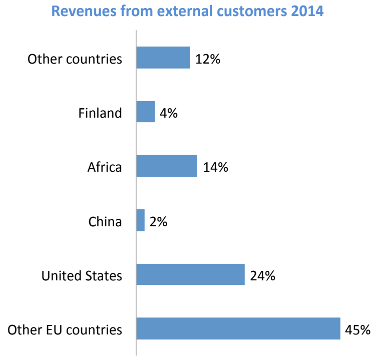
FerroAlloys Segment

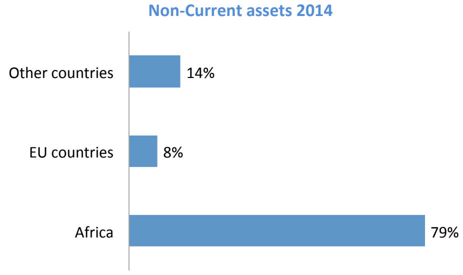
Production	Production	Revenue
268,351MT	72,677MT	EUR 74.8m
EMPLOYEES	EMPLOYEES	Sales Volumes
56	280	247,591MT
ENERGY	ENERGY	EBITDA
3,684,569 KWh	372,383,160 KWh	EUR 3.1m

Speciality Alloys Segment

Production	Production	Revenue
35,848MT	28,784MT	EUR 97.8m
EMPLOYEES	EMPLOYEES	Sales Volumes
219	123	42,956MT
ENERGY	ENERGY	EBITDA
8,723,589 KWh	95,568,210 KWh	EUR 7.9m







Ferrochrome is a material that is essential to produce stainless steel and other specialty steels. In addition to chromium content, carbon level is commonly used to determining the price differential between the various ferrochrome grades

Ferrochrome from southern Africa is known as 'charge chrome' and it is the most widely used ferrochrome type for the production of stainless and alloy steels. Our material Plasma Ferrochrome is with ultra low P content in respect with standard Charge Chrome.

Low and ultra low carbon ferrochrome produced by EWW is used for in specialist applications such as engineering steels where low carbon content, high chromium to iron ratio and minimum levels of other elements such as sulfur, phosphorus and titanium are important.

Afarak's product range supplies global customers

				
PRODUCTS	Chrome Ore	Plasma Charge Chrome Stainless Steel Alloy	Silico Manganese	Medium Carbon Low Carbon Ultra Low Carbon Speciality Low Carbon Ferrochrome
CUSTOMERS	Ferrochrome smelters	Stainless steel smelters	Carbon steem mills	Tool and high speed steels Engineering steel High stenght low alloy steel Carbon steel mills
END USER	Stainless steel smelters	Cutlery Automotive Appliances Construction Architectural Rail Chemical applications	Automotive Construction Infrastructure Housing Appliance Shipping Industrial machinery	Areospace Automotive Engineering Plastics Machinery Yellow goods (mining equipment) Structural applications Nuclear power plant tubing/pipes

Our Operations

Speciality Alloys

Afarak's Speciality Alloys business produces niche Low Carbon and Ultralow Carbon Ferrochrome products and comprises a vertically integrated business consisting of the Turkish mining operation, TMS and the German processing plant, EWW.

Turk Maadin Sirketi ("TMS")

Turk Maadin Sirketi was first established in March 1918 in İstanbul under the title "Osmanlı-Alman Maadin Şirketi", (Ottoman-German Mining Co). Afarak acquired the company in 2008. The production facilities are located in Kavak, in the Eskisehir province, and in Tavas, in the Denizli province, both in Turkey. The operations consist of open pit and underground operations and processing facilities.

The chrome ore is processed into special grade, highly concentrated chromite concentrate and delivered for further processing to the Group's processing operations, EWW in Germany for the production of Low Carbon and Ultralow Carbon Ferrochrome. The lumpy chrome ore produced at TMS is mainly supplied directly to stainless steel manufacturers in China and India.

Reserves and resources	7,116,460 MT
Annual production capacity	71,000 MT
2014 production	35,848 MT

Elektrowerk Weisweiler ("EWW")

Elektrowerk Weisweiler was established in 1917 and is located at Eschweiler-Weisweiler, Germany. Afarak acquired the company in 2012 with a transaction that completed the vertical integration of the Specialty Alloys business: processing of the chromite concentrate produced by TMS in Turkey is carried out at EWW.

EWW is a highly specialised smelting operation, producing a range of specialist products, such as specialised Low Carbon and Ultralow Carbon Ferrochrome which are then sold internationally to customers in the automotive, aerospace and power generation industries, by RCS, the Group's sales and marketing division.

Annual production capacity	36,000 MT
2014 production	28,784 MT

FerroAlloys

Afarak's FerroAlloys business is located in southern Africa and consists of the Stellite chrome mine, the Mecklenburg mine and the Mogale Alloys processing plant in South Africa.

The Stellite Mine

The Stellite mine was acquired in late 2010, as part of the Chromex joint-venture acquisition that is 51 % owned by Afarak. Stellite the primary ore supply to Mogale Alloys, thereby integrating the FerroAlloys business. Excess lumpy chrome ore mined at Stellite is exported directly to China. Stellite is located on the western limb of the Bushveld complex in South Africa, where 70% of the world's chrome resources are located. BEE partners own 19% of the operation.

The mine commenced operations in July 2008. The open cast mining is outsourced to a contractor. The beneficiation plant comprises of a dense media separation (DMS) plant and a spirals circuit. The mine produces a 42% and 44% metallurgical grade chrome concentrate which is transported by road to Mogale Alloys and a 38% lumpy chrome ore, which is exported to China.

Resources (Chrome Ore)	28,744,000 MT
Resources (PGM)	1,009,694 Oz
Annual production capacity	480,000 MT
2014 production	268,351 MT

The Mecklenburg Mine

The Mecklenburg Mine, part of the Chromex joint-venture, is located on the Eastern Limb of the Bushveld Complex, well known for hosting much of the world's known resources of platinum, but also a major source of chromite. The Mecklenburg mine started full production in July 2013. So far the operation has been an open pit operation but the Company is currently evaluating underground mining at Mecklenburg.

Resources (Chrome Ore)	8,836,000 MT
Resources (PGM)	0 Oz
Annual production capacity	480,000 MT
2014 production	268,351 MT

FerroAlloys

Mogale Alloys

Afarak acquired Mogale Alloys in 2009, providing it with access to the bulk minerals processing sector in South Africa. The acquisition marked a strategic step forward for the Group by providing access to direct current (DC) furnace technology.

Mogale operates four furnaces; two submerged arc furnaces and two DC furnaces. These furnaces are capable of producing four key products: silico manganese, plasma ferrochrome, charge ferrochrome and stainless steel alloy (chromium-iron-nickel alloy). Furthermore, in 2014 Afarak completed the installation of ferroalloy refining and granulation plant which enabled the production of medium carbon ferrochrome.

Annual production capacity:	110,000 MT
2014 production	72,677 MT

Vlakpoort - Prospecting Right

Vlakpoort prospecting right was bought in 2012 it’s expected to start production in 2016. Vlakpoort is located in South Africa. The surface right is owned by Afarak. The total resources including target recources are 18,072,000 tonnes chromite resources and 20,390,000 tonnes PGM resources. The planned production is approximately 30,000 tonnes run of mine per month.

Boschhoek - Prospecting Right

The South African Boschhoek prospecting right was bought in 2012 and is still in the exploration stage. The potential resources at this stage are 317,000 tonnes high grade chromite resources.

OUR BUSINESS ETHICS

Afarak seeks to conduct its business in a responsible and ethcal manner for the benfit of all its stakeholders:

- Ensure employees have a safe and healty work in which to develop and grow
- Offering a work culture that harnesses diversity, equal opportunities and team work
- Making positive contributions to the local communities in which it operates and building long-term relationships
- Respecting the environment and minimising its footprint as much as possible
- Adopting the priciples behind the UK Bribery Act, which is currently considered best practice in the world
- Being a proactive participant in the industry, engaging with fellow chrome producers and government to adress challenges and find sustainable, long-term solutions
- Leading by example, demonstrating commitment through action not just words

OUR STRATEGY

Afarak's goal is to maximize business growth and increase shareholder value by focusing at diversification, specialization and consolidation. We also aim to enhance our value chain and improve efficiencies in order to achieve better financial performance.

1. Diversification
Afarak aims to diversify its product range within the mineral and metals segment in order to enable the Company's sales and marketing arm to increase trading volumes for higher profitability

2. Specialization
Afarak aims to concentrate on and further develop its highly specialised niche products in order to strengthen our position in the market.

3. Consolidation
Afarak aims to grow its asset base geographically, penetrate additional commodity markets and enhance synergies by identifying potential consolidation opportunities

4. Enhancing our Value Chain
Afarak aims to improve the value chain and deepen the vertical integration of the Company in order to reach better performance

Development of current operations

Afarak has started the evaluation process of the various projects and also aims to continue working to increase its chrome ore production.

Short term

- Investment in a fines recovery beneficiation plant in our Turkish mines
- Investment in dryer in the ferrochrome furnace at Mogale and the utilisation of burnt lime in the production process

Medium Term

- Investment evaluation of ferrosilico chrome plant at EWW
- Investment evaluation of slag recycling at EWW
- Commencement of open pit mining activities at Vlakpoort mine in South Africa
- Commencement of underground mining activities at Eagle mine in Turkey
- Commencement of underground operations at Mecklenburg mine in South Africa
- Commencement of underground operations at Stellite mine in South Africa

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholder,

Whilst Afarak has made positive steps going forward, it has done so against the background of an economic environment, which continues to be tough. Prices have not recovered and it has been a turbulent year in terms of the social and political environment in which we operate.

Throughout 2014, the Group continued to make strong savings initiatives and restructured its operations. This cost cutting drive is an on going exercise and we continue to identify further areas for cost efficiencies in both our mining operations and areas of administration. We will continue to retain our solid customer base by providing clients with superior quality market products, guaranteeing the Group's future long-term contracts.

With prices falling against the backdrop of a volatile economic climate, the year saw our teams focus on maximizing production from our assets in Turkey and South Africa, and successfully restricting cost inflation to a minimum. The industry is facing significant challenges although we believe that the long-term fundamentals are strong. Those challenges are mainly around price, including its volatility, as well as rising costs and increasingly challenging technical mining conditions. Careful management of cash is therefore critical ahead of market recovery. In view of these unpredictable environments we have identified a niche market in specialty alloys, in which we want to direct focus. As a result of such an orientation the Group committed to a significant investment in the granulation and converter plant at Mogale Alloys in South Africa. These valuable assets will enable us to increase our profit margins in higher yielding products.

The Group has focused on increasing revenue and profitability, which is evident in our financial reports and this will enable us to fulfill our commitment to reward our shareholders by way of dividends. In the past two financial years we have been able to make such payments and it is our intention to be in a position to continue to do so in 2015.

Our commitment to zero harm and safe production in our work place remains undiminished. The full year mining safety record has been commendable and we remain completely focused on improving safe working environments for all of the Group's employees.

Despite facing difficult conditions Afarak performed well in 2014. The volumes of processed ferrochrome increased substantially in 2014 by 53.3% as a result of higher demand in the Speciality Alloy segment where production increased by 23.8% over 2013. In the FerroAlloy segment we saw an increase of 69.2% as Mogale Alloys produced throughout the year and unlike in 2013, did not participate in Eskom's electricity buyback program. The tonnage mined during the year was negatively affected by the temporary suspension of the Mecklenburg mine production and the strike and lockout at the Turkish mines. Unfortunately these events caused a decrease of 38.7% compared to year 2013.

The Group's revenue in 2014 improved with an increase of 27.4%. Speciality ferrochrome prices remained stable during the year, whilst charge chrome prices were weak and remain below the high levels seen in 2013. Furthermore, the increase in the cost of production caused by higher raw material costs in the Speciality Alloys segment and higher energy cost in the Ferroalloys segment affected our results negatively.

2014 was a year where we saw a good increase in demand for ferrochrome but unfortunately the increase was not reflected in prices. The possible price increase was pushed away by the strengthening of the US dollar in Q4 2014 which on the other hand helped to increase revenue on conversion of US dollar denominated transactions. Despite it remains difficult to predict, in the long term we believe that ferrochrome prices, particularly the speciality and super alloys segment, have potential to recover to higher levels which we would expect to result in improved margins. The granulation and converter plant at Mogale Alloys was commissioned in December 2014 and enabled the production of medium carbon ferrochrome, a niche product, which should affect positively the profitability of Mogale Alloys in 2015. I'm pleased to say that despite a lower EBITDA we managed to achieve positive EBIT throughout the first three quarters of 2014. We would also have achieved a positive EBIT in the fourth quarter of 2014 but unfortunately asset write-downs in our joint venture operation pushed our results down. We venture forth into 2015 with a more favourable US dollar rate and a lean and committed team, which aims to find ways to improve profitability also in 2015.

I am confident that we have implemented the right strategy and plan to fulfill long-term value from the Group's assets and existing infrastructure for the benefit of all our shareholders. We expect the market to remain difficult, but the medium and long-term fundamentals of ferrochrome along with specialty alloys remain solid and we continue to work hard to be best positioned to take advantage of changing conditions. Together with our excellent asset base and improving global economic circumstances, all indicate, toward better times ahead. It has been a very tough and trying year for the Group but I believe that it has emerged strong and that we can face 2015 with renewed confidence.

Dr Danko Konchar

Our Resource Base

Mineral Resource and Mineral Reserve[1] Statement for chromite for the Afarak Group in Southern-Africa as at 31 December 2014.

Mineral Reserves[1] (ROM Feed numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Stellite; Underground				**Stellite; Underground**			
MG4				MG4	4,810	33.59	1.24
MG3				MG3	2,830	31.51	1.19
MG1				MG1	3,460	35.30	1.28
LG6	4,568	34.98	1.36	LG6	5,680	37.70	1.41
Stellite; Open Pit				**Stellite; Open Pit**			
MG4	14	30.67	1.20	MG4	29	31.86	1.22
MG3	96	30.64	1.18	MG3	371	31.68	1.19
MG2	–	31.00	1.23	MG2	188	37.20	1.32
MG1	–	33.34	1.31	MG1	158	39.00	1.40
LG6+6A	70	33.68	1.37	LG6+6A	120	38.11	1.46
Mecklenburg; Underground				**Mecklenburg; Underground**			
LG6	3,416	41.47	1.57	LG6	4,495	43.36	1.59
Mecklenburg; Open Pit				**Mecklenburg; Open Pit**			
LG6+6A	90	40.76	1.58	LG6+6A	123	44.10	1.64
Vlakpoort; Open Pit				**Vlakpoort; Open Pit**			
LG1-3	74	38.37	1.81	LG1-3	75	39.41	1.84
LG5	90	31.50	1.40	LG5	149	33.28	1.42
LG6+6A	245	34.73	1.42	LG6+6A	250	35.07	1.43
MG1-4	17	28.23	1.35	MG1-4	35	28.72	1.36
UG1-2	16	18.95	1.03	UG1-UG2	21	19.93	1.07
Vlakpoort; Underground				**Vlakpoort; Underground**			
LG6				LG6	150	41.72	1.53
UG2				UG2	813	24.68	1.19
Total Proved	**8,696**	**37.47**	**1.45**	**Total Measured**	**23,757**	**36.29**	**1.36**
PROBABLE:				**INDICATED:**			
Stellite; Underground				**Stellite; Underground**			
MG4				MG4	1,490	33.80	1.25
MG3				MG3	1,040	31.88	1.20
MG1				MG1	800	36.50	1.30

Mineral Reserves1 (ROM Feed numbers)				**Mineral Resources (Geological Losses Applied)**			
	Tonnage (kt)	**Cr_2O_3** (%)	**Cr:Fe ratio**		**Tonnage** (kt)	**Cr_2O_3** (%)	**Cr:Fe ratio**
LG6	1,241	34.26	1.35	LG6	1,600	37.50	1.41
Stellite; Open Pit				**Stellite; Open Pit**			
MG4	575	31.26	1.21	MG4	1,160	32.35	1.23
MG3	254	30.82	1.19	MG3	990	31.68	1.19
MG2	–	30.99	1.22	MG2	320	37.30	1.31
MG1	–	33.25	1.31	MG1	260	38.80	1.41
LG6+6A	165	33.88	1.37	LG6+6A	280	38.54	1.46
Mecklenburg; Underground				**Mecklenburg; Underground**			
LG6	2,273	41.45	1.57	LG6	3,008	43.37	1.59
Mecklenburg; Open Pit				**Mecklenburg; Open Pit**			
LG6+6A	59	40.76	1.58	LG6+6A	72	44.10	1.64
Vlakpoort; Open Pit				**Vlakpoort; Open Pit**			
LG1–3	49	38.83	1.78	LG1–3	113	40.12	1.84
LG5	83	27.80	1.45	LG5	163	28.92	1.42
LG6+6A	204	33.87	1.38	LG6+6A	278	34.73	1.42
MG1–4	13	28.83	1.35	MG1–4	26	29.28	1.36
UG1–2	11	21.77	1.13	UG1–UG2	29	22.91	1.15
Vlakpoort; Underground				**Vlakpoort; Underground**			
LG6				LG6	947	37.71	1.45
UG2				UG2	483	24.68	1.19
Total Probable	**4,927**	**36.99**	**1.44**	**Total Indicated**	**13,059**	**36.45**	**1.38**
Proved & Probable Reserves	**13,623**	**37.30**	**1.44**	**Measured & Indicated Resources**	**36,816**	**36.35**	**1.36**
				INFERRED			
				Stellite; Open Pit			
				MG4	1,480	33.18	1.24
				MG3	790	32.64	1.26
				MG2	210	37.10	1.32
				MG1	80	38.90	1.41
				LG6+6A	40	37.82	1.44
				Mecklenburg; Underground			
				LG6	1,138	43.41	1.59
				Mecklenburg; Open Pit			
				LG6+6A	0	43.44	1.59
				Vlakpoort; Open Pit			
				LG1–3	86	40.58	1.83
				LG5	144	29.51	1.49

Mineral Reserves1 (ROMFeednumbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	**Cr_2O_3** (%)	**Cr:Fe ratio**		**Tonnage** (kt)	**Cr_2O_3** (%)	**Cr:Fe ratio**
				LG6+6A	467	33.18	1.39
				MG1-4	29	27.50	1.27
				UG1-UG2	38	24.78	1.18
				Vlakpoort; Underground			
				LG6	597	41.77	1.42
				UG2	909	24.68	1.19
				Waylox; Open Pit			
				Alluvial	0	27.00	2.40
				Inferred Resources	**6,008**	**34.80**	**1.35**
Total Reserves	**13,623**	**37.30**	**1.44**	**Total Resources (Excl Target[2])**	**42,824**	**36.13**	**1.36**
				TARGET[2]			
				Vlakpoort; Underground			
				LG6	6,067	42.65	1.54
				UG2	1,538	24.68	1.19
				Vlakpoort; Open Pit			
				LG1	29	39.45	1.74
				LG2	17	43.56	1.90
				LG3	61	28.92	1.42
				LG5	130	39.77	1.64
				LG6+6A	1,841	37.61	1.51
				MG1	6	24.29	1.11
				MG2	209	33.22	1.52
				MG3	50	25.55	1.26
				MG4+4A	513	27.18	1.03
				UG1	453	27.91	1.14
				UG2	1,356	32.50	1.29
				Target[2] Resources	**12,270**	**36.98**	**1.43**
				Total Resources (Incl Target[2])	**55,094**	**36.32**	**1.38**

- Mineral Reserves[1] used in SAMREC and IMMM Codes whereas termed Ore Reserves in the JORC Code
- Target Resources[2] used in JORC Code whereas termed Pre-Resource Mineralization in the SAMREC Code.

The information in this report that relates to exploration results for Stellite is based on information compiled by the MSA Group. The information in this report that relates to exploration results for Mecklenburg is based on information compiled by Andrew Scogins as listed below. The information in this report that relates to exploration results for Vlakpoort is based on information compiled by the Competent Person. The Competent Person has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), the 2001 Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves in the United Kingdom, Ireland and Europe (IMMM) as well as the 2007 edition of the South

African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC). The team of people involved in the MSA estimation process is listed below:

Person:	Position:	Affiliations:
Andrew Scogings	Geological Consultant	MAusIMM, MAIG
Sifiso Siwela	Exploration Project Manager	Pr.Sci.Nat, MGSSA
Mike Hall	Mineral Resources Consultant	Pr.Sci.Nat, MGSSA, MAusIMM

A major positive feature of this year's estimation is the gain of 1.0 million tonnes in the Measured and Indicated Resource category due to the trenching and drilling at Vlakpoort and the overall gain of 1.7 million tonnes. The gain was despite the depletion at Stellite and Mecklenburg as well as the loss of Waylox. The gain at Vlakpoort was actually 2.3 million tonnes. The overall result is therefore an improvement in the mineral asset value of Afarak.

The Measured and Indicated Mineral Resources for Stellite declared as at 31 December 2014 decreased from that declared in December 2013 due to depletion in the open pit. This resulted in a 0.3 million tonnes decrease.

The Measured and Indicated Mineral Resources for Mecklenburg declared as at 31 December 2014 decreased from that declared in December 2013 due to depletion in the open pit. This resulted in a 0.1 million tonnes decrease.

The Measured and Indicated Mineral Resources for Vlakpoort declared as at 31 December 2014 increased from that declared in December 2013 due to trenching and drilling. This resulted in a 1.4 million tonnes increase.

The combined Stellite, Mecklenburg and Vlakpoort Mineral Resources declared as at 31 December 2014 increased from that declared in December 2013, by 1.719 million tonnes and the Cr2O3 grade decreased by 1.33% and the Cr to Fe ratio by 0.03.

The Mineral Reserves[1] for Stellite declared as at 31 December 2014 decreased by 2.134 million tonnes from that declared in December 2013, due to the removal of the MG1 and MG2 from the mine plan and the change of the MG3 and MG4 high walls to 10 meters and 20 meters respectively from the previous 40 meters.

The Mineral Reserves[1] for Mecklenburg declared as at 31 December 2014 decreased by 0.153 million tonnes from that declared in December 2013, due to depletion in the open pit.

The Mineral Reserves[1] for Vlakpoort declared as at 31 December 2014 increased by 0.424 million tonnes from that declared in December 2013, due to trenching and drilling.

The combined Stellite, Mecklenburg and Vlakpoort Mineral Reserves[1] declared as at 31 December 2014 decreased from that declared in December 2013, by 1.863 million tonnes (mainly due to the changes at Stellite) and the Cr2O3 grade increased by 0.52% and the Cr to Fe ratio by 0.02.

H.B. Swart Pr.Sci.Nat MGSSA
Mineral Resource Manager and
Competent Person for Afarak SA

Mineral Resource and Mineral Reserve[1] Statement for PGMs for the Afarak Group in Southern-Africa as at 31 December 2014.

Mineral Reserves1 (ROM Feed numbers)				**Mineral Resources (Geological Losses Applied)**			
	Tonnage (kt)	**2E+Au (g/t)**	**Ozs**		**Tonnage (kt)**	**2E+Au (g/t)**	**Ozs**
PROVED:				**MEASURED:**			
Stellite; Underground				**Stellite; Underground**			
MG4				MG4	3,050	1.18	115,723
MG3				MG3	1,720	1.86	102,868
MG1				MG1	2,250	0.79	57,154
LG6				LG6	3,191	0.63	64,641
Stellite; Open Pit				**Stellite; Open Pit**			
MG4				MG4	29	1.14	1,063
MG3				MG3	221	1.46	10,375
MG2				MG2	110	1.62	5,730
MG1				MG1	60	0.71	1,370
LG6+6A				LG6+6A	39	0.49	614
Vlakpoort; Open Pit				**Vlakpoort; Open Pit**			
LG1-3				LG1-3	75	0.24	579
LG5				LG5	149	0.74	3,545
LG6+6A				LG6+6A	250	0.86	6,913
MG1-4				MG1-4	35	1.18	1,328
UG1-MR	22	3.55	2,511	UG1-MR	33	5.62	5,963
Vlakpoort; Underground				**Vlakpoort; Underground**			
LG6				LG6	150	0.46	2,219
UG2				UG2	813	4.62	120,774
MR				MR	503	3.64	58,872
Total Proved	**22**		**2,511**	**Total Measured**	**12,678**	**1.37**	**559,732**
PROBABLE:				**INDICATED:**			
Stellite; Underground				**Stellite; Underground**			
MG4				MG4	3,020	1.24	120,412
MG3				MG3	2,141	1.86	128,047
MG1				MG1	1,810	0.80	46,559
LG6				LG6	3,220	0.54	55,910
Stellite; Open Pit				**Stellite; Open Pit**			
MG4				MG4	880	1.18	33,389
MG3				MG3	690	1.59	35,277
MG2				MG2	260	1.66	13,878
MG1				MG1	130	0.74	3,093
LG6+6A				LG6+6A	70	0.48	1,080

Mineral Reserves1 (ROM Feed numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage	2E+Au			Tonnage	2E+Au	
Vlakpoort; Open Pit				**Vlakpoort; Open Pit**			
LG1-3				LG1-3	113	0.22	799
LG5				LG5	163	0.60	3,145
LG6+6A				LG6+6A	278	0.96	8,581
MG1-4				MG1-4	26	1.28	1,070
UG1-MR	21	5.56	3,754	UG1-MR	43	4.96	6,858
Vlakpoort; Underground				**Vlakpoort; Underground**			
LG6				LG6	947	0.34	10,353
UG2				UG2	483	4.62	71,751
MR				MR	376	3.64	44,008
Total Probable	**21**		**3,754**	**Total Indicated**	**14,650**	**1.24**	**584,210**
Proved & Probable Reserves	**43**		**6,266**	**Measured & Indicated Resources**	**27,328**	**1.30**	**1,143,942**
				INFERRED			
				Stellite; Underground			
				MG4	200	1.59	10,225
				MG3	20	1.86	1,196
				MG1	190	0.78	4,765
				LG6	860	0.48	13,273
				Stellite			–
				Open Pit			
				MG4	1,970	1.27	80,447
				MG3	1,240	1.51	60,206
				MG2	310	0.76	7,576
				MG1	140	0.63	2,836
				LG6+6A	490	0.47	7,405
				Vlakpoord; Open Pit			
				LG1-3	86	0.18	498
				LG5	144	0.36	1,667
				LG6+6A	467	0.78	11,713
				MG1-4	29	1.50	1,399
				UG1-MR	46	1.39	2,056
				Vlakpoort; Underground			
				LG6	597	0.30	5,759
				UG2	909	4.62	135,035
				MR	560	3.64	65,543
				Waylox; Open Pit			
				Alluvial	0	0.40	–
				Inferred Resources	8,258	1.55	411,598

Total Reserves	**43**	**6,266**	**Total Resources (Excl Target[2])**	**36,144**	**1.36**	**1,580,121**
			TARGET[2]			
			Vlakpoort; Underground			
			LG6	6,067	0.42	81,934
			UG2	1,538	4.62	228,475
			MR	641	3.64	75,024
			Vlakpoort; Open Pit			
			LG1	29	0.18	168
			LG2	17	0.11	60
			LG3	61	0.19	373
			UG2	1356	5.51	240,243
			LG5	130	0.15	627
			LG6+6A	1841	0.88	52,093
			MG1	6	0.23	44
			MG2	209	1.44	9,677
			MG3	50	1.73	2,781
			MG4+4A	513	1.66	27,382
			UG1	453	0.43	6,263
			MR	204	1.92	12,594
			Target[2] Resources	**13,115**	**1.75**	**737,738**
			Total Resources (Incl Target[2])	**48,701**	**1.46**	**2,293,278**

- Mineral Reserves[1] used in SAMREC and IMMM Codes whereas termed Ore Reserves in the JORC Code
- Target Resources[2] used in JORC Code whereas termed Pre-Resource Mineralization in the SAMREC Code.
- Mineral Reserves were declared for Vlakpoort for the first time
- The PGM rights at Mecklenburg do not belong to Afarak and therefore do not satisfy all requirements for reporting.
- No Mineral Reserves could be declared for Stellite yet as the feasibility study to extract PGMs, are still in progress.

The information in this report that relates to exploration results for Stellite is based on information compiled by the MSA Group. The information in this report that relates to exploration results for Vlakpoort is based on information compiled by the Competent Person. The Competent Person has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), the 2001 Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves in the United Kingdom, Ireland and Europe (IMMM) as well as the 2007 edition of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC). The team of people involved in the MSA estimation process is listed below:

Person:	Position:	Affiliations:
Andrew Scogings	Geological Consultant	MAusIMM, MAIG
Sifiso Siwela	Exploration Project Manager	Pr.Sci.Nat, MGSSA
Mike Hall	Mineral Resources Consultant	Pr.Sci.Nat, MGSSA, MAusIMM

The Measured and Indicated Mineral Resources for Stellite declared as at 31 December 2014 decreased from that declared in December 2013 due to depletion in the open pit. This resulted in a 0.2 million tonnes decrease.

The Measured and Indicated Mineral Resources for Vlakpoort declared as at 31 December 2014 increased from that declared in December 2013 due to trenching and drilling. This resulted in a 1.347 million tonnes increase.

The combined Stellite and Vlakpoort Mineral Resources declared as at 31 December 2014 increased from that declared in December 2013, by 2.511 million tonnes and the PGM grade increased by 0.17g/t.

H.B. Swart Pr.Sci.Nat MGSSA
Mineral Resource Manager and
Competent Person for Afarak SA

Mineral Resource and Mineral Reserve[1] Statement for chromite for the Afarak Group in Turkey as at 31 December 2014.

Ore zone/ body	Cr2O2 %	Proven reserves (tonnes	Probable (tonnes)	Possible (tonnes	Total reserves (tonnes)	Hypothetical Resources (tonnes)
KAVAK CONCESSIONS						
TOTAL	7–41	2,268,282	0	298,520	2,566,802	1,500,000
BEYAGAC CONCESSIONS						
TOTAL	14–34	148,000	0	158,900	306,900	223,100
FETHIYE & KOYCEGIZ CONCESSIONS						
TOTAL	8–28	121,860	0	110,970	232,830	257,150
ADANA CONCESSIONS						
TOTAL	12–14	6,000	0	24,000	30,000	40,000
EAGLE CONCESSIONS						
TOTAL	36–44	30,000	0	20,000	50,000	150,000
KAVAK TAILINGS DAM						
Tailings Dam 1	7–13	950,000			950,000	
Tailings Dam 2	7–13	1,695,658			1,695,658	
Tailings Dam 3	4–6	746,690			746,690	
TOTAL	4–13	3,392,347	0	0	3,392,347	0
TAVAS TAILINGS DAM						
Tailings Dam	9–11	537,584			537,584	
TOTAL	9–11	537,584	0	0	537,584	0
GRAND TOTAL		**6,504,073**	**0**	**612,390**	**7,116,463**	**2,170,250**

Corporate Governance

Corporate Governance Statement

Afarak Group Plc ("Afarak", the "Company" or the "Group") is a Finnish public limited company listed on the NASDAQ Helsinki Stock Exchange (AFAGR) and the Main Market of the London Stock Exchange (AFRK).

Afarak's corporate governance is based on, and complies with, the laws of Finland, the Articles of Association of the Company, the Finnish Corporate Governance Code and the regulations of the Finnish Financial Supervisory Authority, the UK Listing, Disclosure and Transparency Rules, the NASDAQ Helsinki Stock Exchange and the London Stock Exchange. As Afarak primarily follows the Finnish Corporate Governance Code, certain sections of the UK Corporate Governance Code issued in September 2012 ("UK CG") are not strictly complied with. However, in the areas that the Company diverges from the UK CG the Company believes that its policies are acceptable for the reasons which are set out below.

UK CG Section	Description	The Reason for Non-Compliance
A.3.1	Independence of the Chairman	The Chairman of the Company has close family ties with the Company's CEO. The Company's view is that the arrangement is acceptable as three out of six board members are independent. Therefore, the Company considers that the Board has sufficient independent members to follow the principles of the UK Corporate Governance Code.
C.3.8	A separate section of the annual report should describe the work of the Audit committee in discharging its responsibilities	While this report includes a description of the work of the audit and risk management committee, the contents requirements of this section under the UK GC are not the same as those under the Finnish CG and, therefore some information required under the UK GC is not included.
D.2.1.	The board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors.	Afarak Chairman Dr Jelena Manojlovic is the Chairman of the Remuneration and Nomination committee due to her extensive HR experience. Dr Jelena Manojlovic has close family ties with the Company CEO Dr Danko Koncar. However, the remaining Committee members are independent and Dr Manojlovic does not participate in resolving any remuneration of the CEO.
E.2.1	For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation. The Company does not provide proxy voting forms.
E.2.2	Miscellaneous general meeting procedures	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation.

Afarak's foreign subsidiaries operate under the local laws and regulations of the countries in which they are located, including but not limited to local accounting and tax legislation as well as exchange controls. This Corporate Governance Statement for the financial period 1 January to 31 December 2014 is issued as a separate report to the Board of Directors' Report and is available on the Group's website at www.afarak.com. It has been prepared pursuant to the Finnish Corporate Governance Code 2010 and the guideline of the Securities Market Association dated 1 December 2010. Afarak complies with the Finnish Corporate Governance Code which can be found on the Securities Market Association's website at www.cgfinland.fi. Afarak has made no exceptions in its Finnish Corporate Governance Code compliance.

Governance Bodies and the General Meeting of Shareholders

Governance Structure

The management and control of Afarak Group Plc and its subsidiaries ("Group") is divided between the shareholders, the Board of Directors ("Board"), supported by the Board's audit and risk management committee, nomination and remuneration committee and the Chief Executive Officer.

Shareholders	
Board of Directors	
Audit and Risk Management Committee	Nomination and Remuneration Committee
Executive Management Team	

General Meeting

Afarak's ultimate decision-making body is the shareholders' General Meeting which usually convenes once a year and is held within six months of the end of the financial year. Pursuant to the Company's Articles of Association, the convening notice for a General Meeting will be published on the Group's website and in a stock exchange release no earlier than two months, and no later than 21 days, prior to the General Meeting or nine days prior to the record date of the General Meeting.

The notice of a General Meeting, the proposals for resolutions, and the documents to be submitted to the General Meeting, such as the financial statements, the annual report and the auditor's report, will be available on the Group's website and at the Group's office in Helsinki at least three weeks before the meeting. The resolutions passed by the General Meeting will be published as a stock exchange release without undue delay and will be available on the Group's website, along with the minutes of the General Meeting, no later than two weeks after the meeting.

Shareholders have the right to add items falling within the scope of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in advance so that the item can be included to the notice. Afarak publishes the details of how and when to submit the requests to the Board on its website.

The Company uses the Annual General Meeting to develop an understanding of the views of its shareholders about the Company.

An Extraordinary General Meeting can be convened if the Board of Directors deems it necessary or if the auditor of the Company or the shareholders owning at least 10 percent of the shares demand one in writing in order to deal with a specific matter, or if it is required by law or other regulations.

The most significant items on the Annual General Meeting's agenda include:

- Approving the year's financial statements;
- Confirming the financial year's profit or loss, the dividend distribution or other distribution, such as capital redemption;

- Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
- Electing the auditor or auditors and approving their fees.

In addition certain significant matters (such as amending the Articles of Association or deciding on a capital increase) require a resolution by the shareholders in a General Meeting.

General Meetings are organised in a manner that permits shareholders to exercise their ownership rights effectively. A shareholder wishing to exercise his or her ownership rights shall register for a General Meeting in the manner stated in the notice of meeting. All the shareholders who have been registered in the Company's shareholder register, maintained by Euroclear Finland Ltd, on the record date of the meeting have the right to attend a General Meeting, provided they have delivered a proper notice to attend the meeting. Holders of nominee registered shares may be registered temporarily on the shareholder register, and they are advised to request further instructions from their custodian bank regarding the temporary registration and issuing of a proxy document.

Resolutions by a General Meeting usually require a simple majority. Certain resolutions, however, such as amending the Articles of Association and directed share issues require a qualified majority represented by shares, and the votes conferred by the shares, at the General Meeting.

The majority of the Board members, if not all, attend General Meetings together with the CEO and the auditor. In addition, if a person is proposed for election as a director for the first time, he or she will also attend the General Meeting.

General Meetings in 2014

The Annual General Meeting was held on 8 May 2014 at Restaurant Palace in Helsinki, Finland.

All the resolutions of the above-mentioned General Meeting can be found at:
http://www.afarak.com/en/investors/shareholder-meetings/2014/

The Board of Directors

Tasks and Responsibilities

The Board of Directors is composed of between three and nine members who are elected by the General Meeting of shareholders, which also approves their remuneration. The tenure of each Board member is for one year and expires at the end of the next annual General Meeting immediately following their election. The Board elects a chairman from among its members. None of the non-executive directors has a service contract with the Company and none of the directors has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking.

The duties of a Board member are specified in the Finnish Companies Act. The Afarak Board also has a written charter governing its functions.

The Board of Directors oversees the administration of the Group and is responsible for the internal control of its assets, finances and accounts on behalf of shareholders. Its specific responsibilities include:

- Formulating the Group's business strategy and overseeing its implementation;
- Deciding on the Group's capital structure;
- Making decisions on significant investments, divestments, credits and collaterals, guarantees and other

commitments;

- Approving the quarterly interim reports, the Board of Directors Report, the annual financial results and future forecasts and/or outlook;
- Deciding on the Group's organisational structure;
- Appointing the CEO and approving his or her service agreement and remuneration; and
- Convening and submitting proposals to the shareholders' General Meeting.

Key elements of the Board's charter and operations are:

- It convenes on prearranged dates, with a view to meeting approximately once a month, or more often if necessary. Meetings can be arranged as conference calls;
- Matters to be dealt with by the Board are presented by the Chairman, the CEO or another person who has participated directly in assessing and preparing the issue for consideration;
- It aims to make unanimous decisions;
- It prepares an annual plan for its operation; and
- It acts at all times in the interest of the Group and all of its shareholders.

The Board oversees all communications and other requirements stipulated by the rules of the relevant stock exchanges and financial supervision authorities and conducts regular self-assessments to ensure these requirements continue to be fulfilled. The Group has established specific targets for the development of its administrative functions and processes, and continues to implement these.

The Board also evaluates and decides on acquisitions and disposals of subsidiaries and associated companies. To ensure the efficiency of board and committee work, the Board regularly evaluates the operations and working methods of each committee and the Board. The evaluation is conducted as internal self-evaluation. The Board is also regularly in contact with the major shareholders of the Company to ensure that the Board is aware of their views.

Board Members

The 2014 Annual General Meeting elected six members to the Board: Dr Jelena Manojlovic, Ms Bernice Smart, Mr Markku Kankaala, Dr Danko Koncar, Mr Michael Lillja and Dr Alfredo Parodi were re-elected.

Board Independence

The Finnish Corporate Governance Code requires that the majority of the directors are independent of the Company. In addition, at least two of the directors representing this majority must be independent of the significant shareholders of the Company. The Company believes that Ms Bernice Smart, Mr Markku Kankaala and Dr Alfredo Parodi are independent of the Company and significant shareholders and Dr Jelena Manojlovic is independent of the Company. The Board has named Ms Bernice Smart as the senior independent non-executive director.

	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination and Remuneration Committee
Jelena Manojlovic	Chairman	11 July 2008	Dependent	–	Chair
Bernice Smart	NED	11 February 2013	Independent	Chair	Member
Alfredo Parodi	NED	11 February 2013	Independent	Member	–
Michael Lillja	Executive	11 February 2013	Executive	–	–
Markku Kankaala	NED	30 June 2003	Independent	Member	Member
Danko Koncar	Executive	11 August 2010	Executive	–	–

Board Committees

The Board establishes its committees and appoints the committee members for a term of office that continues until the end of the following Annual General Meeting.

Audit and Risk Management Committee

The Audit and Risk Management Committee currently has three members: Ms Bernice Smart (committee chairman), Mr Markku Kankaala and Dr Alfredo Parodi.

The Board has defined the committee's duties in accordance with the recommendations of the Finnish and the UK Corporate Governance Codes. The Audit and Risk Management Committee reviews the auditors' work and monitors the Group's financial position and the appropriateness of its financial reporting. The committee evaluates internal audit and risk management, maintaining contact with auditors and evaluating their reports. The committee reports regularly to the Board.

In 2013 and 2014, the Audit and Risk Management Committee evaluated and monitored the development of internal controls and risk management policies. The Group had no permanent internal auditor during the years, although operational management commissioned local specialists to conduct internal audit reviews within several business units as part of their local assurance process. The Board has received assurance from a number of sources, including a Board review of the Group's overall strategy and management processes, which has exercised substantial supervision over the local operations.

All significant Group companies are audited by the Company's auditor in order to ensure a consistent approach and to facilitate communication between the auditors and the Committee.
The Committee has focused on improving management information flow to the Board and on the identification and management of the main risks facing the Group. The risks are discussed in the Board of Directors' Report. These priorities continued to form the core of the committee's business during 2014, along with the regular scrutiny of the Group's compliance with laws, regulations and best practice.

Biographical details of the Board members

Dr Jelena Manojlovic

Chairperson, Dependent Non-Executive Director
Ph.D. (Medicine), Clin. D. (Psychology), MA (Psychotherapy)
Born 1950

Jelena Manojlovic has been a member of the Board since 11 July 2008, and has acted as Chairperson of the Board since 16 June 2009. She is also a member of the Remuneration and Nomination Committee. She is an established university lecturer and organizational consultant and has 35 years' experience in the human resources field and 20 years' in management positions in a diverse range of organisations, including the UK's National Health Service, universities and other companies. She was previously Human Resources Director of Kermas Limited (a major shareholder in the Company). Manojlovic is independent of the Company but through a controlled entity of her husband Danko Koncar, she is dependent on a major shareholder of the Company.

Mr Markku Kankaala

Independent Non-Executive Director
B.Sc. (Eng.)
Born 1963

Markku Kankaala has been a member of the Board since 30 June 2003. He is also a member of the Audit and Risk Management and Nomination and Remuneration Committees. He was also the CEO of the Group from 2003 to 2004 and worked as a Branch Director in Ruukki Group Plc (currently, Afarak Group Plc) until 31 August 2006. Previously he worked for 10 years as an entrepreneur in the wood products industry and before that in different positions in Ahlstrom and Rautaruukki. Due to the fact that Mr Kankaala has been a member of the Board for more than nine years the Board separately evaluated his independence in 2014. It was concluded that he remains independent of both the Company and the significant shareholders.

Dr Danko Koncar

CEO, Dependent Executive Director
Diploma (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)
Born 1942

Dr Danko Koncar was appointed as a member of the Board at the Extraordinary General Meeting on 11 August 2010 and as the CEO on 11 February 2013. He was also the Acting Managing Director of the Company between October 2010 and April 2011.He has extensive experience in minerals processing and trading, including 20 years in ferrochrome processing with six years of experience in application of direct current technology to ferrochrome processing. He has served as Chairman of Samancor Chrome and General Director of RCS Limited and is still General Director of Kermas. Dr Koncar is dependent on the Company based on his position as the CEO and dependent on a major shareholder of the Company through his controlled entity Kermas Ltd.

Michael Lillja

Executive Director
M.Sc (Economics)
Born 1962

Michael Lillja is currently member of the Executive Management Team and the head of sales and marketing of RCS Limited, the sales and marketing arm of Afarak. Prior to RCS, Mr. Lillja has served for decades in several different positions in the mining and metals industry, the energy sector, and in international trade for companies such as, Alloy 2000 SA/ENRC-Kazakhstan, International Ferro Metals Ltd, and SamChrome Ltd/Samancor Cr.

Dr Alfredo Parodi

Independent Non-Executive Director
Dr in Chemical Engineering
Born 1940

Dr Parodi has been working as a technical consultant for ferrochrome and chrome-chemical productions. He has numerous years of engineering and managerial experience and has served in a number of positions in the petrochemical and alloys industries. He was responsible for production, technical organisation and plant construction in several international companies such as SIR & Saras Chemical (Italy), Stopani Engineering (Italy), Dirox (Uruguay), Sarasota (USA) and Anxian (China).

Bernice Marguerite Smart

Independent Non-Executive Director
BA (Marketing)
Born 1949

Bernice Smart has recently retired after a long career in the banking industry. She was a financial advisor, predominately working in wealth management and focusing on Asian and East European accounts. She was also a Director for Wealth Management in UBS and the Vice President for Wealth Management at Credit Suisse.

Nomination and Remuneration Committee

The combined Nomination and Remuneration Committee of the Company currently has three members: Dr Jelena Manojlovic (committee chairman), Mr Markku Kankaala and Ms Bernice Smart.
The Committee leads the process for making appointments to the Board and the executive management and submits recommendations to the Board in this regard. The Committee also leads the process relating to the remuneration of the executive management and the Board, and makes recommendations to the Board and to the General Meeting in relation to the Board's remuneration. The Committee's duty is to ensure that Afarak's goal to have a diverse Board in every aspect, including in respect of gender, is implemented. The Committee evaluates the need for external search consultancies or open advertising on case by case basis and no consultants were used in 2014. No appointments or changes to remuneration were made in 2014 after the material changes that occurred in 2013 .

Board and Committee meetings

During 2014 the Board held 12 meetings. The Audit and Risk Management Committee met on six occasions and the Remuneration and Nomination Committee did not have an official meeting in 2014. The attendance record of the Directors during the period is shown in the table below. The average attendance percentage of the members of the Board was 99 %.

	Board	Audit and Risk Management Committee	Nomination and Remuneration Committee
Markku Kankaala	12	6	
Danko Koncar	12		
Michael Lillja	11		
Jelena Manojlovic	12		
Alfredo Parodi	12	6	
Bernice Smart	12	6	

Remuneration

The Annual General Meeting held on 8 May 2014 approved that all Board Members are paid EUR 3,000 per month and that the non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for the committee work.
Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for the Board or Committee memberships.

During the financial year 2014, the Board members received a total of EUR 216,000 (251,000) in Board and Committee membership fees.

Chief Executive Officer, Executive Management Team and Corporate Management

Chief Executive Officer

The Board appoints the Chief Executive Officer (“CEO”), who leads the executive management of the Group in accordance with the Board’s instructions. It is the responsibility of the CEO to lead and steer the Group and to act as the spokesperson for the Group both internally and externally. The CEO manages, develops, guides and supervises the Group’s activities. In these duties, the CEO is assisted by the Executive Management Team and the Corporate Management. The CEO reports to the Board of Directors and prepares presentations and documentation for the Board. The focus of the CEO role is on major strategic activities, where his or her direct involvement and commitment are essential, whether concerning acquisitions, capitalisation, listing or other special projects.

The CEO’s ongoing responsibilities include the following:

- Providing leadership to the Group and determining its priorities and operating practices;
- Preparing and developing the Group’s strategy for the Board’s approval;
- Implementing the Group’s strategy and delivering performance in line with targets;
- Planning and managing the organisational structure, capital structure, investments, mergers and acquisitions, demergers, credits, guarantees and other substantial commitments for the Board’s approval;
- Organising the Group’s finance, bookkeeping and internal control matters; and
- Coordinating communications to shareholders, the investment community and the media.

Dr Danko Koncar was appointed the CEO 11 February 2013 and the service contract is valid until terminated by either party.

Internal Control

The principles of internal control are confirmed by the Board. The Group's EMT members are in charge of the day-to-day business management and administrative control in their respective responsibility areas.

Main Principles of Risk Management and Internal Control

The purpose of risk management is to identify, evaluate and mitigate the potential risks that could impact the Group's business and the implementation of its strategy, and to ensure that risks are proportional to the Group's risk-bearing capacity.

The Group's risk management policy is approved by the Board of Directors and defines the objectives, approaches and areas of responsibility of risk management activities. The Group's key risks are reviewed and assessed by the Board on a regular basis. The Group's business segments, and the business units within those segments, are primarily responsible for managing their risks, their financial performance and their compliance with the Group's risk management policies and internal control procedures.

The Board of Directors is responsible for organising and maintaining adequate and effective internal control performed by the senior and executive management as well as other Afarak personnel, and assisted by third-party experts when appropriate.

The Board of Directors decides on the Group's management system and the corporate and organisational structure required by each business unit with a view to providing solid foundations for effective internal control. Internal control and risk management related to financial reporting at the Group level are performed in a coordinated way by a function independent of the business areas. Each subsidiary's executive management is responsible for the implementation of internal control and risk management to the agreed Group principles and guidelines.

The system of internal control provides reasonable rather than absolute assurance that Afarak's business objectives will be achieved within the risk tolerance levels defined by the Board.

Internal control refers to elements of financial and operational management which are designed to ensure:

- Achievement of defined performance targets;
- Efficient use of resources and protection of assets;
- Effective management of risks;
- Accurate, timely and continuous delivery of financial and operational information;
- Full compliance with laws and regulations as well as internal policies; and
- Business continuity through secure systems and stable operating procedures.

The Structure of Internal Control Systems

The main structural elements of the Group's internal control system are:

- The risk management and internal control policies and principles defined by the Board;
- Implementation of the policies and principles under the supervision of Group management;
- Supervision of the efficiency and functionality of the business operations by Group management;

Executive Management Team

The Group's Executive Management Team ("EMT") assists the Group CEO in effectively accomplishing his duties. The EMT is an advisory body which was set up by the Board of Directors in November 2009. It has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the EMT are taken by the CEO, the EMT member responsible for the matter in question or the Group's Board of Directors, as appropriate.

The current members of the EMT are:

Dr Danko Koncar
CEO, Dependent Executive Director
Diploma (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)
Born 1942

Dr Danko Koncar was appointed as a member of the Board at the Extraordinary General Meeting on 11 August 2010 and as the CEO on 11 February 2013. He was also the Acting Managing Director of the Company between October 2010 and April 2011.He has extensive experience in minerals processing and trading, including 20 years in ferrochrome processing with six years of experience in application of direct current technology to ferrochrome processing. He has served as Chairman of Samancor Chrome and General Director of RCS Limited and is still General Director of Kermas. Dr Koncar is dependent on the Company based on his position as the CEO and dependent on a major shareholder of the Company through his controlled entity Kermas Ltd.

Michael Lillja
Executive Director
M.Sc (Economics)
Born 1962

Michael Lillja is currently member of the Executive Management Team and the head of sales and marketing of RCS Limited, the sales and marketing arm of Afarak. Prior to RCS, Mr. Lillja has served for decades in several different positions in the mining and metals industry, the energy sector, and in international trade for companies such as, Alloy 2000 SA/ENRC-Kazakhstan, International Ferro Metals Ltd, and SamChrome Ltd/Samancor Cr.

Dr Alistair Ruiters
Executive Chairman, Afarak South Africa
BA (Economic History), Ph.D. (Sociology),
Born 1964

Alistair Ruiters joined the Company in November 2009 as Afarak's South Africa's Managing Director. Prior to joining the Company, he held numerous positions in the private sector. Before transferring to the private sector in 2005, Dr Ruiters served as a public servant in the new South African democratic government from 1994 to 2005. He has held numerous senior positions in Government including the Commissioner of the Competition Commission and the Director General of the Department of Trade and Industry. He holds a Doctorate from Oxford University.

Corporate Management

The Company's Corporate Management includes, in addition to the Executive Management Team, the following personnel responsible for corporate functions:

Melvin Grima
Finance Director
ACCA, MIA, CPA
Born 1982

Melvin Grima joined Afarak in 2013 as Group Finance Manager. He was responsible of the relocation of the Group's corporate finance function to Malta and its setup. He was promoted to Finance Director in 2015. Prior to joining Afarak, he held a number of management positions including Group Accountant of a hotel Group and Finance Manager of a Group trading in the petroleum industry.

Sakari Knuutti
Head of Corporate Affairs
Master of Laws (LL.M.)
Born 1984

Sakari Knuutti joined Afarak's now divested wood processing division in 2010. He was promoted to Head of Corporate Affairs and Company Secretary in 2013. Prior to joining Afarak he has worked in attorneys-at-law offices and a governmental organization.

- Supervision of the quality and compliance of the financial reporting by the Group finance department;
- An effective control environment within all organisational levels and business units, including tailored controls for each business process; and
- Internal audits conducted as and when needed.

The Internal Control of the Financial Reporting Process

The Group's financial organisation is structured so that each business unit has its own finance function, but overall financial management including accounting, taxation and financing is centralised within the Group's parent company.

The Group finance department is responsible for ensuring the compliance, quality and timeliness of the Group's external and internal financial reporting. The internal control mechanisms are based on the policies, procedures and authorisations established and approved by the Board. In addition to control mechanisms, training and sharing of knowledge are also significant tools of internal control.

Each business unit has its own finance function which reports to the Group Finance. The business unit's finance function is responsible for the unit's accounting and daily financial operations and internal reporting. The finance function and administration is overseen by the unit's management team and reports to the head of the business unit's segment.

The tasks of the Group Finance consist, among other things, of monthly consolidation of the Group's accounts, preparation of the quarterly interim reports and consolidated financial statements, financing of the Group, and tax planning.

Consolidated financial statements are prepared by using consolidation software. The accounting of the Company's subsidiaries is carried out by accounting systems and the accountants within each subsidiary enter the accounting information directly into the consolidation system, or in some cases send the information in a predefined format to the Group's financial administration to be consolidated.

Roles and Responsibilities Regarding Risk Management and Internal Control

Board of Directors

The Board of Directors is ultimately responsible for the administration and the proper organisation of the Group's operations and approves all internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk-bearing capacity of the Group and reassess them on a regular basis as part of the Group's strategy and goal-setting process. The Board reports to the shareholders of the Company.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for the following internal control related activities:
Monitoring the reporting process of the financial statements;
Supervising the financial reporting process;
Monitoring the efficiency of the Group's internal control, internal audit and risk management systems; and
Monitoring the statutory audit of the financial statements and consolidated financial statements.

Group Management

The Group's management is in charge of the day-to-day management of the Group in accordance with the

Corporate Governance

instructions and orders given by the Board. It sets the framework of the internal control environment and is in charge of the Group's risk management process and its continuous development. This includes allocation of resources to the work and continuous review of the risk management policies, as well as defining the principles of operation and overall processes.

External Audit

According to the Articles of Association, the Annual General Meeting of shareholders elects the Company's auditor, which must be a firm authorised by the Finnish Central Chamber of Commerce; otherwise the Company will have one main auditor and one deputy auditor. The auditor's term is for one year and finishes at the end of the first General Meeting following election.

On 8 May 2014 Afarak's General Meeting elected Authorised Public Accountant Ernst & Young Oy ("EY") as auditor, with Authorised Public Accountant Erkka Talvinko having the principal responsibility. EY is also the local auditor of all of the Group companies.

In 2014 the Company paid EUR 412,000 for audit fees (438,000) and EUR 20,000 for non-audit services (12,000) to EY.

Insider Administration

The Company complies with the legal provisions applying to the management of insiders, the Guidelines for Insiders issued by the NASDAQ Helsinki Stock Exchange and the stipulations and guidelines of the Finnish Financial Supervision Authority.

Public Insider Register

The Company's permanent public insiders comprise the Board members, the CEO, the Executive Management Team and the auditors. All permanent public insiders and the statutory information about them, their related parties and the entities controlled by them or in which they exercise influence, have been entered into the Company's public insider register which is published on the Group's website.

Afarak imposes a restriction on trading for insiders which forbids trading in the Company's shares for 30 days before the publication of financial reports. Prior to the preliminary announcement of the Company's annual results and the publication of its annual financial report the closed period is 60 days or, if shorter, the period from the end of the relevant financial year up to and including the time of the announcement.

Compliance with the insider regulations is monitored by taking samples at certain intervals of trading by insiders in the Company's shares.

Company-specific Insider Register

In addition to the public insider register, the Company holds a company-specific insider register of persons who regularly receive information that can have material impact on the value of its securities. These persons include all Afarak Group Plc employees and subsidiary and other third-party service providers who regularly obtain insider information.

When necessary, the Company sets up a separate project-specific insider register. Project-specific insiders are those who, in connection with the insider project receive information that might have material impact on the value of the Company's shares. The establishment of a project is decided by the Board or the CEO.

Shareholdings of the Public Insiders at 31 December 2014

Members of the Board	Title	Shares	Related Party Shares	Options
Jelena Manojlovic	Chairman	150,000	19,672*	0
Markku Kankaala	Non-executive Director	7,066,116	24,500	0
Danko Koncar	Executive Director, CEO	19,672	70,945,967**	0
Michael Lillja	Executive Director	0	71	200,000
Alfredo Parodi	Non-executive Director	22,600	0	0
Bernice Smart	Non-executive Director	0	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other insiders				
Alistair Ruiters	Executive Chairman, Afarak South Africa	418,211	0	600,000

*Includes the personal shares of Danko Koncar.
**Includes the total number of shares of Jelena Manojlovic.

Renumeration Report

Remuneration Report

This report sets out the remuneration policy and practices for Afarak's Board and Executive Management Team ("EMT"), and provides details of their remuneration and share interests for the year ended 31 December 2014.

Remuneration Policy

Afarak operates in a very competitive sector where there is a shortage of highly qualified, experienced executives. The Group's remuneration policy is designed to attract, retain and incentivise high-calibre executives to implement its business strategy and enhance shareholder value.

The policy seeks to align the interests of the business and shareholders by rewarding executives appropriately for achieving individual and group targets and thereby ensuring long-term value creation for the benefit of all the shareholders.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee makes recommendations to the Board regarding executive remuneration, and submits proposals to the Annual General Meeting of shareholders regarding the Board's remuneration.

The committee is responsible for the overall direction of the remuneration policy, as well as determining, within agreed terms of reference, the specific remuneration packages of the EMT. This includes pension rights, executive incentive schemes and any compensation payments. To ensure that the Group's remuneration packages are both appropriate and competitive, the committee evaluates information on market-based remuneration levels for comparable companies.

The members of the committee in 2014 were Dr Jelena Manojlovic (Chairman), Mr Markku Kankaala and Ms Bernice Smart.

CEO Service Agreement

The Board appoints the Chief Executive Officer (CEO), who manages, develops, guides and supervises the Group's activities and leads the EMT. The Board decides upon the CEO's remuneration based on the recommendations made by the Remuneration Committee.

The CEO receives an annual salary of EUR 240,000. The CEO is not entitled to any bonus plans or share-based incentives. The Company's view is that as the CEO's related parties include a major shareholder of the Company the CEO has sufficient incentive performance in spite of the lack of any share or bonus plans.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage, and there is no set retirement age. The notice period in the event of termination of the CEO's Service Agreement is six months. The CEO is not entitled to any other severance pay in addition to the salary for the notice period.

Non-Executive Directors' Service Contracts

The remuneration of members of the Board of Directors is agreed at the Company's General Meetings. Directors' remuneration consists of monthly fixed fees. The Extraordinary General Meeting held on 11 February 2013 and later the Annual General Meeting held on 8 May 2013 approved that all Board Members are paid EUR 3,000 per month. The Extraordinary General Meeting held on 5 July 2013 resolved that the non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for the committee work. Directors' monthly remuneration fee of EUR 3,000 remained unchanged.

Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for the Board or Committee memberships.

		2014			2013		
EUR '000		**Salaries**	**Fees**	**Share-based remuneration**	**Salaries**	**Fees**	**Share-based remuneration**
Everard Paul	Board member 21.4.2010 – 11.2.2013					16	97
Hoyer Thomas	CEO 4.5.2011 – 11.2.2013 , Board member 11.5.2011 –11.2.2013				386		548
Kankaala Markku	Board member 30.6.2003 onwards		54			56	64
Koncar Danko	CEO since 11.2.2013, Board member 11.8.2010 onwards	240			240		
	Acting Managing Director from 14.10.2010 to 3.5.2011						
Lillja Michael	Board member 11.2.2013 onwards	120			212		
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 17.6.2009 onwards		54			59	97
Parodi Afredo	Board member 11.2.2013 onwards		54			41	
Pointon Christopher	Board member 21.4.2010 – 11.2.2013					19	97
Rourke Barry	Board member 21.4.2010 – 11.2.2013					19	97
Smart Bernice	Board member 11.2.2013 onwards		54			41	
Total		360	216	0	838	251	999

The 2014 share based remuneration of the directors relates entirely to the 2010 share scheme in relation to which the directors received shares in 2010 and the expiry of the lock-up period of those shares.

Other EMT Members' Service Contracts

As Afarak operates within a highly competitive environment, its performance depends on the individual contributions of the executive directors and other senior employees. The remuneration packages are designed to attract, motivate and retain executives to manage the Group's operations effectively and to reward them for enhancing shareholder value.

The EMT remuneration package is a combination of a base salary and long-term share-based incentives. Fringe benefits include liability insurance, traveller's insurance and mobile phones.
There are no early retirement options in the EMT's employment contracts, and the notice period and/or non-compete period is normally six months, unless agreed otherwise.

Executive Management Team Remuneration

EUR '000	2014	2013
Short-term employee benefits	185	505
Post-employment benefits	0	72
Termination benefits	0	192
Share-based payments	42	333
Total	**227**	**1 057**

The table includes the Executive Management Team remuneration excluding the CEO. The CEO and Board members compensation has been presented separately.

None of Afarak's executive directors have received any compensation for serving as a NED in other companies.

Share-based Compensation

Share Options

The Company has three incentive-related option schemes, known as I/2005, I/2008 and I/2011.

Option rights relating to the I/2005 scheme were granted to the EMT and other key employees and to non-executive directors, as recommended by the Board. The scheme entitles option holders to subscribe for a maximum of 2,700,000 shares in the Company. The share subscription period is from 1 July 2007 to 30 June 2015 for various options series denoted with different letters, and the subscription price range is EUR 0.32 – 0.82 (with dividend and capital redemption adjustment). To date, options on A, B, C, D, E and F series of the I/2005 scheme have been issued totalling 1,175,000 option rights.

Option rights relating to the I/2008 scheme were granted to the Company's previous CEO, Alwyn Smit, in October 2008. The scheme entitled the option holder to subscribe for a maximum of 2,900,000 shares in the Company for a subscription price of EUR 2.18 per share (with dividend and capital redemption adjustment). The share subscription period for 1,450,000 share options commenced on 1 October 2009 and on 1 October

2010 for the remaining 1,450,000 options. The subscription period matures on 31 December 2015, and the maximum number of 2,900,000 options hav been issued.

Option rights relating to the I/2011 scheme are granted to the key personnel of the Company, as recommended by the Board. The scheme entitles the option holders to subscribe for a maximum of 6,900,000 shares in the Company. To date, the total of 6,291,997 options have been issued. The vesting period is 1 July 2014 to 1 August 2017 for various option series denoted with different letters and years. The share subscription price is calculated by a formula based on the Volume Weighted Average Price of the Company's share and varies between the option series.

Directors' and EMT members' Shareholdings and Options at 31 December 2014

Members of the Board	Title	Shares	Related Party Shares	Options
Jelena Manojlovic	Chairman	150,000	19,672*	0
Markku Kankaala	Non-executive Director	7,066,116	24,500	0
Danko Koncar	Executive Director, CEO	19,672	70,945,967**	0
Michael Lillja	Executive Director	0	71	200,000
Alfredo Parodi	Non-executive Director	22,600	0	0
Bernice Smart	Non-executive Director	0	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other insiders				
Alistair Ruiters	Executive Chairman, Afarak South Africa	418,211	0	600,000

*Includes the personal shares of Danko Koncar.
**Includes the total number of shares of Jelena Manojlovic.

Board of Directors Report

Review of 2014

Afarak's objective is to create shareholder value through delivering high profitability and long-term, sustainable growth.

In 2014 Afarak continued to assess ways to improve its profitability. Afarak implemented changes in production planning to increase production volumes of processed material with the aim of reducing fixed overhead cost per ton. These improvements led to an increase in trading volumes of processed material in both the Speciality Alloy and Ferroalloys segment. In addition, Afarak continued making good progress in driving its production further towards specialised alloy products.

During 2014 Afarak's mining operations suffered from suspensions in both segments. Unrest in the local community led to the suspension of the Mecklenburg mine in South Africa and the Turkish mines were also closed for a significant amount of time due to strike action. On the other hand, Stellite mining operations in South Africa were consistent throughout the year and production was at the same levels of the 2013. However, the extraordinary coincidence of having three out of the four mines not operating for a substantial part of the year affected our results in 2014. We don't expect such production suspensions to occur again in near future.

Afarak's mining team in South Africa continued working to convert the prospecting right of Vlakpoort to a mining right. Afarak expects that mining activity commences in H2 2016. The Group continues to assess various additional opportunities to grow its mineral reserves and resource.

The Mogale Alloys plant in South Africa operated throughout the year unlike in 2013 during which it participated in Eskom's electricity buy-back program. In December 2014 Mogale Alloys commissioned the refining and granulation plant which enabled Afarak to enter into a new niche market and produce medium carbon ferrochrome in 2015.

EWW, the smelting operation located in Germany and a key component of Afarak's integrated Speciality Alloys business, continued to be a strong contributor to the Group. Afarak's expectation is to continue focusing on the specialised niche products which always contributed consistent results since entering the mineral segment.

In 2014 Afarak continued its fully integrated strategy covering mining, processing, smelting, marketing and sales. It was another challenging year for our industry, and the Group´s resilience and determination was once again demonstrated throughout value chain. RCS, the Group's marketing, sales and logistics organisation, managed the volatility of product prices and secured new long-term contracts with a number of multinational customers.

In 2014 the costs of certain key raw materials increased. In order to mitigate the effect on our profitability Afarak aims to improve the value chain and deepen the vertical integration by evaluating investment opportunities that would lead to lower product cost.

Looking ahead the economic conditions have determined some change in the strategy of Afarak, the orientation to quantity and more specialty products that are always in demand is a key focus to mitigate the current weak saturated market of standard grades material. Afarak is looking into diversification by entering into other mineral and metal segments and increase trading volumes for higher profitability. We are also planning to widen our growth strategy by increasing our asset base geographically, penetrate additional commodity markets, and enhance synergies by identifying potential consolidation opportunities.

Safety, Health and Sustainable Development

The Group's mission is to conduct its business in a responsible and ethical manner for the benefit of all its stakeholders.

Afarak strives to achieve "Zero Harm" at all of its operations and to provide its employees and contractors with a safe and healthy environment in which to work, develop and grow. During the year the Group managed a common policy for health, safety and environment across all its units. A lost time injury metrics system was conducted in conformance with internationally recognised standards. During 2014 the Group totalled approximately 1,700,000 working hours during which the Group suffered only 15 accidents that caused loss of time. On-going personnel training on health and safety awareness is conducted also as the promotion of use of safety equipment. The Company is always assessing if there is scope for technical improvement in reducing the occurrence of hazardous events.

The Group seeks to make positive contributions to the local communities in which it operates and to build long-term relationships to underpin the sustainability of its business. Afarak's current community programs are focused on children, and aimed at providing them with much-needed basic support, including nutrition, education and safety. In Turkey, the support translates into education subsidies to help families pay school fees. In South Africa, the Group is supporting feeding schemes for children, a shelter for abused women and children and a teacher support program. The teacher support program is dedicated to providing support for destitute children in an informal settlement close to one of the Group's operations, guiding the development of values in children's lives, many of whom are from broken families. These programs are managed in conjunction with professional third party service providers to maximise their effectiveness and benefits. Afarak intends to further expand its community programs during 2015.

Afarak respects the environment in which it operates and aims to manage its operations in a sustainable

way, minimising its footprint as much as possible to preserve the environment. As an example, in Turkey, TMS does not use chemical reagents in its production process. In addition, at Tavas operation the Company conducted a research program with an aim to recycle into the production unit the fines resulting from past years operation. This project has been approved and will result in a substantial reduction of fines stock pile as well as in a reduction of the cost of production.
In South Africa, the Group has a number of initiatives in place to address its impact on the environment. At EWW the Group is investing substantial amounts into R&D to reduce the amount of waste from its production processes and the aim is to achieve 100% recycling of all materials.

Both of Afarak's processing plants, EWW and Mogale Alloy, hold a ISO 9001 certification for adopting the very best in quality systems and emphasizes our commitment at Group level to continuously improve and build excellence into every process of its integrated management systems.

2014 Operating and Financial Performance

Turning to the Group's performance for 2014, there has been a clear improvement in its financial results year on year despite challenging and volatile market conditions.

Group Production

Production for the year decreased by 27.9% to 405,660 (562,770) tonnes. The decrease was mainly due to the strike and lockout at TMS and the suspension of mining operation at Mecklenburg mine. Tavas mine restarted their operation following the end of the strike and lockout in November 2014 but the strike actions at Kavak mine were not over in the last quarter of 2014 and continued effecting negatively mining activity in the Speciality Alloys segment. Mecklenburg restarted mining operations in December 2014. Production of processed material increased substantially during 2014 as a result of the decision to increase production volumes at EWW and the fact that Mogale Alloys operated throughout the year unlike in 2013 during which it participated in Eskom's electricity buy-back program.

Tonnes	Q1	Q2	Q3	Q4	FY14	FY13	Change
Speciality Alloys - Mining*	19,694	14,448	0	1,706	35,848	**70,988**	-49.5%
FerroAlloys - Mining*	90,567	64,610	50,005	63,169	268,351	**425,585**	-36.9%
Speciality Alloys - Processing	8,189	7,901	5,337	7,357	28,784	**23,242**	23.8%
FerroAlloys - Processing	20,634	13,952	14,826	23,265	72,677	**42,955**	69.2%

* Including both chromite concentrate and lumpy ore production

Sales

The Group's sales from processing, which includes all the products produced at the Mogale Alloys and EWW processing plants, were 97,351 (62,626) tonnes in 2014, an increase of 55.4% compared to 2013. This increase was mainly attributable to the continuing increase in demand in both Speciality Alloys and FerroAlloys segments. The increase in the FerroAlloys segment volumes in 2014 was a result of having Mogale Alloys operating at normal levels during 2014. In 2013 sales volumes of the FerroAlloys segment were lower due to the participation in Eskom's electricity buyback program.

Sales from processing:

Tonnes	Q1	Q2	Q3	Q4	FY14	FY13	Change
Speciality Alloys - Processing	6,822	8,913	7,070	5,643	28,448	**21,516**	32.2%
FerroAlloys - Processing	17,816	13,988	19,277	17,822	68,903	**41,110**	67.6%
Total - Processing	24,638	22,901	26,347	23,465	97,351	**62,626**	55.4%

Group Revenue and Profitability

Revenue for the full year 2014 increased by 27.4% as compared to 2013 to EUR 172.7 (135.5) million. The increase in revenue was mainly attributable to the increase in sales volumes of our processed material in both segments and the growth in our trading operations. Revenue was negatively affected by lower sales prices and weaker US Dollar that only started recovering in September 2014.

EBITDA for the full year was EUR 8.4 (14.1) million. The EBITDA decreased in spite of the increase in trading volumes, mainly due to profit margins remaining low during 2014; the increase in production cost. Further, the weak US dollar throughout the first three quarters led to lower profitability in both segments. The suspension of the Mecklenburg mine and the strike and lockout at the Turkish mines also negatively affected our result. However, mining recommenced at the Mecklenburg mine during December 2014 and TMS resolved to end the lockout at both its Tavas and Kavak mines in Turkey. Operations have restarted at Tavas, however, the Kavak mine strike actions were not resolved in 2014.

EBITDA was positively affected by EUR 1.2 million relating to profit on the sale of land in Turkey in Q3/2014. Reduction in overhead costs across all our operations also contributed. Weakening of the South African Rand positively affected the Group's results as it helped to reduce our production costs in South Africa. The joint venture share of profit in 2014 was EUR -3.3 (-2.3) million. The negative result was mainly attributable to not having Mecklenburg mine in operation during a substantial part of the year and net write-down of assets amounting to EUR 1.6 (0.0) million. The joint venture share of profit also includes, depreciation of EUR 0.9 (1.1) million and, finance expenses of EUR 1.0 (2.3) million that negatively affect our EBITDA.

EBIT for the year improved significantly to EUR 1.7 (-8.0) million, that was mainly due to the beneficial effect of a lower depreciation charge in 2014 resulting from acquisition related assets acquired by Afarak in 2008 that were fully amortised in Q4 2013. During the fourth quarter of 2014, the Company sold part of the saw mill equipment that was acquired in 2008 for the now discontinued wood business. This transaction positively affected the Q4/2014 profit for the period by EUR 1.8 million that includes a release of EUR 0.6 million from the provision in relation to the discontinued wood business.

EUR million	Q1	Q2	Q3	Q4	FY14	FY13	Change
Revenue	43.2	47.3	40.6	41.6	**172.7**	135.5	27.4%
EBITDA	3.0	3.3	2.1	0.0	**8.4**	14.0	
EBITDA margin	7.0%	7.1%	5.1%	0.0%	**4.9%**	10.4%	
EBIT	0.9	1.4	0.5	-1.1	**1.7**	-8.0	
EBIT margin	2.1%	3.0%	1.3%	-2.8%	**1.0%**	-5.9%	
Profit for the period	0.2	1.3	-0.7	1.4	2.2	-4.4	

The full year earnings per share was EUR 0.01 (-0.02).

Balance Sheet, Cash Flow and Financing

The Group's liquidity, as at 31 December 2014, was EUR 13.3 (13.8). Operating cash flow in the full year was EUR 5.1 (13.8) million. Afarak's gearing at the end of the year was -0.7% (-6.4%). Net interest-bearing debt was EUR -1.2 (-12.3) million.

One of the Group's Maltese subsidiaries was granted a loan facility from a Maltese bank amounting USD 13.0 million in 2013. The loan was fully utilised in 2014 by the Group to finance the ferroalloy refining and granulation plant in South Africa. The Group has provided a corporate guarantee of USD 13.0 million and assigned future receivables that amount to US$ 13.0 million as collateral in relation to the loan facility.

Total assets on 31 December 2014 were EUR 290.3 (277.9) million. The equity ratio was 62.8% (68.5%).

Investments, acquisitions and divestments

Capital expenditure for the full year 2014 totalled EUR 14.8 (10.6) million. This relates primarily to the payments made in relation to the ferroalloy refining and granulation equipment at Mogale Alloys as well as sustaining capital expenditure at the Speciality Alloys segment.

Speciality Alloys Segment

The Speciality Alloys business consists of Türk Maadin Şirketi A.S ("TMS"), the mining and beneficiation operation in Turkey, and Elektrowerk Weisweiler GmbH ("EWW"), the chromite concentrate processing plant in Germany. TMS supplies EWW with high quality chromite concentrate which produces speciality products including specialised low carbon and ultra low carbon ferrochrome. Chrome ore from TMS that is not utilised for the production of specialised low carbon ferrochrome is sold to the market as lumpy chrome ore.

Production

The annual production decreased by 31.4% to 64,632 (94,230) tonnes. Mining at TMS stopped in June 2014 due to a strike and lockout. Tavas mine restarted their operation following the end of the strike and lockout in November 2014 but production remains suspended at Kavak due to continuing strike action. During 2014 EWW increased substantially its operation as a result of having the plant closed for shutdown for a shorter period during the year and also having increased daily processing volumes due to higher demand for speciality alloys material.

Tonnes	Q1	Q2	Q3	Q4	FY14	FY13	Change
Mining*	19,694	14,448	0	1,706	**35,848**	**70,988**	-49.5%
Processing	8,189	7,901	5,337	7,357	28,784	23,242	23.8%

* Including both chromite concentrate and lumpy ore production

Financial Performance

Revenue for the full year 2014 was EUR 97.8 (74.5) million, representing an increase of 31.4% compared to the equivalent period in 2013 and EBITDA was EUR 7.9 (9.0) million. The increase in revenue was mainly due to higher sales prices and trading volumes of speciality material when compared to 2013. Despite the improvement in revenue, EBITDA was negatively affected by a weaker US dollar average rate on conversion of revenue in the first three quarters of 2014; increase in raw material costs; and loss of profit due to the strike and lockout at the mines in Turkey. In Q3 2014 EBITDA was positively affected by EUR 1.2 million relating to the profit on sale of land in Turkey.

EBIT for the year was EUR 5.7 (-6.1) million, this significant improvement was mainly due to the beneficial effect of a lower depreciation charge in 2014, resulting from acquisition related assets acquired by Afarak in 2008, that were fully amortised in Q4 2013.

EUR million	Q1	Q2	Q3	Q4	FY14	FY13	Change
Revenue	22.1	28.9	24.3	22.6	97.8	74.5	31.4%
EBITDA	1.0	2.7	3.0	1.2	7.9	9.0	
EBITDA margin	4.5%	9.4%	12.3%	5.2%	8.0%	12.1%	
EBIT	0.3	2.1	2.4	0.8	5.7	-6.1	
EBIT margin	1.5%	7.3%	10.0%	3.5%	5.8%	-8.2%	

FerroAlloys Segment

The FerroAlloys business consists of the processing plant Mogale Alloys and the joint ventures Stellite mine and Mecklenburg mine in South Africa. The business produces chrome ore, charge chrome, silico manganese and stainless steel alloy for sale to global markets.

Production

The annual production decreased by 27.2% to 341,028 (468,540) tonnes. This decrease was mainly due to the suspension of mining operation at Mecklenburg mine which led mining production 36.9% down from last year. In contrary to the mining operation, production of processed material increased by 69.2% in 2014 as Mogale didn't participate in Eskom's electricity buyback program.

Tonnes	Q1	Q2	Q3	Q4	FY14	FY13	Change
Mining*	90,567	64,610	50,005	63,169	**268,351**	425,585	-36.9%
Processing	20,634	13,952	14,826	23,265	72,677	42,955	69.2%

* Including both chromite concentrate and lumpy ore production

Financial Performance

Revenue for the full year increased to EUR 74.8 (61.0) million, representing an increase of 22.6% compared to the equivalent period in 2013. The improvement in revenue was driven by the increase in trading volumes of processed material when compared to 2013. EBITDA for the full year decreased to EUR 3.1 (8.8) million as a result of lower sales prices; a weak US Dollar rate on conversion of revenue which only started to recover in September 2014; increased cost of production as a result of high energy cost in the South African winter periods; and a reduction in sales of mining material. The joint venture share of profit in 2014 was EUR -3.3 (-2.3) million, this negative result was mainly attributable to not having Mecklenburg mine in operation during a substantial part of the year and net write-down of assets amounting to EUR 1.6 (0.0) million. Joint venture share of profit also included depreciation of EUR 0.9 (1.1) million and finance expenses of EUR 1.0 (2.3) million which negatively affected our EBITDA in 2014.

EUR million	Q1	Q2	Q3	Q4	FY14	FY13	Change
Revenue	21.1	18.4	16.3	19.0	74.8	61.0	22.6%
EBITDA	2.4	1.3	-0.2	-0.4	3.1	8.8	
EBITDA margin	11.1%	7.1%	-1.3%	-1.9%	4.1%	14.4%	
EBIT	0.9	0.0	-1.2	-1.1	-1.4	2.0	
EBIT margin	4.4%	0.2%	-7.6%	-5.9%	-1.8%	3.3%	

Afarak's share of joint ventures revenue for the full year decreased to EUR 5.7 (9.5) million representing a decrease of 40.4% compared to the equivalent period in 2013. The decrease in revenue was mainly due to the reduction in sales volumes of the Mecklenburg mine material as operations were suspended in Q2 2014 due to the unrest in the local community and only restarted in December 2014. Revenue generation from the Mecklenburg mine only restarting in January 2015 as material mined in December 2014 could only be delivered in January 2015 as logistics were limited in December 2014 due to the summer holidays in South Africa. Share from joint venture EBITDA for the full year decreased to EUR -2.2 (0.9) million. Decrease in EBITDA was mainly due to the loss of profitability from Mecklenburg mine material, which also led to higher overhead cost per ton mined as mining volumes decreased by 36.9% when compared to 2013. Share of profit of joint venture was also negatively affected by a net write-down of assets in Q4 2014 amounting to EUR 1.6 (0.0) million. EBIT was negatively affected by higher depreciation as a result of change in accounting estimates which was reflected as from the beginning of 2014.

The share of profit from joint ventures is made up as follows:

EUR million	Q1	Q2	Q3	Q4	FY14	FY13	Change
Revenue	2.9	1.0	1.1	0.7	5.7	9.5	-40.4%
EBITDA	0.3	-0.2	-0.2	-2.0	-2.2	0.9	
EBITDA margin	11.7%	-23.3%	-20.8%	-311.7%	-38.0%	9.8%	
EBIT	0.0	-0.4	-0.4	-2.3	-3.1	-0.2	
EBIT margin	1.7%	-39.4%	-40.7%	-348.4%	-54.1%	-1.8%	

Global Markets

Stainless Steel

While the U.S. economy has been strengthening through the second half of 2014, most other regions of the world, including most of Western Europe and China, have not seen the hoped-for coattails from the stronger U.S. economy helping to strengthen their particular economies, this led the global economy ending 2014 on a downswing with prices for most nonferrous metals decreasing through the second half of the year.

Still the total global stainless steel production volume for 2014 reached again an all-time high of 41 million tonnes. This is an increase of 7.6% compared to 2013. In 2014, the outturn in all of the traditional stainless steel making regions, except South Korea, was higher than in the previous year. The recovery was particularly strong in the USA and Japan, with growth in the EU and Taiwan also seen. However, production in all of these established stainless steel making countries remained sill lower than 2006, when production peaked.

On the other hand, China's output in 2014 was four times more than 2006. However, the rate of growth is not expected to continue, although production in 2015 expected to continue to increase by more than 5% on 2014, to reach a high of approximately 23 million tonnes. This would represent more than 50% of global stainless steel production.

It is expected that worldwide production of stainless steel will increase by about 5% worldwide, to reach approximately 43 million tonnes in 2015.

Ferrochrome

Together with the stainless steel producers, the ferrochrome producers had to reduce their prices further for their standard materials, to be able to compete with the Chinese producers which lowered their prices further during the third quarter of 2014. The South African benchmark negotiations for the fourth quarter of 2014 were settled earlier than usual at the end of the third quarter. The settled benchmark price for Europe was at US$ 1,15/lb Cr, down from US$ 1,19/lb Cr. In Japan it followed the usual trend at US$ 0,08/lb Cr higher that Europe at US$ 1,23/lb Cr in the fourth quarter. This settlement was lower than we anticipated, mainly due to curtailments in Europe and Japan, and the weak South African rand against the US dollar which limited the ferrochrome price increases and expected market surplus in the fourth quarter.

With the South African benchmark prices reducing during 2014, producers discounts to the larger buyers have increased dramatically, where discounts for standard material has increased from 20% earlier in 2014 going up to even 30% from the benchmark price for charge chrome as the competition in the spot market was tough. Also the currencies in the largest producing countries, such as Kazakhstan, India, Finland and South Africa, weakened against the US dollar. The Chinese benefit in the ferrochrome spot market prices has balanced out with prices now available to all stainless steel producers worldwide.

Afarak's speciality ferrochrome production and prices continue to be stable where the superalloy and speciality stainless steel producers demand was maintained over the fourth quarter. Outlook for 2015 also looks bright with further speciality stainless steel producers committing themselves to long term agreement to secure tonnages from Afarak.

Mogale Alloys had its first medium carbon charge chrome production as the refining and granulation plant was commissioned in December 2014. First agreements have been signed with major stainless steel producers and samples have been forwarded to several potential stainless steel customers worldwide. The expectations for 2015 are positive, with production ramping up to full speed by the end of 2015.

Manganese Alloy

In December 2014, the European Commission launched an anti-dumping investigation against imports of silico manganese from India, following the official petition filed by the Association of European Ferro-Alloy Producers (Euroalliages) in November 2014. Specifically, some of its members believe contract prices in the Indian market are well above those in the EU when comparing silico manganese prices on EXW and FOB basis in India. Silico manganese from India has affected sales of the material from European producers, and also

Mogale Alloys silico manganese production. Mogale Alloys silico manganese has been very limited to the European market due to the low prices from India. At the present Indian silico manganese is subject to 3.7% import duty in Europe. Indian, Kazakh and Venezuelan silico manganese is under anti-dumping duty in USA.

Other Operations

The Group's other operations include the Group's headquarters and other Group companies, which do not have significant business operations. These are reported under unallocated items. The full year EBITDA from unallocated items was EUR -2.5 (-3.9) million. The improvement in EBITDA was mainly due to the full year effect of the cost saving exercise that the Company undergone in 2013.

In 2014 the Company sold part of the saw mill equipment that was acquired in 2008 for the now discontinued wood business. This transaction positively affected the Q4/2014 profit for the period by EUR 1.8 million. This profit includes a release of EUR 0.6 million from the provision in relation to the discontinued wood business.

Human Resources

Afarak operates in a very competitive industry and the Group's ability to successfully execute its business is dependent upon the competencies and motivations of its employees, as well as its ability to attract and retain a high calibre personnel. The Group follows local legislation and applicable regulations at each of its operations in regards to its human resources management.

At the end of 2014, the Group's headcount was 698, compared to 779 in 2013.

	31 December 2014	31 December 2013	Change
Speciality Alloys	355	443	-19.9%
FerroAlloys	339	333	1.8%
Other Operations	4	3	33.3%
Total	**698**	**779**	**-10.4%**

Equal opportunities and diversity are important to an international company such as Afarak and the appointment of a female chairman demonstrates the Group's commitment to gender diversity within the organisation. There are a number of senior female executives across the Group's key business units.

In South Africa specifically, as part of the Group's compliance with local legislation, the FerroAlloys division monitors its employment equity and it is a vital component of the recruitment process to ensure Afarak is playing its part in the transformation of South Africa. The FerroAlloys division is aiming for an aggressive target of at least 50% of its workforce is represented by historically disadvantaged individuals.

Highly skilled, motivated and diverse employees are essential to the Group's success in implementing its business strategies and executing its objective.

Research and development

Research and development projects at Afarak aim to ensure the Company's future growth by assessing the introduction of new products, and evaluating new technologies to improve operational efficiency and increase production. R&D work is administered separately by each operation and additionally Afarak appoints external experts for R&D. In 2014, Afarak's R&D expenditure totalled EUR 0.3 (0.1) million. Late 2014 Afarak reached a concrete R&D milestone when the installation of the new refining and granulation plant at Mogale Alloys was completed which again enabled the Company to produce medium carbon ferrochrome.

Litigation

On 27 March 2014, Afarak announced that the Company had been served a notice of arbitration by Chinese Suzhou Kaiyuan Chemical Co. Ltd ("Suzhou"). Suzhou's claim of EUR 2.66 million relates to a chrome ore sales agreement entered into by Chromex Mining Plc ("Chromex") prior to the acquisition of Chromex by Afarak together in a joint venture with Kermas Limited. The claim has been served on Afarak's marketing arm RCS Limited and various companies which form part of the Chromex joint venture. The place of arbitration is Shanghai, China. The Company is strongly contesting the claim and aims to resolve the matter as soon as possible.

Outlook

The global growth in stainless steel production is expected to lead an increase in demand for chrome products in 2015. However, as occurred in 2014 where the chrome industry has not been able to increase chrome product prices it is unclear whether this upswing in prices will occur in 2015.

At Mogale Alloys, part of the FerroAlloys division, the Company started production of medium carbon ferrochrome during the fourth quarter of 2014, this is expected to make a positive contribution towards the Company's profit margins in 2015. In the Speciality Alloys division Afarak expects to continue to see an increase in raw materials costs. In addition, the strengthening of the US dollar is also expected to improve the financial performance of the Company as compared to 2014. In 2015, Afarak's revenue is expected to remain at the same levels of 2014 and EBIT is expected to improve as compared to 2014.

Fluctuations of exchange rates between the Euro, the South African Rand, the Turkish Lira and the US Dollar can significantly impact the Company's financial performance.

Significant Risks and Uncertainties

The purpose of risk management is to identify the threats and opportunities affecting the business and the implementation of its strategy and to ensure that the risks are proportional to the Group's risk-bearing capacity. Afarak's key risks are reviewed and assessed by the Board on a regular basis.

The risk management principles are discussed further in the Corporate Governance Statement.

Afarak has defined its main risk categories as strategic, operational and financial risks, each of which is discussed below. Additional information on financial risks and financial risk management are presented in more detail in the notes to the consolidated financial statements in the section 1.7.

Strategic Risks

Afarak's business is cyclical in nature and a significant strategic risk is the Afarak's exposure to price and demand volatility in the commodities markets as well as the steel and stainless steel industries. The global market for Group's products may not progress or develop at the levels forecast and a drop in demand for the Group's products could have an adverse effect on the Group's revenues and profits. As a vertically integrated producer who sells a diverse range of products, from raw chrome ore through to premium, speciality ferroalloy products, Afarak believes it can mitigate some of this risk by using its strong customer interface and market intelligence to adjust its production volumes to match demand and adapt its diverse product mix to meet customer requirements.

Afarak has mining operations and projects in in Turkey and South Africa where political and social risks remain a challenge. Changes in the mining, employment and fiscal regulatory environment may materially adversely affect Afarak's business and its financial results. Operations may be affected to varying degrees by government regulations with respect to matters including, but not limited to: export controls; currency remittance; income taxes; expropriation of property; foreign investment; maintenance of claims; environmental legislation; land use; land claims of local people and water use. Afarak seeks to maintain good relationships through direct, regular engagement and communication with government at local, regional and national levels, the relevant regulatory departments, its local communities, the unions, its BEE partners, as well as other stakeholders. Social risk is also a key challenge in the mining sector. Industry or social unrest and labour actions may materially adversely affect Afarak's business and its financial results by temporarily closing down operations. In the occurrence of such event Afarak seeks to resolve the matters with all stakeholders to reduce the impact on it operation.

Afarak's strategy is focused on acquisitive and organic growth. Subject to market conditions, the Company expects to continue to expand its business through acquisitions. There can be no assurance that the Group will be able to identify suitable acquisition targets, obtain the necessary financing to fund such acquisitions or acquire acquisition targets on satisfactory terms. If an acquisition has been successful, there are a number of risks involved in integrating the acquisition into the Group, including but not limited to: a failure to retain key personnel, difficulties in integrating the acquired operations in the Group's structure, risks arising from the change of control provisions in contracts of an acquired company, risk the acquisition may not become profitable and possible adverse effects on the Group's financial results.

As part of the organic growth strategy, the Group has recently completed the installation of new ferroalloy refining and granulation plant, this compliments the South African furnaces and will give the ability to produce medium carbon ferrochrome. There is a risk that the new plant will not perform as expected and the group will not achieve the desired future operating cash flows from this investment.

The future organic growth strategy of the Group is changing and the idea of producing niche products is taking over that of producing larger volumes. Furthermore the Group is also trying to increase its Resources and Reserves by acquiring new mines or expanding its current operations. There is a risk that Afarak might not be able to find the appropriate site, or to obtain the necessary licences to develop and operate them or to secure the required financing, either through financial institutions or through strategic partnerships. If all or some of these risks materialise it would hinder the implementation of this part of the Group's growth strategy.

Operational Risks

Afarak operates in a highly competitive industry and is dependent on the technical skill and management expertise of a small number of key personnel. The loss of key personnel or the engagement of inappropriate personnel could have an adverse effect on Afarak's ability to operate some of its operations, particularly its processing plants, which could impact the Group's operating and financial results. Afarak's future success will depend on its ability to attract and retain suitably skilled and qualified personnel.. It regularly re-assesses its remuneration policies and packages, based on Remuneration Committee guidelines, to ensure they are attractively competitive and reviews its succession plans.

There is always the risk of a severe mining and/or smelting accident at Afarak's operations, such as adverse mining conditions, fire, flooding, rock bursts, unusual weather conditions, seismic events, other natural phenomena and other conditions resulting from drilling, blasting and the removal and processing of material associated with underground and/or opencast mining, which could have a serious impact on the Group. This could affect both employees' physical wellbeing and morale, as well as the operations themselves, resulting in suspension of operations until the accident has been fully investigated and appropriate measures taken to prevent a re-occurrence. To mitigate this risk as much as possible, Afarak has adopted a policy of "Zero Harm" towards health and safety in the workplace. It has conducted baseline assessment risks at all of its operations, has developed a comprehensive set of health and safety guidelines, policies and procedures and has a programme of regular, continuous employee training. This is all overseen at the highest level in the Group by the Board of Directors.

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 coupled with general cost inflation in excess of broader measures of inflation. In South Africa the majority of the electricity supply, price and availability are all controlled by one entity, namely Eskom. Increased electricity prices and/or reduced or unreliable electricity supply or allocation may negatively impact Afarak's current operations, particularly its processing plants, which could have a consequent effect on the Group's operating and financial results. It may also impact the Group's plans to expand its operations and implement its growth strategy.

Afarak's processing plants are vulnerable to interruptions such as power cuts, particularly where these events cause a stoppage, which necessitates a shutdown in operations. Stoppages in smelting, even for only a few hours, can cause the contents of furnaces to solidify, resulting in a plant closure for a significant period and expensive repairs. To mitigate this risk Afarak employs experienced operating managers and has standard operating procedures in place for most foreseeable circumstances.

Due to the nature of its business, Afarak has a large, potential exposure to environmental risks. Environmental risks relate first to direct potential harm to the environment, and second to potential post-production rehabilitation or landscaping obligations. Both these types of environmental risks are managed closely and regularly assessed. Afarak has appointed external experts to assist in identifying potential liabilities and ensuring that the different entities within the Group are compliant with the relevant environmental legislation. The Group regularly assesses the need to conduct studies regarding the environmental liabilities. In the recent reviews done in our South African operations Afarak concluded that the provisions in the accounts are sufficient at current level.

Afarak is exposed to litigation risk in various part of it business cycle. Legal disputes may relate to contractual or other liabilities or environmental or other regulatory matters. Currently, there is one significant legal case pending and the group policy is to publish all significant legal cases and their outcomes.

Financial Risks

Afarak's financial risks, including liquidity, exchange rate, interest rate, credit and commodity price risk, are briefly outlined below and are described in more detail in the notes to the consolidated financial statements in the section 1.7.

Liquidity risks involve whether Afarak has enough liquidity to service and finance its operations and pay back loans. If liquidity risks materialised, it may cause overdue interest expenses and could negatively impact the Group's relationship with its goods and service suppliers as well as affect the pricing and other terms for input goods and services.

Afarak is an international business and has operations in Turkey, Germany, Malta and South Africa so the Group has significant foreign exchange rate exposure. The risks arise from both direct risk, such as commercial cash flows and currency positions as well as indirect risk, such as changes in the Group's competitiveness as a result of its foreign exchange rate exposures compared to its competitors.

Afarak is exposed to interest rate risks where the Group's subsidiaries enter into loans or other financing agreements or make deposits and investments related to liquidity management. Changes in interest rates can influence the repayment of loans, impact the profitability of investments or alter the fair value of the Group's assets.

Credit risks are realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and cause a negative financial impact to the Group. Afarak's key customers are typically long business relationships and include major international steel and stainless steel companies and some specialty agents selling to the steel sector. As these customers are sector specific, major changes in that industry's future outlook or profitability could also increase the Group's credit risk.

Afarak is exposed to price risks on various output and input products, materials and commodities. The price risks on input materials and commodities are managed by pricing contracts so that, where possible, any changes in input materials and commodities may be absorbed in the sales prices. The Group's processing operations are exposed to the availability, quality and price fluctuations in raw materials. To diminish these risks, the Group's business units seek long-term contract agreements with known counterparties where possible.

Share Information

Afarak Group Plc's shares are listed on NASDAQ Helsinki (AFAGR) and on the Main Market of the London Stock Exchange (AFRK).

On 31 December 2014, the registered number of Afarak Group Plc shares was 259,562,434 (248,432,000) and the share capital was EUR 23,642,049.59 (23,642,049.56).

On 31 December 2014, the Company had 4,244,717 (4,244,717) own shares in treasury, which was equivalent to 1.64% (1.71%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2014, was 255,317,717 (244,187,283).

At the beginning of the period under review, the Company's share price was EUR 0.32 on NASDAQ Helsinki and GBP 0.30 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.32 and GBP 0.25 respectively. During 2014 the Company's share price on NASDAQ Helsinki ranged from EUR 0.21 to 0.42 per share and the market capitalisation, as at 31 December 2014, was EUR 83.1 (1 January 2014: 79.5) million. For the same period on the London Stock Exchange the share price range was GBP 0.24 to 0.32 per share and the market capitalisation was GBP 65.5 (1 January 2014: 74.5) million, as at 31 December 2014.

Based on the resolution at the AGM on 8 May 2014, the Board is authorised to buy-back up to a maximum of 15,000,000 of its own shares. This authorisation is valid until 8 November 2015. The Company did not carry out any share buy-backs during 2014.

Flagging Notifications

On 10 October 2014, Afarak announced that Hino Resources Co. a company incorporated and existing under the laws of Hong Kong, has completed a sale of shares in Afarak Group Plc and the transaction resulted in Hino Resources Co. decreasing below 20% and becoming a 19.26% holder of the shares and voting rights in Afarak

On 25 July 2014, Ms Aida Djakov announced that as a result of the increase in the total number of shares from the directed share issue to the vendors of Mogale Alloys, the ownership percentage of Atkey Limited ("Atkey"), a controlled corporation of Ms Djakov, decreased below 20 per cent. At the time of the notification Atkey held 19.81 per cent of the shares and voting rights in Afarak. Ms Djakov also held 6.58 per cent of the shares and voting rights directly, together Atkey and Ms Djakov held 26.4 per cent of the Company's voting rights.

On 2 May 2014, Afarak announced that Hino Resources Co. Ltd has completed an acquisition of shares in Afarak Group Plc and the transaction resulted in Hino increasing above 20 per cent and becoming a 21.29 per cent holder of the shares and voting rights in Afarak.

On 3 April 2014, Afarak announced that Finaline Business Limited a company incorporated and existing under the laws of British Virgin Islands has completed a sale of 27,000,000 shares in Afarak Group Plc. The transaction resulted in Finaline Business Limited becoming a 0 per cent holder of the shares and voting rights in Afarak.

On 3 April 2014, Afarak announced that Hino Resources Co. a company incorporated and existing under the laws of Hong Kong, has completed an acquisition of shares in Afarak Group Plc and the transaction resulted in Hino Resources Co. increasing above 10 and 15 per cent and becoming a 19.27 per cent holder of the shares and voting rights in Afarak.

Resolutions of the Annual General Meeting

The Company's Annual General Meeting ("AGM") was held on 8 May 2014. The AGM adopted the financial statements. The AGM resolved in accordance with the proposal of the Board of Directors a capital redemption of EUR 0.02 per share for the year ended on 31 December 2013. The capital redemption was paid on 22 May 2014. The AGM discharged the members of the Board of Directors and the CEO from liability for the financial period 2013.

The AGM resolved that all Board Members are paid EUR 3,000 per month. Furthermore, the non-executive Board Members who serve on the Board's Committees shall be paid an additional EUR 1,500 per month for the committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership.

The AGM resolved that the Board of Directors comprises of six members. Dr Jelena Manojlovic, Ms Bernice

Smart, Mr Markku Kankaala, Dr Danko Koncar, Mr Michael Lillja and Dr Alfredo Parodi were all re-elected to the Board. At its meeting held after the Annual General Meeting, the Board of Directors elected from among its members Dr Jelena Manojlovic as Chairman and Ms Bernice Smart as Deputy Chairman. The Board appointed from among its members the following members to the Committees:

Audit Committee:

Bernice Smart, (Chairman), Markku Kankaala, Alfredo Parodi

The Nomination and Remuneration committee

Jelena Manojlovic (Chairman), Markku Kankaala, Bernice Smart

The AGM resolved that authorised public accountant firm Ernst & Young Oy was re-elected as the Auditor of the Company for the year 2014.

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 24,843,200 new shares or shares owned by the Company. The authorization may be used among other things in financing, enabling corporate and business acquisitions or other arrangements and investments of business activities and in the employee incentive and commitment programs. By virtue of the authorization, the Board of Directors can decide both on share issues against payment and on share issues without payment. The payment of the subscription price can also be made with consideration other than money. The authorization contains the right to decide on derogating from shareholders' pre-emptive right to share subscriptions provided that the conditions set in the Companies' Act are fulfilled.

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 18 months from the decision of the Annual General Meeting.

2015 Annual General Meeting

Afarak's 2015 Annual General Meeting will be held on 8 May 2015.

Dividend Payout Proposal

The Board of Directors proposes to the Annual General Meeting which will be held on 8 May 2015 that capital redemption of EUR 0.02 per share would be paid out of the paid-up unrestricted equity fund. The Board will investigate the possibility to increase the dividend.

Events after the review period

On 2 January 2015, Afarak announced that the Company has signed a sale agreement in relation to part of the saw mill equipment the Company acquired in 2008. The transaction from the discontinued operation positively affects the Q4/2014 profit.

On 2 January 2015, Afarak announced that as a result of a transaction that occurred between Ms Aida Djakov and her controller corporation Atkey Limited ("Atkey") Ms Aida Djakov has personally decreased below the threshold of 5% and Atkey has increased above the threshold of 25%. However, the total combined ownership of Ms Aida Djakov and Atkey remained unchanged.

On 3 March 2015, Afarak announced that the strike at the Kavak mine in Turkey has ended.

Directors' responsibility

The Directors are responsible for the preparation of the annual report and accounts. The Directors consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

Information Presented by Reference

The Group's key financial figures, related party disclosures, information on share capital and option rights are presented in the notes to the consolidated financial statements. The share ownership of the parent company's Board members and Chief Executive Officer is presented in the notes to the parent company's financial statements.

The Corporate Governance Statement and the Remuneration Report are presented as separate reports in this Annual Report.

For the purposes of United Kingdom Listing Authority listing rules ("LR") 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:-

Sector	Topic	Location
1	Interest capitalised	1.7. Notes to the statement of financial position, 10. Property, plant and equipment.
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	1.7. Notes to the statement of financial position, 19. Share-based payments
5	Waiver of emoluments by a directors	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	1.8. Related party disclosures, 1.8.2 Related party transactions
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this board of directors report.

Consolidated financial statements (IFRS)

KEY FIGURES

FINANCIAL INDICATORS

Continuing operations				Restated
		2014	2013	2012
Revenue	EUR '000	172,669	135,509	128,582
EBITDA	EUR '000	8,447	14,090	9,229
% of revenue		4.9 %	10.4 %	7.2 %
Operating profit / loss (EBIT)	EUR '000	1,725	−7,984	−16,768
% of revenue		1.0 %	−5.9 %	−13.0 %
Profit / loss before taxes	EUR '000	460	−11,130	−19,590
% of revenue		0.3 %	−8.2 %	−15.2 %
Return on equity	%	1.2 %	−2.2 %	−7.4 %
Return on capital employed	%	3.1 %	0.0 %	−4.5 %
Equity ratio	%	62.8 %	68.5 %	69.2 %
Gearing	%	−0.7 %	−6.4 %	−5.4 %
Personnel at the end of the accounting period		698	779	768

SHARE-RELATED KEY INDICATORS

		2014		2013		2012	
		Group	Continuing operations	Group	Continuing operations	Group	Continuing operations
Earnings per share, basic	EUR	0.01	0.00	−0.02	−0.02	−0.06	−0.06
Earnings per share, diluted	EUR	0.01	0.00	−0.02	−0.02	−0.06	−0.06
Equity per share	EUR	0.69	0.69	0.74	0.74	0.84	0.84
Dividends *	EUR '000	0		0		0	
Dividend per share *	EUR	0.00		0.00		0.00	
Price to earnings	EUR	27.9		neg.		neg.	
Average number of shares	1 000	249,280		244,135		244,025	
Average number of shares, diluted	1 000	253,077		248,532		251,604	
Number of shares at the end of the period	1 000	259,562		248,432		248,432	
Share price information (NASDAQ Helsinki)							
Average share price	EUR	0.32		0.40		0.67	
Lowest share price	EUR	0.21		0.30		0.38	
Highest share price	EUR	0.42		0.48		1.02	
Market capitalisation	EUR '000	83,060		79,498		111,794	
Share turnover	EUR '000	6,638		1,826		3,773	
Share turnover	%	8.1 %		1.8 %		2.3 %	
Share price information (London Stock Exchange)							
Average share price	EUR	0.37		0.43		0.54	
	GBP	0.30		0.37		0.43	
Lowest share price	EUR	0.30		0.35		0.39	
	GBP	0.24		0.30		0.32	
Highest share price	EUR	0.39		0.47		1.06	
	GBP	0.32		0.40		0.86	
Market capitalisation	EUR '000	84,144		89,396		106,545	
	GBP '000	65,540		74,530		86,951	

			2014		2013		2012
		Group	Continuing operations	Group	Continuing operations	Group	Continuing operations
Share turnover	EUR '000	9		19		154	
Share turnover	GBP '000	7		16		125	
Share turnover	%	0.0 %		0.0 %		0.1 %	

*In 2013 the Company distributed a capital redemption of EUR 0.01 per share out of the paid-up unrestricted equity reserve and no dividend was distributed. In 2014 the Company distributed a capital redemption of EUR 0.02 per share out of the paid-up unrestricted equity fund. In 2015 the Board has proposed to the AGM that a capital redemption of EUR 0.02 per share would be paid out of the paid-up unrestricted equity fund. The Board will investigate the possibility to increase the dividend.

FORMULAS FOR CALCULATION OF INDICATORS

Financial indicators

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
EBITDA	Operating profit + depreciation + amortisation + impairment losses
Operating profit / loss	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

Share-related key indicators

Earnings per share, basic	Profit attributable to owners of the parent company / Average number of shares during the period
Earnings per share, diluted	Profit attributable to owners of the parent company / Average number of shares during the period, diluted
Equity per share	Equity attributable to owners of the parent / Average number of shares during the period
Dividend per share	Dividends / Number of shares at the end of the period. In the attached table of share related key indicators, the dividend and capital redemptions are presented in that year's column on which results the pay-out are based; hence the actual payment takes place during next year.
Price to earnings	Share price at the end of the period / Earnings per share
Average share price	Total value of shares traded in currency / Number of shares traded during the period
Market capitalisation	Number of shares * Share price at the end of the period

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.–31.12.2014	1.1.–31.12.2013
Revenue	1	**172,669**	**135,509**
Other operating income	2	3,370	12,936
Materials and supplies		–136,552	–100,916
Employee benefits expense	3	–16,123	–19,283
Depreciation and amortisation	4	–6,717	–22,074
Other operating expenses	5	–11,612	–11,863
Impairment, net	4	–5	0
Share of profit from associates	12	6	6
Share of profit from joint ventures	13	–3,311	–2,300
Operating profit / loss		**1,725**	**–7,984**
Finance income	6	4,166	8,016
Finance cost	6	–5,431	–11,162
Profit / loss before taxes		**460**	**–11,130**
Income taxes	7	12	6,728
Profit / loss for the year from continuing operations		**472**	**–4,403**
Discontinued operations			
Profit for the year from discontinued operations	8	1,773	0
Profit / loss for the year		**2,245**	**–4,403**
Profit attributable to:			
Owners of the parent		2,858	–4,252
Non-controlling interests		–613	–151
		2,245	**–4,403**
Earnings per share (counted from profit attributable to owners of the parent):	9		
basic (EUR), Group total		0.01	–0.02
diluted (EUR), Group total		0.01	–0.02
basic (EUR), continuing operations		0.00	–0.02
diluted (EUR), continuing operations		0.00	–0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	1.1.–31.12.2014	1.1.–31.12.2013
Profit / loss for the year	**2,245**	**–4,403**
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurements of defined benefit pension plans	–4,036	–40
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations – Group	–5,198	–21,858
Exchange differences on translation of foreign operations – Associate and Joint Venture	–997	–347
Income tax relating to other comprehensive income	–964	7,741
Other comprehensive income, net of tax	**–11,195**	**–14,505**
Total comprehensive income for the year	**–8,950**	**–18,907**
Profit attributable to:		
Owners of the parent	–8,527	–17,130
Non-controlling interests	–423	–1,778
	–8,950	**–18,908**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Property, plant and equipment	10	47,970	36,257
Goodwill	11	63,052	62,288
Other intangible assets	11	20,358	22,040
Investments in associates	12	92	76
Other financial assets	14	587	580
Receivables	14	39,910	43,525
Deferred tax assets	20	4,166	12,546
		176,136	**177,312**
Current assets			
Inventories	15	60,051	46,284
Trade and other receivables	16	40,769	40,559
Cash and cash equivalents	17	13,332	13,769
		114,153	**100,612**
Total assets		**290,289**	**277,924**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	23,642	23,642
Share premium reserve		25,740	25,740
Legal Reserve		210	201
Paid-up unrestricted equity reserve		243,424	242,725
Translation reserve		-12,061	-4,773
Retained earnings		-103,657	-102,574
		177,298	**184,960**
Non-controlling interests		4,947	5,368
Total equity		**182,245**	**190,328**
Non-current liabilities			
Deferred tax liabilities	20	8,200	8,507
Interest-bearing debt	14	6,263	149
Share of joint ventures´ losses	13	19,580	15,293
Pension liabilities	22	19,954	16,095
Other non-current debt	23	42	40
Provisions	21	10,137	9,739
		64,176	**49,823**
Current liabilities			
Trade and other payables	23	31,974	28,742
Provisions	21	77	542
Tax liabilities	23	5,951	7,128
Interest-bearing debt	14	5,866	1,362
		43,868	**37,773**
Total liabilities		**108,044**	**87,596**
Total equity and liabilities		**290,289**	**277,924**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	1.1.–31.12.2014	1.1.–31.12.2013
Operating activities		
Profit / loss for the period	2,245	–4,403
Adjustments to net profit:		
Non-cash items		
Depreciation and impairment	6,722	22,074
Finance income and cost	2,352	3,650
Income from associates	3,305	2,294
Income taxes	–12	–6,728
Share-based payments	154	1,020
Proceeds from non-current assets	–3,029	–813
Working capital changes:		
Change in trade receivables and other receivables	2,732	–9,371
Change in inventories	–13,298	319
Change in trade payables and other debt	7,140	3,560
Change in provisions	–1,113	–1,086
Interests paid	–1,240	–740
Interests received	782	814
Other financing items	–47	6,752
Income taxes paid	–478	–3,104
Discontinued operations	–1,087	–504
Net cash from operating activities	**5,129**	**13,734**
Investing activities		
Acquisitions of subsidiaries, net of cash acquired	0	–404
Capital expenditure on non-current assets, net	–14,347	–10,883
Other investments, net	1,785	691
Disposals of subsidiaries, net of cash sold	–2	2
Repayments of loan receivables and loans given, net	2,351	885
Net cash used in investing activities	**–10,213**	**–9,708**
Financing activities		
Capital redemption	–4,884	–2,442
Proceeds from borrowings	11,365	0
Repayments of borrowings	–1,801	–1,405
Repayments of finance leases	–89	0
Net cash used in financing activities	**4,590**	**–3,847**
Change in cash and cash equivalents	**–494**	**179**

EUR '000	1.1.–31.12.2014	1.1.–31.12.2013
Cash at beginning of period	13,769	14,158
Exchange rate differences	57	–568
Cash at end of period	13,332	13,769
Change in the statement of financial position	**–494**	**179**

The cash flow from operating activities include discontinued operations relating to LP Kunnanharju cleaning cost of EUR 585 thousand and the storage cost of the Sawmill equipment of EUR 501 thousand. Part of the Sawmill equipment was actually sold in December 2014, however the cash inflows were actually received in January 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000

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

	Attributable to owners of the parent								
EUR '000	A	B	C	D	E	F	G	H	I
Equity at 31.12.2012 (Restated)	23,642	25,740	245,167	8,045	-99,192	0	203,402	7,164	210,565
Profit for the period 1-12/2013					-4,252		-4,252	-151	-4,403
Other comprehensive income				-12,818	-40		-12,858	-1,647	-14,505
Total comprehensive income				**-12,818**	**-4,292**		**-17,110**	**-1,798**	**-18,908**
Share-based payments					1,109		1,109	2	1,111
Capital redemption			-2,441				-2,441	0	-2,441
Other changes in equity					-201	201	0	0	0
Equity at 31.12.2013	23,642	25,740	242,726	-4,773	-102,576	201	184,960	5,368	190,327
Profit for the period 1-12/2014					2,858		2,858	-613	2,245
Other comprehensive income				-7,349	-4,036		-11,385	190	-11,195
Total comprehensive income				**-7,349**	**-1,178**		**-8,527**	**-423**	**-8,950**
Share-based payments					154		154	3	157
Rights Issue			5,583				5,583		5,583
Capital redemption			-4,884				-4,884	0	-4,884
Acquisitions and disposals of subsidiaries					2		2	0	2
Other changes in equity				60	-60	9	9	0	9
Equity at 31.12.2014	23,642	25,740	243,425	-12,062	-103,658	210	177,297	4,948	182,244

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 COMPANY INFORMATION

Afarak Group is a chrome mining and minerals producer focused on delivering sustainable growth with a speciality alloys business in southern Europe and a ferro alloys business in southern Africa. The Group's parent company is Afarak Group Plc (business ID: 0618181-8). The parent company is domiciled in Helsinki, and its registered address is Kasarmikatu 36, 00130 Helsinki, Finland. Copies of the consolidated financial statements are available at Afarak Group Plc's head office or at the Company's website: www.afarakgroup.com.

Afarak Group Plc is quoted on the NASDAQ Helsinki Oy (trading code: AFAGR) in the industrials group, in the small-cap category, and on the main market of the London Stock Exchange (AFRK).

1.2 ACCOUNTING PRINCIPLES

Basis of preparation

These consolidated financial statements of Afarak Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in conformity with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2014. In the Finnish Accounting Act and the regulations issued on the basis thereof, International Financial Reporting Standards refer to the standards and their interpretations that have been approved for application within the EU in accordance with the procedure prescribed in the EU regulation (EC) 1606/2002. Notes to the consolidated financial statements also meet the requirements set forth in the Finnish accounting and company legislation.

The consolidated financial statements have been prepared on historical cost basis, unless otherwise explicitly stated. All the figures in the consolidated financial statements are given in EUR thousands.

Afarak Group Plc's Board of Directors resolved on 27 March 2015 that these financial statements are to be published. According to the Finnish Companies Act, shareholders shall endorse the financial statements in the Annual General Meeting convening after the financial statements have been published.

Presentation of financial statements

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is: a retrospective application of an accounting policy; a retrospective restatement; or a reclassification of items in financial statements that has a material impact on the Group.

Principles of Consolidation

The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies controlled by the Group. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The existence of potential voting rights has been taken into account in assessing the requirements for control in cases where the instruments entitling their holder to potential voting rights can be exercised at the time of assessment. Control refers to the right to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Acquired subsidiaries are consolidated from the time when the Group gained control, and divested subsidiaries until the time when control ceased. All intra-group transactions, receivables, debts, and unrealised profits, as well as internal distribution of profits, are eliminated when the consolidated financial statements are prepared. The distribution of profits between parent company owners and non-controlling owners is shown on the income statement, and the non-controlling interest of equity is shown as a separate item in the statement of financial position under shareholders' equity.

Afarak Group Plc has consolidated Elektrowerk Weisweiler GmbH to its financial statements since 1 November 2008 based on potential voting rights arising from a call option. Afarak exercised the call option on 10 May 2012 and acquired 100 % of the shares in Elektrowerk Weisweiler GmbH. The transaction has been treated as an adjustment to the cost of acquisition in accordance with the earlier IFRS 3 which was applied in 2008.

The Group holds 51% of shares of Synergy Africa Ltd. However, the shareholders of Synergy Africa Ltd have entered into a joint venture agreement with joint control over the company. Therefore, the company and its subsidiaries are not consolidated into the Group as subsidiaries but as joint ventures.

Joint ventures are entities in which each venturer has an interest and there is a contractual arrangement establishing joint control over the economic activity of the entity. Afarak Group changed the account method in 2012 and the interests in joint ventures are now recognised using the equity method. The Group's share of net assets or liabilities in the Joint venture is recorded on one line in the balance sheet. The Group's share of net profit or loss of the Joint venture is also shown on one line in the income statement.

Associates are companies in which Afarak Group exercises significant influence. The Group exercises significant influence if it holds more than 20% of the target company's voting rights, or if the Group in other ways exercises significant influence but not control. Associates have been consolidated in the Group's financial statements using the equity method. If the Group's share of the associate's losses exceeds the carrying amount of the investment, the investment is recognised at zero value on the statement of financial position, and losses exceeding the carrying amount are not consolidated unless the Group has made a commitment to fulfil the associates' obligations. Investment in an associate includes the goodwill arising from its acquisition.

Translation of foreign currency items

Figures indicating the profit or loss and financial position of Group entities are measured in the currency of each entity's main operating environment ('functional currency'). Figures in the consolidated financial statements are presented in euro, the functional and presentation currency of the Group's parent company, Afarak Group Plc.

Transactions in foreign currencies have been recorded at the functional currency using the exchange rate on the date of the transaction or mid reference rates of central banks. Monetary items denominated in foreign currencies have been translated into the functional currency using the exchange rates at the balance sheet date. Exchange rate gains and losses are included in the revenue, operational costs or financial items, corresponding to their respective origin. Hedge accounting has not been applied.

In the Group accounts, foreign subsidiaries' income statement and statement of cash flows are converted into euro by using average exchange rates for the period, and the statement of financial position is converted by using the period-end exchange rate. The translation differences arising from this are recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost and post-acquisition equity changes are also recognised in other comprehensive income. If and when the foreign subsidiary is partially or fully divested, these accrued translation differences will be taken into account in adjusting the sales gain or sales loss.

Goodwill, other assets and liabilities arising from acquisitions of subsidiaries are recognised in the Group accounts using the functional currency of each acquired subsidiary. The balances in that functional currency

have then been translated into euro using the exchange rates prevailing at the end of the reporting period.

Operating profit

IAS 1 Presentation of financial statements does not define the concept of operating profit. Afarak Group has defined it as follows: Operating profit is the net amount derived by adding to revenue other operating income, less materials and supplies, and expenses from work performed by the enterprise and capitalised, less costs from employee benefits, depreciation and impairment losses, and other expenses. Shares of associated companies'and joint venture companies' profit or loss are included in the operating profit to the extent to which they relate to the Group's core businesses. All other items of the income statement are excluded from operating profit. Exchange differences arising from operational transactions with third parties are included in operating profit; otherwise they are recorded under financial items.

IAS 1 amendment introduced the requirement for grouping of items presented in Other Comprehensive Income. Items that are reclassified (or `recycled`) to profit or loss at a future point in time will be presented separately from items which will never be reclassified. The amendment affected the presentation of Other Comprehensive Income.

Revenue recognition

Income from the sale of goods is recognised once the substantial risks and benefits associated with ownership have been transferred to the buyer. The transfer of risks depends on, among others, terms of delivery (Incoterms). The most often used term is FCA or FOB, under which the revenue is recognised when the goods are assigned to the buyer's carrier or loaded on board the vessel nominated by the buyer. As typical in the business, preliminary invoices are issued for the mineral concentrates at the time of delivery. Final invoices are issued when quantity, mineral content and pricing have been defined for the delivery lot.

Income not generated by the Group's main businesses is accounted for as other operating income. The expenses incurred from disposals of non-current assets or a disposal group of assets are deducted from the gain on disposal.

Pension liabilities

Pension arrangements in Afarak Group are classified as defined contribution plans or defined benefit plans (Germany and Turkey). Payments for defined contribution plans are recognised as expenses for the relevant period. The present value of obligation for the defined benefit plans has been estimated applying the Projected Unit Credit Method and recognised as a non-current liability on the statement of financial position. The standard IAS 19 was revised and includes changes to the presentation and measurement of defined benefit plans as well as amendments to the accounting treatment of other employee benefits. The amendment has changed the determination of the applicable discount rate and also the possibility to apply the so called "corridor method" has been abolished. Consequently, actuarial gains and losses are recognised in other comprehensive income when they occur and the net defined benefit liability or asset are presented in full on the statement of financial position.

Share-based payments

Option rights are measured at fair value at the time they were granted and recorded as expenses on a straight-line basis during the vesting period. The expenses at the time the options were granted are determined according to the Group's estimate of the number of options expected to vest at the end of the vesting period. Fair value is determined on the basis of an applicable option pricing model (e.g. Black-Scholes). The effects of non-market-based terms and conditions are not included in the fair value of the option; instead, they are taken into account in the estimated number of options expected to vest at the end of the vesting period. The Group updates the estimated final number of options on each balance sheet date. Changes in the estimates are recorded in the income statement. When the option rights are exercised, the cash payments received from the subscriptions adjusted with potential transaction costs are recorded under paid-up unrestricted equity reserve.

The Group from time to time directs free issues of shares to the members of the Board of Directors or key executives, as approved by the AGM. The compensation is settled in shares and is accordingly recognised as share-based payment in the Group's financial statements. The fair value of the granted shares is determined based on the market price of the Afarak Group share at the grant date. The total fair value is therefore the amount of granted shares multiplied by the share market price at grant date. The cost is recognised as expense in personnel costs over the vesting periods and credited to equity (retained earnings).

Black Economic Empowerment (BEE) transactions

The purpose of South African Black Economic Empowerment (BEE) regulation is to enable previously disadvantaged people meaningfully to participate in the South African economy. The Group is committed to making a positive contribution towards the objectives of BEE. Where the Group disposes of a portion of a South African based subsidiary or operation to a BEE company at a discount to fair value, the transaction is considered to be a share-based payment (in line with the principle contained in South Africa interpretation AC 503 Accounting for Black Economic Empowerment (BEE) Transactions). The discount provided or value given is calculated in accordance with IFRS 2 and recognised as an expense. Where the BEE transaction includes service conditions, the expense is recognised over the vesting period. Otherwise the expense is recognised immediately on the grant date.

Lease agreements (the Group as the lessee)

Leases of tangible assets where the Group possesses a material portion of the risks and benefits of ownership are classified as financial leases. An asset acquired through a financial lease agreement is recognised at the fair value of the leased object at the beginning of the lease period, or at a lower current value of minimum lease. An asset obtained through a finance lease is depreciated over the useful life of the asset or the lease term, whichever is shorter. The leases payable are divided into financial expenses and loan repayment during the lease term so that the interest rate for the remaining loan is roughly the same each financial year. Leasing obligations are included in interest-bearing liabilities. Lease agreements in which the risks and benefits typical of ownership remain with the lessor are classified as other leases. Leases paid under other lease agreements, for instance operating leases, are recognised as expenses on a straight-line basis over the lease term.

Impairment

On each balance sheet date, the Group makes an assessment of whether there are any indications of asset impairment. If such indications exist, the recoverable amount of the asset is estimated. In addition, goodwill is assessed annually for its recoverable amount regardless of whether there are any signs of impairment. Impairment is examined at the cash-generating unit level; in other words, the lowest level of entity that is primarily independent of other entities and whose cash flows can be separated from other cash flows. Impairment related to associates and other assets are tested on a company/asset basis.

The recoverable amount is the fair value of an asset less divestment costs, or the higher value in use. Value in use means the present value of estimated future cash flows expected to arise from the asset or cash-generating unit. Value in use is forecast on the basis of circumstances and expectations at the time of testing. The discount rate takes into account the time value of money as well as the special risks involved for each asset, different industry-specific capital structures in different lines of business, and the investors' return expectations for similar investments. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. If the impairment loss is allocable to a cash-flow-generating unit, it is allocated first to reduce the goodwill of the unit and subsequently to reduce other assets of the unit. An impairment loss is reversed if a change has occurred in circumstances and the recoverable amount of the asset has changed since the impairment loss was recognised. An impairment loss recognised for goodwill is not reversed in any circumstances.

Goodwill is tested for impairment annually at year end; for the 2014 financial year, testing took place on 31 December 2014. Impairment testing and the methods used are discussed in more detail in section 1.4 in the 'Notes to the consolidated financial statements'.

Financial income and expense

Interest income and expense is recognised using the effective interest method, and dividends are recognised when the right to dividends is established. Unrealised changes in value of items measured at fair value are recognised in the profit or loss. These items relate to currency forward contracts. Exchange rate gains or losses that arise from intercompany loans that are considered as part of the net investment in the foreign entity are included, net of any deferred tax effects, in the translation reserve within the equity. These exchange differences are recognised in other comprehensive income while accumulated exchange differences are presented in the translation reserves in the equity.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset forming part of the cost of that asset, are capitalised if it is likely that they will provide future economic benefit and can be measured in a reliable manner. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Income taxes

Tax expenses on the income statement consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous years. Maltese companies' income taxes are recognised and paid applying the nominal income tax rate which is 35%. 6/7 of this tax is refunded when the company pays dividend. Consequently the effective tax rate is 5%. The tax refund is recognised when the dividend is declared. Taxes arising from items recognised directly in the equity are presented as income tax relating to other comprehensive income.

Deferred taxes have been calculated for all temporary differences between the carrying amount and taxable amount. Deferred taxes have been calculated using the tax rates set at the balance sheet date. Deferred tax assets arising from taxable losses carried forward have been recognised up to the amount for which there is likely to be taxable income in the future, and against which the temporary difference can be used.

Tangible assets

Tangible assets have been measured at historical cost less accumulated depreciation and impairment losses. The initial cost of an asset comprises its purchase price, costs directly attributable to bringing the asset into operation and the initial estimate of the rehabilitation and decommissioning obligation. Heavy production machinery often contains components with different useful lives, and therefore the component approach is applied. Material component replacements and repairs are capitalised. The repair and maintenance of lighter machinery and other intangible items are recognised as expense when occurred.

Interest expenses are capitalised as part of the tangible asset's value if and when the Group acquires or constructs assets that satisfy the required terms and conditions.

Assets are depreciated over their useful lives using the straight-line method, except for the mineral resources and ore reserves which are depreciated based on estimated or reported consumption. Land areas are not depreciated. The estimated useful lives of assets are as follows:

Buildings	15–50 years
Machinery and equipment	3–15 years
Other tangible assets	5–10 years
Mines and mineral assets	Units-of-production method

The residual value of assets and their useful life are reviewed in connection with each financial statement and, if necessary, they will be adjusted to reflect the changes that have occurred in the expected financial benefit. The sales gains or losses arising from the decommissioning or divestment of tangible assets are included in other operating income or expenses.

Mines and mineral assets

Measurement of mineral resources and ore reserves in business combinations

Mineral resources and ore reserves acquired in business combinations are recognised as separate assets. In the recognition and measurement of mineral resources and ore reserves the Group utilises available third party reports of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also an essential factor. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as ‘proven’, ‘probable’, ‘inferred’ and ‘hypothetical’. There are also generally accepted standards for the classification of mineral resources in the business, such as the standards of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (‘SAMREC’). The measurement of ore reserves is based on estimated market prices, estimated production costs and quantities. On the Group’s statement of financial position, mineral resources and ore reserves are presented as tangible assets. Rehabilitation liabilities related to mines are included in their cost of acquisition, and corresponding provision is recognised on the statement of financial position.

Exploration and evaluation expenses of mineral resources

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources when new potential ore reserves are sought, for example by exploratory drilling. Exploration and evaluation expenditure is carried forward as an asset if the Group expects such costs to be recouped in full through the successful development of the area of interest; or alternatively by its sale; or if exploration and evaluation activities in the area of interest have not yet reached a stage which permits the reasonable assessment of the existence of economically recoverable reserves and active and significant operations in relation to the area are either continuing or planned for the future. Exploration and evaluation expenditure includes material and other direct costs incurred, for instance, by exploratory drilling and surveys. Overheads are included in the exploration and evaluation asset to the degree to which they can be associated with finding and evaluating a specific mineral resource. Exploration and evaluation assets are measured at cost and are transferred to mine development assets when utilisation of the mine begins. The asset is then depreciated using the units-of-production method.

Exploration and evaluation assets are assessed for impairment if and when facts and circumstances suggest that the carrying amount exceeds its recoverable amount. In particular, the impairment tests are carried out if the period for which the Group has right to explore the specific area expires or will expire in the near future and future exploration and evaluation activities are not planned for the area.

Exploration and evaluation assets acquired in conjunction with business combinations are accounted for at fair value in accordance with the principles of IFRS 3.

Mine establishment costs

Mine establishment costs are capitalised as part of the mine’s acquisition cost and depreciated using the units-of-production method when the production of the mine begins. The costs arising from changes in mining plan after the production has begun are expensed as incurred.

Impairment

The value of mineral resources and ore reserves acquired in business combinations is tested for impairment if there are indications of deterioration in the long-term ability to utilise the asset economically. In the test the cash flows generated by the asset are assessed based on most recent information on the technical and economic utilisation of the asset.

Goodwill and intangible assets identified at acquisition

Goodwill represents the portion of acquisition cost that exceeds the Group's share of the fair value at the time of acquisition of the net assets of the acquired company. Instead of regular amortisation, goodwill is tested annually for potential impairment. For this purpose, goodwill has been allocated to cash-generating units or, in the case of an associated company, is included in the acquisition cost of the associate in question. Goodwill is measured at original acquisition cost less impairment losses. Changes in purchase considerations, for example due to earn-out arrangements, relating to acquisitions carried out before 2010 have been recognised against goodwill in accordance with the earlier IFRS 3.

The net assets of an entity acquired in a business combination are measured at fair value at the date of acquisition. In connection with business combinations, the Group also identifies intangible assets that are not necessarily recorded on the statement of financial position of the acquired entity. These assets include, for instance, customer relationships, trademarks and technology. The assets are recognised at fair value and amortised over their useful lives. The amortisation periods for these intangible assets are as follows:

Customer relationships: 2–5 years depending on contractual circumstances
Technology: 5–15 years
Trademarks: 1 year

Research and development costs

Research costs are always recognised as expenses. Mine development costs are capitalised as part of mining assets and depreciated on a unit of production basis. The development costs, which primarily relate to the development of existing products, are expensed as incurred.

Other intangible assets

Other intangible assets are initially recognised on the statement of financial position at cost when the costs can be reliably determined and it is probable that the expected financial benefits of those assets will be reaped by the Group. Other intangible assets mainly relate to IT software utilised in support of the Group's business operations and they are amortised over 3–5 years.

Inventories

Inventories are measured at acquisition cost or a lower probable net realisable value. Acquisition costs are determined using the average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour expenses, other direct expenses, and an appropriate share of fixed and variable production overheads based on the normal capacity of the production facilities. In open pit mining operations, the removal costs of overburden and waste material (stripping costs) are included in the cost of inventory. In ordinary operations, the net realisable value is the estimated selling price that is obtainable, less the estimated costs incurred in completing the product and the selling expenses.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and cash equivalents, short-term deposits, money market instruments, trade and other receivables, loan and other receivables, unquoted financial instruments and derivative financial instruments.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments that are not designated as hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The EIR amortisation is included in finance income. The impairment losses are recognised as finance costs.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment.

Financial assets classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured either at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in finance income or cost, or determined to be impaired, at which time the cumulative loss is recognised as finance costs and removed from the available-for-sale assets.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

Derivative financial instruments and hedge accounting

When necessary, the Group utilises derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised on the income statement. The Group does not apply hedge accounting.

Treasury shares

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from the paid-up unrestricted equity reserve. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Liabilities are classified as current and non-current, and include both interest-bearing and interest-free liabilities. Interest-bearing liabilities are liabilities that either include a contractual interest component, or are discounted to reflect the fair value of the liability. In the earlier financial years discounted non-current liabilities have included acquisition-related deferred conditional and unconditional liabilities. Certain conditional liabilities have included an earn-out component that needed to be met to make the liability unconditional and fix the amount of the future payment. Acquisition-related conditional purchase considerations that were payable in the Company's shares were presented as interest-free liabilities.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss; loans and borrowings; or derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and derivative financial instruments.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised on the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discounts or premiums and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The provision for rehabilitation and decommissioning costs has arisen on operating mines and minerals' processing facilities. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the rehabilitation and decommissioning liability. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs of or in the discount rate applied to the rehabilitation obligation are added or deducted from the profit or loss or, respectively, decommissioning obligation adjusted to the carrying value of the asset dismantled.

Non-current assets held for sale and discontinued operations

The standard IFRS 5 requires that an entity must classify a non-current asset or a disposal group as assets held for sale if the amount equivalent to its carrying amount is accumulated primarily from the sale of the item rather than from its continued use. In this case, the asset or disposal group must be available for immediate sale in its present condition under general and standard terms for the sale of such assets, and the sale must be highly probable.

Accounting policies requiring management discretion and key uncertainty factors for estimates

Preparation of the financial statements requires management to make estimates, assumptions and forecasts regarding the future. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations. In addition, management is required to use its discretion in the application of the financial statements' preparation principles.

The scope of the financial statements

The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies in which the Group has control. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The assessment of whether control is exercised requires management discretion.

The Group holds 51% of shares of Synergy Africa Limited. However, the shareholders of Synergy Africa Limited have entered into a joint venture agreement with joint control over the company. The joint venture agreement includes terms and conditions which give the other shareholder participating rights. Therefore, the Group's management has assessed, using its discretion, that the company and its subsidiaries are not consolidated into the Group as subsidiaries but as joint ventures.

IFRS 11 requires considering all facts and circumstances relating to joint arrangements instead of legal form only, which influences the accounting treatment of the arrangements. Under the new standard Afarak's share in Synergy Africa Limited and its subsidiaries are consolidated under the equity method instead of the proportionate method of consolidation. Synergy Africa Limited and its subsidiaries form a part of Afarak's mining operations in South Africa.

Allocation of the cost of a business combination

In accordance with IFRS 3, the acquisition cost of an acquired company is allocated to the assets of the acquired company. The management has to use estimates when determining the fair value of identifiable assets and liabilities. Determining a value for intangible assets, such as trademarks and customer relationships, requires estimation and discretion because in most cases, no market value can be assigned to these assets. Determining fair value for tangible assets requires particular judgment as well, since there are seldom active markets for them where the fair value could be obtained. In these cases, the management has to select an appropriate method for determining the value and must estimate future cash flows.

Impairment testing

Goodwill is tested annually for impairment, and assessments of whether there are indications of any other asset impairment are made at each balance sheet date, and more often if needed. The recoverable amounts of cash-generating units have been determined by means of calculations based on value in use. Preparation of these calculations requires the use of estimates to predict future developments.

The forecasts used in the testing are based on the budgets and projections of the operative units, which strive to identify any expansion investments and rearrangements. To prepare the estimates, efforts have been made to collect background information from the operative business area management as well as from different sources describing general market activity. The risk associated with the estimates is taken into account in the discount rate used. The definition of components of discount rates applied in impairment testing requires discretion, such as estimating the asset or business related risk premiums and average capital structure for each business segment.

Tangible and intangible assets

Afarak Group management is required to use its discretion when determining the useful lives of various tangible and intangible assets, which affects the amount of depreciation and thereby the carrying amount of the assets concerned. The capitalising of mine development assets and exploration and evaluation expenditure, in particular, requires the use of discretion. Similarly, management is required to use its discretion in determining the useful lives of intangible assets identified in accordance with IFRS 3, and in determining the amortisation period. This affects the financial result for the period through depreciation and change in deferred taxes.

Measurement of mineral resources and ore reserves

In the Group's mining operations, estimates have to be applied in recognising mineral resources acquired in business combinations as assets. In the recognition and measurement of mineral resources and ore reserves, the Group utilises available third party analyses of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also a key consideration. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as 'proven', 'probable', 'inferred' and 'hypothetical'. The measurement of ore reserves is based on estimated market prices, estimated production costs and on the probability classification of the mineral resource and quantities. Therefore, the Group's management has to use its discretion in applying recognition and measurement principles for mineral resources.

Rehabilitation provisions

The Group assesses the rehabilitation liabilities associated with its mines and production facilities annually. The amount of provision reflects the management's best estimate of the rehabilitation costs. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the area and remove or cover the contaminated soil from the site, the expected timing of those costs, and whether the obligations stem from past activity. These uncertainties may cause the actual costs to differ from the provision which has been made.
Application of new or amended IFRS standards

The Group applies new or amended IFRS standards and interpretations from their effective date or after they have been endorsed for application within the EU.

In these financial statements the Group has applied the following new or amended standards and interpretations:

- IAS32 Financial Instruments – Presentation amendment to Netting Financial assets and Liabilities (effective for financial periods beginning on or after 1 January 2014). The amendment clarifies the rules concerning the presentation of financial assets and liabilities as net amounts and provides further application guidance. The amendment has not had a material effect on the Group`s financial statements.

- IAS36 Impairment of assets amendment to Recoverable Amount Disclosures for Non-Financial Assets (effective for financial periods beginning on or after 1 January 2014). The amendment clarifies the disclosure requirements relating to those cash-generating units, which were subject to impairment charges. The amendment has not had a material effect on the Group's financial statements.

The Group will apply the following new or amended standards and interpretations in the financial statements for the year 2015 or subsequent financial years:

- IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and measurement in its entirety. The mandatory effective date of IFRS 9 is for annual periods beginning on or after 1 January 2018, early adoption is allowed. The endorsement by the European Union is pending.
  According to IFRS 9, at initial recognition, all financial assets are measured at fair value. For subsequent measurement, financial assets that are debt instruments are classified at amortized cost or fair value either through profit or loss or Other Comprehensive Income (OCI). The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The new hedge accounting model is designed to align the accounting for hedging activities more closely with risk management practices and to simplify certain aspects of hedge accounting. The Group is assessing the impact of the standard to its financial statements.

- IFRS 15 Revenue from Contracts with Customers as issued in May 2014, establishes a new five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue or industry. The principles in IFRS 15 provides a more structured approach to measuring and recognising revenue and will be applied using the following five steps:
  1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognise revenue when (or as) the entity satisfies a performance obligation
  This new revenue standard is applicable to all entities and will supersede the current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017. The Group is currently assessing the impact on the entities within the Group.

There are no other IFRS standards, amendments, IFRIC interpretations that are not yet effective and that would be expected to have material impact to the Group's financial statements.

1.3 BUSINESS COMBINATIONS AND ACQUISTION OF NON-CONTROLLING INTERESTS

1.3.1 Financial Year 2014

Afarak did not carry out any acquisitions during the financial year 2014.

1.3.2 Financial Year 2013

Afarak did not carry out any acquisitions during the financial year 2013.

1.4 IMPAIRMENT TESTING

General principles of impairment testing

Afarak Group has carried out impairment testing on goodwill and other assets as of 31 December 2014. The following cash generating units were defined for the impairment testing:

- Speciality Alloys business (Türk Maadin Sirketi and Elektrowerk Weisweiler) with a vertically integrated mining-beneficiation-smelting-sales operation in the specialty grade ferrochrome business; and
- South African minerals processing business (Mogale Alloys) which has ferroalloys smelting operations with four furnaces

The Group assesses at each balance sheet date whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects will be estimated annually, irrespective of whether there is an indication of impairment. As a result, no impairment was recognised.

At the end of 2014, there were no indications of impairment of any other assets, such as shares in associated companies.

The joint venture Synergy Africa owns and operates mines in South Africa, These have been tested for impairment at the joint venture level. This is further explained in note13.

Changes in goodwill during 2014

During the financial year 2014, the total goodwill of the Group increased by EUR 0.8 million due to exchange rate movement to a total of EUR 63.1 million compared to the end of the financial year 2013. The synergy goodwill identified in the Mogale acquisition, related to RCS acting as a global sales entity for the whole Group, was initially tested within Speciality Alloys segment, into which segment RCS was included. To reflect the change in segments, where RCS is now divided to both segments to reflect the nature of serving the whole Group, the RCS synergy related goodwill is now considered as a group asset and also annually allocated to both segments based on their relative revenue, reflecting the volume of RCS related benefits enjoyed by the CGU. The changes are described below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2014	57,104	5,184	62,288
Relcassification between segments	-9,052	9,052	0
Changes in acquisition costs	0	0	0
Exchange rate movement	-6,640	7,404	764
Goodwill 31.12.2014	**41,412**	**21,640**	**63,052**

The changes in goodwill during 2013 are presented below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2013	**54,690**	**14,300**	**68,990**
Changes in acquisition costs	404	0	404
Exchange rate movement	2,010	-9,116	-7,106
Goodwill 31.12.2013	**57,104**	**5,184**	**62,288**

Change in acquisition cost during the period relates to real estate transfer tax payment made on the final transfer of EWW to Afarak Group, this payment was made in May 2013.

Goodwill as a ratio of the Group's equity on 31 December 2014 and 31 December 2013 was as follows:

EUR '000	31.12.2014	31.12.2013
Goodwill	63,052	62,288
Equity	182,244	190,328
Goodwill/Equity, %	35 %	33 %

Methodology applied in impairment testing

For the cash generating units that were tested, the test was carried out by calculating their value in use. Value in use has been calculated by discounting estimated future net cash flows based on the conditions and assumptions prevailing at the time of the testing. Future cash flows have been projected for a five-year period, after which a growth rate equalling projected long-term inflation has been applied (Speciality Alloys: 2%, South African minerals processing: 6%). For the terminal year after the five-year estimation period, the essential assumptions (e.g. revenue, variable costs and fixed costs) have been based at the estimation period's previous year's figures.

The weighted average cost of capital (WACC) has been calculated separately for each cash generating unit and testable asset, taking into account each business's typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as risk-free interest rates and margins for debt financing. The Group has used publicly available information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2014.

The information used in the 31 December 2014 impairment testing is based on business units' management future forecasts, on general third-party industry expert or analyst reports where available, and to the extent possible on the current business and asset base excluding any non-committed expansion plans. Forecasted sales volumes and profitability are based on the management's view on future development while also taking past performance into account. Price forecasts are based on independent market forecasts. The cash flow models have been prepared at constant foreign exchange rates. The management's approach in preparing cash flow forecasts has not changed significantly from the previous impairment testing.

These pre-tax discount rates applied in 2014 impairment testing were the following:

Cash Generating Unit	Pre-tax discount rate	
	2014	**(2013)**
Speciality Alloys	14.9%	(13.1%)
South African minerals processing	23.3%	(20.4%)

The key reasons for the changes in the discount rates compared to 2013 were the changes in risk-free interest rates in both cash-generating units. The increase in the discount rate is attributable to increased location specific risk arising from instability of the operational environment and the increased external loan margin, partly offset by decreases in the risk free rates.

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount based on the following judgment rules:

Recoverable amount divided by the carrying amount:	**Conclusion:**
< 100%	Impairment
101–120%	Slightly above
121–150%	Clearly above
> 150%	Significantly above

Test results 31 December 2014

The impairment test results were as follows:

Cash generating unit	Goodwill (MEUR), pre-testing	Goodwill (MEUR), post-testing	Carrying amount (MEUR), pre-testing	Conclusion
Speciality Alloys	41.4	41.4	82.8	Significantly above
South African minerals processing	21.6	21.6	75.8	Significantly above

The testable asset base (carrying amount) includes goodwill, intangible and tangible assets and net working capital less provisions and deferred tax liabilities (in relation to purchase price allocation entries).

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
Speciality Alloys business	FeCr: 28,000–30,000 t/a lumpy Cr ore: 16,100 – 36,900 t/a	LC/ULC ferrochrome with average Cr content of 70 %, based on external experts (Heinz Pariser) price forecasts	Raw material costs generally change in line with sales price. Other costs growing at inflation rate.
South African minerals processing	Metal alloys: 102,500–110,300 t/a	Based on external experts (Heinz Pariser) metal alloys price forecasts	Raw material costs generally change in line with sales price. 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 11.56.

Sensitivity analysis of the impairment tests

The Group has analysed the sensitivity of the impairment test results by estimating how the essential assumptions should change in order for the recoverable amount to be equal to the carrying amount. The results of this sensitivity analysis as of 31 December 2014 are given below:

Cash generating unit	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average EBITDA margin
Speciality Alloys	10.4% - points	-47.4%	-9.0% - points
South African minerals processing	23.0% - points	-60.3%	-18.2% - points

1.5 OPERATING SEGMENTS

Afarak Group has two operating segments, FerroAlloys and Speciality Alloys, which are also the reporting segments. The operating segments are organised based on their products and production processes. The current reporting structure was adopted in 2011. The Group's executive management reviews the operating results of the segments for the purpose of making decisions on resource allocation and performance assessment. Segment performance is measured based on revenue as well as earnings before interest, taxes, depreciation and amortisation (EBITDA) as included in the internal management reports and defined consistently with the consolidated EBITDA.

The FerroAlloys business consists of the processing plant Mogale Alloys and the joint ventures Stellite mine and Mecklenburg mine in South Africa. The business produces chrome ore, charge chrome, silicomanganese and stainless steel alloy for sale to global markets.

The Speciality Alloys business consists of Türk Maadin Şirketi A.S ("TMS"), the mining and beneficiation operation in Turkey, and Elektrowerk Weisweiler GmbH ("EWW"), the chromite concentrate processing plant in Germany. TMS supplies EWW with high quality chromite concentrate which produces speciality products including Specialised Low Carbon and Ultra Low Carbon Ferrochrome. Excess chrome ore from TMS is exported.

The revenue and costs of the Group's sales and marketing arm RCS is allocated to the segments in proportion to their sales. Afarak's other operations, including the Group's headquarters and other Group companies that do not have significant operations, are presented as unallocated items.

Intercompany transactions are carried out on an arm's length basis. The transactions between the segments have been limited but the parent company has provided funding and administrative services to the Group's subsidiaries.

The accounting policies applied in the operating segment information are the same as those in the consolidated financial statements.

Operating segment information 2014

Year ended 31.12.2014 EUR '000	Speciality Alloys	Ferro Alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	30	30	15	0	45
Sale of goods	97,836	74,788	172,624	0	0	172,624
Total external revenue	**97,836**	**74,818**	**172,654**	**15**	**0**	**172,669**
Inter-segment revenue	0	0	0	132	-132[1]	0
Total revenue	**97,836**	**74,818**	**172,654**	**147**	**-132**	**172,669**
Items related to associates (core)	3	3	6	0	0	6
Items related to joint ventures (core)		-3,311	-3,311	0	0	-3,311
Segment EBITDA	**7,865**	**3,084**	**10,949**	**-2,502**	**0**	**8,447**
Depreciation and amortisation	-2,206	-4,466	-6,672	-45	0	-6,717
Impairment	0	0	0	-5	0	-5
Segment operating profit / loss	**5,659**	**-1,381**	**4,277**	**-2,552**	**0**	**1,725**
Finance income						4,166
Finance cost						-5,431
Income taxes						12
Profit / loss for the period from continuing Operations						**472**
Profit for the period from discontinued operations						1,773
Profit / loss for the period						**2,245**
Segment's assets[2]	**181,664**	**113,125**	**294,790**	**9,645**	**-14,146**	**290,289**
Segment's liabilities[2]	**68,419**	**52,451**	**120,870**	**3,720**	**-16,547**	**108,044**
Other disclosures						
Gross capital expenditure[3]	1,213	13,598	14,811	0	0	14,811
Investments in associates[4]	70	22	92	0	0	92
Investment in joint ventures[4]	0	-19,580	-19,580	0	0	-19,580
Provisions[4]	3,189	7,025	10,214	0	0	10,214

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Capital expenditure consists of net increase in the year.
4. Balance sheet values.

Operating segment information 2013

Year ended 31.12.2013 EUR '000	Speciality Alloys	Ferro Alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	40	40	38	0	78
Sale of goods	74,461	60,971	135,432	0	0	135,432
Total external revenue	**74,461**	**61,011**	**135,472**	**38**	**0**	**135,509**
Inter-segment revenue	0	0	0	304	-304[1]	0
Total revenue	**74,461**	**61,011**	**135,472**	**342**	**-304**	**135,509**
Items related to associates (core)	**3**	**3**	**6**	**0**	**0**	**6**
Items related to joint ventures (core)		-2,300	-2,300	0	0	-2,300
Segment EBITDA	**9,083**	**8,794**	**17,877**	**-3,787**	**0**	**14,090**
Depreciation and amortisation	-15,179	-6,791	-21,970	-105	0	-22,074
Impairment	0	0	0	0	0	0
Segment operating profit / loss	**-6,096**	**2,003**	**-4,093**	**-3,891**	**0**	**-7,984**
Finance income						8,016
Finance cost						-11,162
Income taxes						6,728
Profit / loss for the period						**-4,403**
Segment's assets[2]	**143,952**	**97,503**	**241,455**	**21,308**	**15,161**	**277,924**
Segment's liabilities[2]	**64,684**	**43,172**	**107,856**	**5,669**	**-25,929**	**87,596**
Other disclosures						
Gross capital expenditure[3]	2,211	8,011	10,222	21	0	10,244
Investments in associates[4]	57	19	76	0	0	76
Investment in joint ventures[4]	0	-15,293	-15,293	0	0	-15,293
Provisions[4]	3,832	6,198	10,030	250	0	10,280

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Capital expenditure consists of net increase in the year.
4. Balance sheet values.

Geographical information

Revenues from external customers

EUR '000	2014	2013
Other EU countries	77,530	54,541
United States	41,282	30,057
China	3,090	12,345
Africa	23,351	23,748
Finland	7,040	3,533
Other countries	20,377	11,285
Total revenue	**172,669**	**135,509**

Revenue figures are based on the location of the customers.

The largest customer of the Group is in the Speciality Alloys business segment and represents approximately 16% (15%) of the Group's revenue in 2014. In the FerroAlloys business segment the largest customer represents 7% (9%) of the Group's revenue in 2014.

Non-current assets

EUR '000	2014	2013
Africa	53,834	43,233
Other EU countries	5,177	4,707
Finland	25	36
Other countries	9,385	10,398
Total	**68,421**	**58,374**

In presenting geographical information, assets are based on the location of the assets. Non-current assets consist of property, plant and equipment, intangible assets and investments in associates.

1.6. NOTES TO THE INCOME STATEMENT

1. Revenue

EUR '000	2014	2013
Sale of goods	172,494	135,432
Rendering of services	175	78
Total	**172,669**	**135,509**

2. Other operating income

EUR '000	2014	2013
Gain on disposal of tangible and intangible assets	45	83
Gain on disposal of investments	1,211	735
Rental income	297	317
Electricity buyback programme	0	9,755
Other	1,817	2,045
Total	**3,370**	**12,936**

3. Employee benefits

EUR '000	2014	2013
Salaries and wages	-14,325	-15,805
Share-based payments	-154	-1,125
Pensions costs	-241	-894
Other employee related costs	-1,403	-1,458
Total	**-16,123**	**-19,283**

Average personnel during the accounting period	2014	2013
Speciality Alloys business	387	439
FerroAlloys business	335	329
Group Management and other operations	4	5
Total	**726**	**773**

Personnel at the end of the accounting period	2014	2013
Speciality Alloys business	355	443
FerroAlloys business	339	333
Group Management and other operations	4	3
Total	**698**	**779**

4. Depreciation, amortisation and impairment

EUR '000	2014	2013
Depreciation / amortisation by asset category		
Intangible assets		
Clientele and technology[1]	-2,563	-16,240
Other intangible assets	-341	-415
Total	**-2,904**	**-16,655**
Property, plant and equipment		
Buildings and constructions	-398	-470
Machinery and equipment	-2,142	-3,497
Other tangible assets	-1,273	-1,452
Total	-3,813	-5,419
Impairment by asset category		
Other intangible assets	-5	0
Total	**-5**	**0**

1. The decrease in depreciation for 2014 is mainly due to the beneficial effect of a lower depreciation charge in 2014 resulting from acquisition related assets acquired by Afarak in 2008 that were fully amortised in Q4 2013.

5. Other operating expenses

EUR '000	2014	2013
Loss on disposal of non-current assets	0	-5
Rental costs	-825	-894
External services[1]	-2,796	-3,222
Travel expenses[2]	-855	-681
Other operating expenses	-7,136	-7,060
Total	**-11,612**	**-11,863**

1. Audit fees paid to EY totalled EUR 412 (2013: 438) thousand in the financial year. The fees for non-audit services totalled EUR 20 (2013: 12) thousand.
2. Other operating expenses include shutdown costs of EUR 2,324 (2013: 4,331) thousand in the financial year.

6. Financial income and expense

EUR '000	2014	2013
Finance income		
Interest income on loans and trade receivables	1,785	1,891
Foreign exchange gains	2,379	5,777
Gain on assets at fair value	0	345
Other finance income	2	4
Total	**4,166**	8,016
Finance expense		
Interest expense on financial liabilities measured at amortised cost	–1,223	–717
Foreign exchange losses	–3,141	–8,685
Loss on assets at fair value	–461	–948
Unwinding of discount, provisions	–546	–634
Other finance expenses	–61	–178
Total	**–5,431**	–11,162
Net finance income/expense	**–1,265**	–3,146

7. Income taxes

EUR '000	2014	2013
Income tax for the period	–772	–3,348
Income tax for previous years	–24	2,993
Deferred taxes	808	7,103
Other direct taxes	0	–20
Income tax for continuing operations	12	6,728
Income tax for discontinued operations	0	0
Total	**12**	**6,728**

EUR '000	2014	2013
Profit before taxes	**2,233**	**-11,170**
Income tax calculated at income tax rate	**-447**	**2,737**
Tax exempt income	639	526
Difference between domestic and foreign tax rates	432	994
Tax credit	2,031	1,458
Tax credit for previous years	0	3,043
Items recognised only for taxation purposes	-1,218	-536
Income tax for previous years	-24	-49
Income from JV and associates	-661	-561
Impairment losses	-1	0
Tax losses not recognised as deferred tax assets	-461	-161
Non-tax deductible expenses	-434	-742
Previously unrecognised tax losses now recognised	156	19
Total adjustments	**459**	**3,991**
Income tax recognised	**12**	**6,727**

On 31 December 2014 the Group companies had unused tax losses totalling EUR 24.2 (22.1) million for which the Group has not recognised deferred tax assets.

8. Discontinued operations

In 2014 the discontinued operation items related to expenses in connection with the sawmill machinery and environmental cleaning costs. During the fourth quarter of 2014, the Company sold part of the saw mill equipment. This transaction positively affected the 2014 profit by EUR 1.8 million that includes a release of EUR 0.6 million from the provision in relation to the discontinued wood business.

EUR '000	31.12.2014	31.12.2013
Other operating income	1,286	528
Other operating expenses	-713	-528
Gain on disposal from discontinued operations	1,200	0
Profit for the period	**1,773**	**0**

9. Earnings per share

	2014			2013		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit attributable to owners of the parent company (EUR '000)	1,085	1,773	2,858	−4,252	0	−4,252
Weighted average number of shares, basic (1,000)	249,280	249,280	249,280	244,135	244,135	244,135
Basic earnings per share (EUR) total	**0.00**	**0.01**	**0.01**	**−0.02**	**0.00**	**−0.02**

	2014			2013		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit attributable to owners of the parent company (EUR '000)	1,085	1,773	2,858	−4,252	0	−4,252
Weighted average number of shares, basic (1,000)	249,280	249,280	249,280	244,135	244,135	244,135
Effect of share options on issue (1,000)	3,798	3,798	3,798	4,397	4,397	4,397
Weighted average number of shares, diluted (1,000)	253,077	253,077	253,077	248,532	248,532	248,532
Diluted earnings per share (EUR) total	**0.00**	**0.01**	**0.01**	**−0.02**	**0.00**	**−0.02**

Basic earnings per share is calculated by dividing profit attributable to the owners of the parent company by weighted average number of shares during the financial year.

When calculating the diluted earnings per share, all convertible securities with a potential dilutive effect are assumed to be converted into shares. Share options have a dilutive effect if the exercise price is lower than the share price. The diluted number of shares is the number of shares that will be issued free of charge when share options are exercised since with the funds received from exercising options, the Company is not able to issue the same number of shares at fair value. The fair value of shares is based on average share price of the period.

1.7. NOTES TO THE STATEMENT OF FINANCIAL POSITION

10. Property, plant and equipment

EUR '000	Land and water property	Buildings and constructions	Machinery and equipment	Mines and mineral assets	Other tangible assets	Total
Balance at 1.1.2014	2,283	6,148	39,721	11,092	2,502	61,745
Additions		183	13,646	210	331	14,369
Disposals			-277		-22	-298
Reclass between items			-24		46	22
Effect of movements in exchange rates	63	184	1,409	500	59	2,215
Balance at 31.12.2014	**2,346**	**6,515**	**54,475**	**11,802**	**2,915**	**78,053**
Accumulated depreciation and impairment 1.1.2014		-2,585	-15,735	-5,802	-1,363	-25,485
Depreciation		-398	-2,142	-1,135	-138	-3,813
Disposals			233			233
Reclass between items					22	22
Effect of movements in exchange rates		-77	-612	-293	-55	-1,036
Accumulated depreciation and impairment at 31.12.2014	**0**	**-3,060**	**-18,256**	**-7,230**	**-1,534**	**-30,080**
Carrying amount at 1.1.2014	**2,283**	**3,563**	**23,986**	**5,290**	**1,138**	**36,260**
Carrying amount at 31.12.2014	**2,346**	**3,455**	**36,219**	**4,572**	**1,381**	**47,973**
Balance at 1.1.2013	855	6,997	44,689	11,961	2,972	67,473
Additions	1,484	174	4,649	886	94	7,287
Disposals		-51	-135		-7	-193
Reclass between items		94	133	707	-108	826
Effect of movements in exchange rates	-56	-1,066	-9,615	-2,462	-449	-13,648
Balance at 31.12.2013	**2,283**	**6,148**	**39,721**	**11,092**	**2,502**	**61,745**
Accumulated depreciation and impairment 1.1.2013		-2,576	-16,223	-5,859	-1,707	-26,365
Depreciation		-470	-3,497	-1,334	-118	-5,419
Disposals		51	-55		52	48
Reclass between items			145			145
Effect of movements in exchange rates		410	3,895	1,391	410	6,106
Accumulated depreciation and impairment at 31.12.2013	**0**	**-2,585**	**-15,735**	**-5,802**	**-1,363**	**-25,485**
Carrying amount at 1.1.2013	**855**	**4,421**	**28,466**	**6,102**	**1,264**	**41,108**
Carrying amount at 31.12.2013	**2,283**	**3,563**	**23,986**	**5,290**	**1,138**	**36,260**

Machinery and equipment include the prepayments made for them. In 2014 Mogale Alloys capitalised interest amounting EUR 0.4 million before the commissioning of the refining and granulation plant to produce medium carbon ferrochrome.

11. Intangible assets

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2014	108,167	107,890	4,581	329	220,967
Additions			85	356	441
Reclass between items			24		24
Effect of movements in exchange rates	2,314	1,342	173	14	3,843
Balance at 31.12.2014	**110,481**	**109,232**	**4,863**	**699**	**225,275**
Accumulated amortisation and impairment at 1.1.2014	-45,879	-89,409	-1,350	0	-136,639
Amortisation		-2,563	-341		-2,904
Impairment			-5		-5
Effect of movements in exchange rates	-1,551	-711	-57		-2,319
Accumulated amortisation and impairment at 31.12.2014	**-47,430**	**-92,683**	**-1,753**	**0**	**-141,866**
Carrying amount at 1.1.2014	**62,288**	**18,481**	**3,231**	**329**	**84,329**
Carrying amount at 31.12.2014	**63,051**	**16,549**	**3,110**	**699**	**83,410**
Balance at 1.1.2013	127,326	118,670	3,388	354	249,738
Additions	404	0	2,827	50	3,281
Disposals			-61		-61
Reclass between items			-934		-934
Effect of movements in exchange rates	-19,563	-10,780	-639	-75	-31,057
Balance at 31.12.2013	**108,167**	**107,890**	**4,581**	**329**	**220,967**
Accumulated amortisation and impairment at 1.1.2013	-58,336	-77,710	-1,163	0	-137,209
Amortisation		-16,240	-415		-16,655
Disposals			123		123
Reclass between items			-143		-143
Effect of movements in exchange rates	12,457	4,541	248		17,246
Accumulated amortisation and impairment at 31.12.2013	**-45,879**	**-89,409**	**-1,350**	**0**	**-136,638**
Carrying amount at 1.1.2013	**68,990**	**40,960**	**2,225**	**354**	**112,529**
Carrying amount at 31.12.2013	**62,288**	**18,481**	**3,231**	**329**	**84,329**

Other intangible assets include the prepayments made for them. Exploration and evaluation assets consist of mine projects in variours mining projects in Turkey and South Africa.

12. Investments in associates

EUR '000	Domicile	Balance sheet value	Ownership (%)	Balance sheet date	Assets	Liabilities	Revenue	Profit/ loss
2014								
Core associates								
Specialty Super Alloys SSA Inc	United States	92	20.0	31.12.2014	578	116	820	27
		92						
Non-core associates								
Incap Furniture Oy **	Finland	0	24.1					
Valtimo Components Oyj **	Finland	0	24.9					
		0						

EUR '000	Domicile	Balance sheet value	Ownership (%)	Balance sheet date	Assets	Liabilities	Revenue	Profit/ loss
2013								
Core associates								
Specialty Super Alloys SSA Inc	United States	76	20.0	31.12.2013	467	85	811	30
		76						
Non-core associates								
Incap Furniture Oy **	Finland	0	24.1					
Valtimo Components Oyj **	Finland	0	24.9					
		0						

** Incap Furniture Oy and Valtimo Components Oyj are in a corporate restructuring process.

The income statement related items of associated companies of Speciality Alloys and FerroAlloys business segments (´core-associates´) are presented above EBIT; the non-core associates in financial items.

Movements in 2014 EUR '000		
	1.1.2014	**76**
Share of profit		6
Exchange rate differences		10
	31.12.2014	**92**

During the financial year 2014, Afarak did not acquire or dispose holdings in associates.

Movements in 2013 EUR '000		
	1.1.2013	**75**
Share of profit		6
Exchange rate differences		-5
	31.12.2013	**76**

During the financial year 2013, Afarak did not acquire or dispose holdings in associates.

13. Investments in joint ventures

At the end of the financial year 2014, the Group had joint control over one jointly controlled entity, Synergy Africa Ltd, in which the Group has a 51% interest. The acquisition of Chromex Mining Ltd, a UK company with mining operations and prospecting rights in southern Africa, was carried out by this joint venture company. Synergy Africa Group has been consolidated as a joint venture company in the financial reporting of the Group starting at 31 December 2010. Following the 2012 changes in the accounting standards the company changed the accounting method from proportionate consolidation method to equity method.

Summarised financial statement information (100% share) of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the Group's consolidated financial statements are set out below:

EUR '000	2014	2013
Revenue	**11,153**	**18,725**
Other operating income	212	756
Materials and supplies	-7,895	-14,457
Employee benefits expense	-1,493	-1,451
Depreciation and amortisation	-1,798	-2,167
Other operating expenses	-1,980	-1,735
Impairment, net	-4,235	0
Operating profit / loss	**-6,036**	**-328**
Finance income	382	73
Finance cost	-2,256	-4,592
Profit / loss before taxes	**-7,911**	**-4,847**
Income taxes	1,418	338
Profit / loss for the year	**-6,492**	**-4,509**
Group's share of profit for the year	**-3,311**	**-2,300**
Profit attributable to:		
Joint venture owners	-2,839	-1,914
Non-controlling interests	-472	-386
	-3,311	**-2,300**

EUR '000	2014	2013
Assets and liabilities		
Non-current assets		
Intangible assets	2,668	3,518
Mines and mineral assets	30,712	33,105
Property, plant and equipment	3,761	4,109
Non-current assets total	**37,141**	**40,732**
Current assets		
Inventories	1,911	1,906
Trade and other receivables	546	977
Trade and other receivables from JV owners	166	2,364
Cash and cash equivalents	511	678
Current assets total	**3,134**	**5,925**
Total assets	**40,275**	**46,656**
Non-current liabilities		
Interest-bearing debt	23,679	20,691
Interest-bearing debt to JV owners	34,406	34,500
Provisions	1,725	1,695
Deferred tax liability	8,820	9,475
Other non-current liabilities to JV owners	5,004	3,920
Non-current liabilities total	**73,634**	**70,281**
Current liabilities		
Trade and other payables	3,648	5,151
Trade and other payables to JV owners	1,385	1,205
Provisions	0	6
Current liabilities total	**5,033**	**6,362**
Total liabilities	**78,667**	**76,643**
Net Liability	**-38,392**	**-29,987**
Proportion of Group's Ownership	**51 %**	**51 %**
Carrying amount of Joint venture	**-19,580**	**-15,293**

At the end of 2014, Synergy Africa Group had 56 (62) employees. The average number of employees in full year 2014 was 59 (60).

Impairment review of joint venture

General principles of impairment testing

Synergy Africa Ltd, the South African mining business which operates Stellite and Mecklenburg mines has carried out impairment testing on assets as at 31 December 2014.

Synergy Africa's balance sheet has been assessed whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects will be estimated annually, irrespective of whether there is an indication of impairment. The South African mining business did not have any goodwill on its statement of financial position at the end of the financial year 2014. Synergy Group assessed, however, that there is indication of impairment due to the weak situation in the chrome market, and the assets of the business were tested for impairment. As a result, an impairment was recognised due to weak market conditions.

Methodology applied in impairment testing

For the cash generating units that were tested, the test was carried out by calculating their value in use. Value in use has been calculated by discounting estimated future net cash flows based on the conditions and assumptions prevailing at the time of the testing. Future cash flows have been projected for the life of mine with a 6% growth rate equalling projected long-term inflation has been applied.

The weighted average cost of capital (WACC) has been calculated taking into account the business's typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as risk-free interest rates and margins for debt financing. Synergy Africa has used publicly available information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2014.

The information used in the 31 December 2014 impairment testing is based on business units' management future forecasts, on general third-party industry expert or analyst reports where available, and to the extent possible on the current business and asset base excluding any non-committed expansion plans. Forecasted sales volumes and profitability are based on the management's view on future development while also taking past performance into account. Price forecasts are based on independent market forecasts. The cash flow models have been prepared at constant foreign exchange rates. The underground production in the models does not solely come from reserves, as some come from resources that are not yet converted to reserves. This increases the risk that some of the grades may differ, and tonnes could possibly not be economically extractable. There is also the risk that costs could be different than anticipated even though due care was taken in the cost evaluation.

The pre-tax discount rates applied in 2014 impairment testing was 23.88% for Mecklenburg mine and 20.66% for Stellite mine. The cash flows in the Mecklenburg mine impairment test review include both opencast and underground operation for the full life of mine. The cash flows in the Stellite mine impairment test review only includes opencast operation with the implementation of a new technology that will increase chrome recovery and PGM recovery contained in the ore, underground operation was not included in the review due to the risks and uncertainty attached to the mine. As the Mecklenburg mine model used has a life of mine of 16 years and includes both opencast and underground, and the Stellite mine model has a life of mine of 5 years with only opencast mining, the review risks attached to Mecklenburg is higher and a higher pre-tax rate was applied. .

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount.

Test results 31 December 2014

As a result of the tests carried out Synergy Africa passed a net write down of ZAR 30 million equivalent to EUR 2.1 million in relation to the Stellite mine due to weak market conditions. Mecklenburg mine was also reviewed at year end but there was no indication of write downs as the quality of the chrome ore resource is of a higher grade.

The testable asset base includes intangible and tangible assets and net working capital less provisions and deferred tax liabilities (in relation to purchase price allocation entries).

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 11.00.

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
Stellite mine	Concentrate: 30,000t/a in 2015, and will increase to 180,000t/a as from 2016 till Q3 2019 PGM: 4,460ozt/a in 2016, and will continue production till Q3 2019	SA Chrome Ore -UG2 CIF adjusted for FOM, based on external experts (Heinz Pariser) price forecasts 2016 forecast price for PGM based on current market price	The costs applied for opencast operation is based on the current historical cost adjusted for a reduction in production cost per ton as a result of higher recoveries due to the implementation of new technology. This cost has been estimated and adjusted for inflation for the opencast life of mine. The cost over the life of mine including inflation is estimated to be ZAR 586 per saleable ton of chrome, and ZAR 4,195 per saleable troy Ounce of PGM.
Mecklenburg mine	ROM: Opencast 90,000t/a in 2015 Underground 32,900t/a in 2016, and is planned to increase to an average of 440,000t/a as from 2019 till 2029	SA Chrome Ore - Lumpy CIF adjusted for ROM, based on external experts (Heinz Pariser) price forecasts	The costs applied for opencast operation is based on current historical cost adjusted for inflation. The costs for underground are based on past experiences of our mining team in underground operations adjusted for inflation rate. The cost over the life of mine including inflation is estimated to be ZAR 754 per saleable ton of chrome.

Synergy Africa has analysed the sensitivity of the impairment test results by estimating how the essential assumptions should change in order for the recoverable amount to be equal to the carrying amount. The results of this sensitivity analysis as of 31 December 2014 are given below:

Cash generating unit	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average Cost of Production	Change in CGU's average EBITDA margin
Mecklenburg Mine	12.5% - points	-51.7%	32.9% - points	-25.8% - points

14. Financial assets and liabilities

31.12.2014, EUR '000	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current financial assets					
Non-current interest-bearing receivables		587	34,406		34,993
Trade and other receivables			499		499
Other financial assets					0
Current financial assets					
Current interest-bearing receivables			9,213		9,213
Trade and other receivables *			19,447		19,447
Other financial assets			1,656		1,656
Cash and cash equivalents			13,332		13,332
Carrying amount of financial assets	**0**	**587**	**78,554**	**0**	**79,141**
Fair value of financial assets	**0**	**587**	**78,554**	**0**	**79,141**
Non-current financial liabilities					
Non-current interest-bearing liabilities				6,263	6,263
Other non-current liabilities				42	42
Current financial liabilities					
Current interest-bearing liabilities				5,866	5,866
Trade and other payables *				22,052	22,052
Derivatives				4,066	4,066
Carrying amount of financial liabilities				**38,289**	**38,289**
Fair value of financial liabilities				**38,289**	**38,289**

31.12.2013, EUR '000	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current financial assets					
Non-current interest-bearing receivables		580	39,456		40,036
Trade and other receivables			149		149
Other financial assets					0
Current financial assets					
Current interest-bearing receivables			8,133		8,133
Trade and other receivables *			23,050		23,050
Other financial assets			1,805		1,805
Cash and cash equivalents			13,769		13,769
Carrying amount of financial assets	**0**	**580**	**86,362**		**86,942**
Fair value of financial assets	**0**	**580**	**86,362**		**86,942**
Non-current financial liabilities					
Non-current interest-bearing liabilities				149	149
Other non-current liabilities				40	40
Current financial liabilities					
Current interest-bearing liabilities				1,362	1,362
Trade and other payables *				20,500	20,500
Derivatives				2,535	2,535
Carrying amount of financial liabilities				**24,586**	**24,586**
Fair value of financial liabilities				**24,586**	**24,586**

* Non-financial assets and liabilities are not included in the figures.

Fair value hierarchy

31.12.2014, EUR '000	Carrying amounts at the end of the reporting period		
	Level 1	Level 2	Level 3
Financial assets at fair value			
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives		4,066	
Total		**4,066**	

31.12.2013, EUR '000	Carrying amounts at the end of the reporting period		
	Level 1	Level 2	Level 3
Financial assets at fair value			
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives		2,535	
Total		**2,535**	

31.12.2014, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2014	**40**
Acquisition cost at 31.12.2014	**40**
Accumulated impairment losses at 1.1.2014	-40
Accumulated impairment losses at 31.12.2014	-40
Carrying amount at 31.12.2014	**0**

31.12.2013, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2013	**40**
Acquisition cost at 31.12.2013	**40**
Accumulated impairment losses at 1.1.2013	-40
Accumulated impairment losses at 31.12.2013	-40
Carrying amount at 31.12.2013	**0**

Interest-bearing debt

EUR '000	2014	2013
Non-current		
Bank loans	6,238	11
Subordinated loans	5	5
Finance lease liabilities	20	133
Total	**6,263**	**149**
Current		
Bank loans	5,039	1,362
Finance lease liabilities	70	0
Cheque account with overdraft facility	757	0
Total	**5,866**	**1,362**

EUR '000	2014	2013
Finance lease liabilities, minimum lease payments		
No later than 1 year	70	0
Later than 1 year and not later than 5 years	20	133
	90	**133**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	70	0
Later than 1 year and not later than 5 years	20	133
	90	**133**
Future finance charges	**0**	**0**
Total minimum lease payments	**90**	**133**

Financial risks and risk management

The Board of Directors of Afarak Group Plc has outlined the key risks of the Group in the Board of Directors' Report. In the following section, the financial and commodity risks are presented in more detail with the related sensitivity analyses.

Summary on financial assets and loan arrangements

Financial assets 31 December 2014

In addition to the operating result and the cash flow generated from it the factors described below have most significantly affected the year-on-year change in the Group's financial assets at the 2014 closing date:

The Group's financial assets decreased in consequence of various capital expenditure project that the Group conducted during the year. The main investment in 2014 was the Ferroalloy refining and granulation equipment project at Mogale Alloys, with production commencing a ramping up phase in December 2014. The cash flow effect for Capital expenditure totalled EUR 14.3 million during the year.
Also repayments of financial liabilities reduced the Group's financial assets during the year.

On 31 December 2014, the cash and cash equivalents were invested mainly in interest-bearing EUR, ZAR and USD denominated bank accounts. The Group companies have given pledged deposits for EUR 4.6 (2.6) million. Other financial assets comprise interest-bearing loans and other receivables.

Interest-bearing debt 31 December 2014

- Floating rate loans from financial institutions total EUR 11.0 (1.4) million. Fixed rate loans total EUR 1.1 (0.4) million
- The interest rate of the South African loans is tied to the market rate of JIBAR. The interest rate on 31 December 2014, based on market interest rates at that date, was 5.83 % (5.13%). The interest rate margin for floating rate notes was 3.0% (3.0%) p.a.
- The interest rate of the Maltese bank loan facility is tied to the market rate of LIBOR. The interest rate on 31 December 2014, based on market interest rates at that date, was 0.26 % (0.24%). The interest rate margin for floating rate notes was 3.75% (3.75%) p.a.

Included in interest-free liabilities there is the unpaid part of the Vendors settlement agreement of Mogale Alloys that amount to ZAR 23 million (ZAR 87 million) as at 31 December 2014. This amount will be paid by Afarak Group Plc's shares.

Capital Management

The Group's capital management objective is to maintain the ability to continue as a going concern and to optimise the cost of capital in order to enhance value to shareholders. As part of this objective, the Group seeks to maintain access to loan and capital markets at all times. The Board of Directors reviews the capital structure of the Group on a regular basis.

Capital structure and debt capacity are taken into account when deciding on new investments. Practical tools to manage capital include the application of dividend policy, capital redemption, share buybacks and share issues. Debt capital is managed considering the requirement to secure liquidity. The Group's internal capital structure is reviewed on a regular basis with the aim of optimising the structure by applying measures such as internal dividends and equity adjustments.

The Group's long term target for capital structure is to keep the equity ratio in the region of about 50%. At the balance sheet date 31 December 2014, the Group's equity ratio stood at 62.8% (68.5%).

The Group's loans from financial institutions include financial covenants that if breached might have a negative effect on the financial positon of the Company. The covenants that the Group is exposed to are: Interest cover ratio of RCS Ltd must not be lower than 5; Debt cover ratio of RCS Ltd must be greater than 3; leverage ratio of RCS Ltd must be lower than 1; the Group's Net Asset Value must be greater than US$ 175 million; Debt service cover of Mogale Alloys must be greater than 1.4 and Net Debt to EBITDA of Mogale must be lower than 1.5. Management review these covenants regularly and are in correspondence with the relevant bank if there is indication of breach. In the discussions with the banks the Company would do the utmost to clarify the reason for such breach and present the financial plans to remain within the covenant limits. As at 31/12/2014 there has not been any breach of covenant at RCS Ltd, but at Mogale Alloys due to the free cash flows being low as a result of the extensive cash outflows paid to finance the refining and granulation plant, which was only financed in part by a loan from RCS Ltd, ended up in breach on the debt service cover.

Financial Risk Management

In its normal operations, the Group is exposed to various financial risks. The main financial risks are liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and commodity price risk. The objective of the Group's risk management is to identify and, to as far as reasonably possible, mitigate the adverse effects of changes in the financial markets on the Group's results. The general risk management principles are accepted by Afarak Group Plc's Board of Directors and monitored by its Audit and Risk Management Committee. The managements of the Group and its subsidiaries' are responsible for the implementation of risk management policies and procedures. Group management monitors risk positions and risk management procedures on a regular basis, and supervises that the Group's policies and risk management principles are followed in all day-to-day operations. Risks and risk management are regularly reported to the Audit and Risk Management Committee.

The Group's significant financial instruments comprise bank loans and overdrafts, finance leases, other long-term liabilities, cash and short-term deposits and money market investments. The main purpose of these financial instruments is to finance the Group's acquisitions and ongoing operations. The Group also has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations

(i) Liquidity risk

The Group regularly assesses and monitors its investment and working capital needs and financing, so that it has enough liquidity to serve and finance its operations and pay back loans. The availability and flexibility of financing are targeted to be guaranteed by using multiple financial institutions in the financing and financial instruments, and to agree on financial limit arrangements.

The Group's short-term liquidity at the end of the financial year was good, even though the unutilised credit facility of EUR 45.3 (49.3) expired on 31 December 2014.
If the liquidity risks were to be realised, it would probably result in overdue interest expenses and damage the relations with suppliers. Consequently, the pricing and other terms for input goods and services and for financing could be affected.

The maturity distribution of the Group debt at the end of the financial year was as follows:

31.12.2014, EUR '000	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Secured bank loans	11,277	-11,713	-2,636	-2,588	-6,490	0	0
Finance lease liabilities	90	-90	-45	-26	-20	0	0
Trade and other payables	25,737	-25,784	-25,556	-124	-57	-47	0
Bank overdraft	757	-757	-757	0	0	0	0
Derivatives	4,066	-4,066	-4,066	0	0	0	0
Total	**41,928**	**-42,410**	**-33,059**	**-2,738**	**-6,567**	**-47**	**0**

31.12.2013, EUR '000	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Secured bank loans	1,362	-1,455	-59	-1,392	-5	0	0
Finance lease liabilities	133	-133	-42	-42	-49	0	0
Trade and other payables	19,548	-19,444	-18,615	-428	-401	0	0
Bank overdraft	0	0	0	0	0	0	0
Derivatives	2,535	-2,535	-2,535	0	0	0	0
Total	**23,578**	**-23,568**	**-21,251**	**-1,862**	**-455**	**0**	**0**

(ii) Foreign exchange rate risk

The Group operates internationally, including in Turkey, Malta and South Africa, and is therefore exposed to foreign exchange rate risks. The risks arise both directly from the outstanding commercial cash flows and currency positions, and indirectly from changes in competitiveness between various competitors. The foreign exchange differences arising from inter-company loans designated as net investments in foreign subsidiaries has been recognised in the translation difference in the equity.

The Group is exposed to currency-derived risks that affect its financial results, financial position and cash flows. In particular the exchange rates of US Dollar and South African Rand against the Euro have a significant impact on the Euro-denominated profitability of the Group. The cash inflows of the business are denominated in US Dollars, whereas a significant portion of the costs are denominated in the South African Rand. The fluctuation of the South African Rand has a significant impact on the Group's profit and loss as well as on the Group's assets and liabilities. The Group has hedged part of the open foreign currency positions by using currency derivatives. In its risk management, the Group aims to match its cash inflows and outflows as well as receivables and liabilities in terms of the currency in which these items are denominated.

The foreign exchange risk relating to ZAR has increased during 2014 as the amount of ZAR-denominated liabilities has increased.

The following tables present the currency composition of receivables and debt, and changes thereby relative to the previous year-end.

31.12.2014, EUR '000	**EUR exchange rate**	**1**	**1.2141**	**0.7789**	**2.832**	**14.0353**
		EUR	USD	GBP	TRY	ZAR
Cash and cash equivalents (EUR)		2,740	8,655	129	67	1,741
Trade and other receivables (EUR)		25,252	12,908			2,609
Loans and other financial assets (EUR)		39,952			545	0
Trade and other current payables (EUR)		-22,554	-2,795	-9	-363	-6,253
Loans and other liabilities (EUR)		-76	-10,108		-488	-1,500
Currency exposure, net (EUR)		45,315	8,659	120	-239	-3,403
Currency exposure, net in currency ('000)		**45,315**	**10,513**	**93**	**-675**	**-47,762**

31.12.2013, EUR '000	EUR exchange rate	1	1.3791	0.8337	2.9605	14.566
		EUR	USD	GBP	TRY	ZAR
Cash and cash equivalents (EUR)		2,426	9,417	139	48	1,739
Trade and other receivables (EUR)		23,164	12,799			4,596
Loans and other financial assets (EUR)		43,705			399	
Trade and other current payables (EUR)		−19,491	−3,903	−99	−675	−4,574
Loans and other liabilities (EUR)		−524	−26		−560	−441
Currency exposure, net (EUR)		49,280	−18,287	41	−788	1,320
Currency exposure, net in currency ('000)		**49,280**	**−25,220**	**34**	**−2,334**	**19,228**

The effect on the 31 December 2014 currency denominated net assets by changes in foreign exchange rates compared with the rates used in the Group consolidation is presented below. Due to the high market volatility of the exchange rates, the range of change was kept at +/− 20%.

31 December 2014					
		USD	**GBP**	**TRY**	**ZAR**
20 %	strengthening	10,824	150	−298	−4,254
15 %	strengthening	10,188	141	−281	−4,004
10 %	strengthening	9,622	133	−265	−3,781
5 %	strengthening	9,115	126	−251	−3,582
0 %	no change	8,659	120	−239	−3,403
−5 %	weakening	8,247	114	−227	−3,241
−10 %	weakening	7,872	109	−217	−3,094
−15 %	weakening	7,530	104	−207	−2,959
−20 %	weakening	7,216	100	−199	−2,836
31 December 2013					
		USD	**GBP**	**TRY**	**ZAR**
20 %	strengthening	22,859	51	−986	1,650
15 %	strengthening	21,515	48	−928	1,553
10 %	strengthening	20,319	45	−876	1,467
5 %	strengthening	19,250	43	−830	1,390
0 %	no change	18,287	41	−788	1,320
−5 %	weakening	17,417	39	−751	1,257
−10 %	weakening	16,625	37	−717	1,200
−15 %	weakening	15,902	35	−686	1,148
−20 %	weakening	15,240	34	−657	1,100

Derivatives

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Operative foreign currency derivatives that are valued at fair value on the reporting date cause timing differences between the changes in the derivative's fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting impact the Group's operating profit for the financial year. The underlying foreign currency transactions will realise in future periods.

At the end of the financial year the Group had USD/ZAR foreign currency forward contracts and foreign currency options hedging the operative cash flows. The nominal value and fair value of the contracts is stated in the table below.

		2014		2013
EUR Million	Nominal value	Fair Value	Nominal Value	Fair Value
FX-Forwards	41,586	4,066	22,986	2,535
FX-Options	4	0		

The group does not apply hedge accounting.

(iv) Interest rate risk

The Group is exposed to interest rate risk when Group companies take loans, or make other financing agreements or deposits and investments related to liquidity management. In addition, changes in interest rates can alter the fair values of the Group's assets. The Group's revenue and operative cash flows are mainly independent of the changes in market interest rates.

To manage interest rate risks, the Group has used both fixed and floating rate debt instruments and derivative instruments, such as interest rate swaps, when needed. At the end of 2014, the Group's interest-bearing debt was mainly based on floating interest rates; and there were no interest rate swaps in place. The Group aims to match the loan maturities with the businesses' needs and to have the maturities spread over various periods so that the Group's interest rate risks are somewhat diversified. Floating rate financing is mainly tied to the market rates of different countries (United Kingdom, South Africa), changes to which will then influence the Group's total financing cost and cash flows.

The short-term interest-bearing receivables of the Group are mainly loan receivables and receivables on past asset disposals. The Group's interest-bearing liabilities have been discussed above.

The split of interest-bearing debt and receivables, also classified into fixed rate and floating rate instruments on 31 December 2014 and 31 December 2013 was as follows:

Interest rate profile of interest-bearing financial instruments (EUR '000)			
		31.12.2014	31.12.2013
Fixed rate instruments			
	Financial assets	7,502	11,456
	Financial liabilities	-1,102	-388
Fixed rate instruments, net		**6,399**	**11,069**
Variable rate instruments			
	Financial assets	36,705	36,714
	Financial liabilities	-11,028	-1,362
Variable rate instruments, net		**25,677**	**35,352**
Interest-bearing net debt		**32,076**	**46,421**

The following table presents the approximate effect of changes in market interest rates on the Group's income statement should the deposits' and loans' interest rates change. The analysis includes floating rate financial assets and liabilities. The sensitivity analysis is illustrative in nature and applicable for the forthcoming 12 month period if the period's asset and liability structure were to be equal to that of 31 December 2014, and if there were no changes in exchange rates.

31 December 2014			
Interest rate change	**Change in interest income**	**Change in interest expense**	**Net effect**
-2.00 %	-734	221	-514
-1.50 %	-551	165	-385
-1.00 %	-367	110	-257
-0.50 %	-184	55	-128
0.00 %	0	0	0
0.50 %	184	-55	128
1.00 %	367	-110	257
1.50 %	551	-165	385
2.00 %	734	-221	514

31 December 2013			
Interest rate change	**Change in interest income**	**Change in interest expense**	**Net effect**
	full year	full year	full year
-2.00 %	-734	27	-707
-1.50 %	-551	20	-530
-1.00 %	-367	14	-354
-0.50 %	-184	7	-177
0.00 %	0	0	0
0.50 %	184	-7	177
1.00 %	367	-14	354
1.50 %	551	-20	530
2.00 %	734	-27	707

(v) Credit risk

Credit risk can be realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and thus cause financial damage to the Group. The Group's operational policies define the creditworthiness requirements for customers and for counterparties in financial and derivative transactions, as well as the principles followed when investing liquidity. In the case of major sales agreements, the counterparty's credit rating is checked. To date, the Group has not faced any major losses due to this reason.

The Group's key customers are major international stainless steel companies, and a number of specialist s agents selling to the steel sector, with typically long and successful business histories. Since the customers represent one sector of industry, major changes in that industry's profitability could increase the credit risk.

The Board of Directors of Afarak Group Plc has determined a cash management policy for the Group's parent company, according to which the excess cash reserves are deposited for a short-term only and with sound financial institutions with which the Group has established business relations. The credit rating of all significant counterparties is analysed from time to time.

During the financial year, credit losses booked through the profit and loss were not significant. The maximum credit risk is equal to the carrying value of the receivables as of 31 December, and is split as follows:

Category	EUR '000 2014	EUR '000 2013
Interest-bearing		
Cash and cash equivalents	13,332	13,769
Receivables from related parties	41,406	44,500
Other interest bearing receivables	2,800	3,671
Interest-bearing, total	**57,538**	**61,940**
Interest-free		
Trade receivables	19,447	20,429
Other short-term receivables	6,814	5,391
Trade and other receivable from associate	1,385	1,205
Long-term receivables	5,504	4,069
Interest-free, total	**33,150**	**31,094**
Total	**90,688**	**93,034**

(vi) Commodity risks

The Group is exposed to price risks on various output and input products, materials and commodities. Also, securing the availability of raw materials without any serious disruptions is vital to its businesses.

The price risks on input materials and commodities are managed by pricing policies so that changes in input materials and commodities can be moved into sales prices. This, however, is not always possible or there may be delays as a result of contractual or competitive reasons.

The Group's units that have production operations are exposed to availability, quality and price fluctuations in raw materials and commodities. To diminish these risks, the Group's business units seek to enter into long-term agreements with known counterparties; although this is not always possible due to the tradition and practice of the business. For the most part, because it is not possible or economically feasible to hedge commodity price risks in the Group's business sectors with derivative contracts, the Group did not have any commodity derivative contracts in place as of 31 December 2014.

Sensitivity Analysis – Speciality Alloys business

The effect of changes in the sales price of special grade ferrochrome, produced by the Group's Speciality Alloys business, to the Group's operating profit and equity is illustrated below, assuming that the EUR/USD rate were constant. The analysis is based on December 2014 price level. Since the products are priced in USD, the exchange rate changes could have a major effect on the Group's profitability in EUR. Full capacity for simulation purposes is set at 30,000 t/a, and it is also assumed that only one ferrochrome quality is produced. Various raw materials are used in ferrochrome production, including chrome concentrate and ferrosilicochrome. The purchase prices of the main raw materials typically in the same direction as the sales prices, although the correlation is not perfect and the timing may differ. In practice, therefore the net effect on the Group's profitability most probably would be lower than shown below. Electricity usage is also substantial, and hence changes in electricity prices have a significant effect on profitability; electricity prices do not correlate with changes in commodity prices.

Financial year 2014			
Change in Sales price (USD/lb Cr)		**Change in Operating Profit**	**Change in Group's Equity**
2.74	20 %	17,427	16,555
2.63	15 %	13,070	12,417
2.51	10 %	8,713	8,278
2.40	5 %	4,357	4,139
2.29	0 %	0	0
2.17	-5 %	-4,357	-4,139
2.06	-10 %	-8,713	-8,278
1.94	-15 %	-13,070	-12,417
1.83	-20 %	-17,427	-16,555

Financial year 2013			
Change in Sales price (USD/lb Cr)		**Change in Operating Profit**	**Change in Group's Equity**
2.60	20 %	14,570	13,841
2.50	15 %	10,927	10,381
2.39	10 %	7,285	6,921
2.28	5 %	3,642	3,460
2.17	0 %	0	0
2.06	-5 %	-3,642	-3,460
1.95	-10 %	-7,285	-6,921
1.84	-15 %	-10,927	-10,381
1.74	-20 %	-14,570	-13,841

Sensitivity Analysis – FerroAlloys business

The FerroAlloys business's smelting operation, Mogale Alloys, is able to change its product mix quite rapidly and flexibly, and so only rough estimates on its sensitivity to commodity price changes can be given. Its full production capacity is about 100,000 metric t/a of various metal alloys. Assuming, for simplicity, that all of the Mogale capacity was used for charge chrome production only, and using the year-end 2014 sales price indications for charge chrome, the following table represents a rough proxy of the sales price sensitivities. It should also be taken into account that the profitability of the smelting operations can be substantially impacted by changes in the USD and ZAR exchange rates and in electricity prices, as well as changes in market prices. In South Africa the majority of the electricity supply, price and availability are controlled by one entity, Eskom. Mogale Alloys may participate in Eskom's electricity buyback program in the foreseeable future.

Financial year 2014			
Change in Sales price (USD/lb Cr)		**Change in Operating Profit**	**Change in Group's Equity**
1.30	20 %	20,003	14,402
1.24	15 %	15,003	10,802
1.19	10 %	10,002	7,201
1.13	5 %	5,001	3,601
1.08	0 %	0	0
1.03	-5 %	-5,001	-3,601
0.97	-10 %	-10,002	-7,201
0.92	-15 %	-15,003	-10,802
0.86	-20 %	-20,003	-14,402

Financial year 2013			
Change in Sales price (USD/lb Cr)		**Change in Operating Profit**	**Change in Group's Equity**
1.35	20 %	18,344	13,208
1.29	15 %	13,758	9,906
1.24	10 %	9,172	6,604
1.18	5 %	4,586	3,302
1.13	0 %	0	0
1.07	-5 %	-4,586	-3,302
1.01	-10 %	-9,172	-6,604
0.96	-15 %	-13,758	-9,906
0.90	-20 %	-18,344	-13,208

15. Inventories

EUR '000	2014	2013
Goods and supplies	30,611	18,839
Unfinished products	90	181
Finished products	29,350	27,263
Total	**60,052**	**46,284**

16. Trade and other current receivables

EUR '000	2014	2013
Trade receivables	19,447	20,930
Loan receivables	3,836	2,042
Interest-bearing receivables	7,034	6,543
Prepaid expenses and accrued income	3,201	2,100
Income tax receivables	3,323	4,819
Other receivables	3,928	4,126
Total	**40,769**	**40,559**

Prepaid expenses and accruals mainly relate to rental contracts, personnel expenses, VAT receivables and accrued interest for loans. Balance sheet values of receivables closely correspond to the monetary value of maximum credit risk, excluding the fair value of received guarantees, in the potential case where the counterparties cannot fulfil their commitments. Apart from a balance of other receivables amounting to EUR 1.9 million which has an elevated credit risk due to its aging, there is no significant credit risk related to the other receivables.

The aging of trade receivables at the balance sheet date

EUR '000	2014	2013
Not past due	14,121	10,796
Past due 0-30 days	5,579	8,730
Past due 31-60 days	176	-45
Past due 61-90 days	0	396
Past due more than 90 days	-430	1,053
Trade receivables total	**19,447**	**20,930**

17. Cash and cash equivalents

EUR '000	2014	2013
Cash and bank balances	**12,449**	**13,410**
Pledged deposits	4,286	2,622

Cash and cash equivalents in the cash flow statement:

EUR '000	2014	2013
Cash and bank balances	12,449	13,410
Short-term money market investments	883	359
Total	**13,332**	**13,769**

18. Notes to equity

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2012	248,432,000	244,134,563	23,642
Treasury shares granted	0	52,720	0
31.12.2013	248,432,000	244,187,283	23,642
Subscriptions based on option rights	11,130,434	11,130,434	0
31.12.2014	259,562,434	255,317,717	23,642

There is no nominal value for the Company's share.

The equity reserves are described below:

Share premium reserve

Related to the old Finnish Companies Act, the Company has a share premium reserve in relation to old share issues, where the premium in excess of the par value of the shares subscribed has been recognised in the share premium reserve.

Paid-up unrestricted equity reserve

Paid-up unrestricted equity reserve comprises other equity investments and subscription price of shares to the extent that it is not recognised in the share capital based on a specific decision.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

Share subscriptions based on option rights

On 10 July 2014, Afarak announced that it had resolved to offer 11,130,434 new ordinary shares in the Company ("New Shares") to the vendors of Mogale Alloys (a subsidiary of Afarak acquired in May 2009) under the settlement agreement announced on 11 October 2012. The New Shares represented approximately 4.48 per cent of the issued share capital and approximately 4.56 per cent of the total voting rights of the Company prior to the share issue. On 18 July 2014, Afarak announced that all of the New Shares offered had been subscribed for and that the total subscription price of EUR 5,565,217 (EUR 0.5 per share) was fully satisfied through offset against the settlement receivables of the Vendors related to the Mogale Alloys acquisition. A maximum of 3,478,261 shares remain to be offered under the agreed settlement. The New Shares were registered with the Finnish Trade Register on 24 July 2014 and admitted to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange and NASDAQ Helsinki on 25 July 2014.

Treasury shares

On 31 December 2014 the Company had altogether 4,244,717 (4,244,717) of its own shares, which was equivalent to 1.64 (1.71) % of all registered shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2014 was 255,317,717 (244,187,283).

The Company's subsidiaries do not hold any of Afarak Group Plc's shares.

Share Issue Authorisations given to the Board of Directors

The Annual General Meeting held on 8 May 2014 resolved the Board of Directors to decide on the share issue and on the issuing of stock options and other special rights that entitle to shares. By virtue of the authorisation shares can be emitted in one or more tranches in total a maximum of 24,843,200 new shares or shares owned by the Company. This equates to approximately 10% of the Company's registered shares on 31 December 2014. The authorisation replaces all previous authorisations and it is valid two years from the decision of the Annual General Meeting.

Trading Information

Afarak Group Plc's shares are listed on the main market of the London Stock Exchange and on NASDAQ Helsinki. Afarak shares are traded on the London Stock Exchange under the trading code AFRK and on the NASDAQ Helsinki under code AFAGR. The ISIN code is FI0009800098 and the trading takes place in Pound Sterling (GBP) and in Euros (EUR).

Share Performance and Trading

During the financial year 2014, the price of Afarak Group's share in London Stock Exchange varied between GBP 0.24 (0.30) and GBP 0.32 (0.40) and in NASDAQ Helsinki between EUR 0.21 (0.30) and EUR 0.42 (0.48). Afarak's share closed in London at the end of the financial year at GBP 0.25 (0.30) and Helsinki at EUR 0.32 (0.32). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 259,562,434 (248,432,000) shares of GBP 65.5 million (74.5) and EUR 83.1 million (79.5).

A total of 23,013 (44,600) Afarak shares were traded in London and 20,927,217 (4,554,022) shares in Helsinki during the financial year, representing 0.01% (0.02%) of stock in London and 8.06% (1.8%) in Helsinki.

Shareholders

On 31 December 2014, the Company had a total of 4,030 shareholders (4,148 shareholders on 31 December 2013), of which eight were nominee-registered. The registered number of shares on 31 December 2014 was 259,562,434 (248,432,000).

Largest shareholders on 31 December 2014			
	Shareholder	**Shares**	**%**
1	Nordea Bank Finland Plc nominee-registered*	121,645,428	46.9
2	Hino Resources Co. Ltd**	44,881,903	17.3
3	Kermas Limited***	34,266,467	13.2
4	Skandinaviska Enskilda Banken AB nominee-registered	9,482,581	3.7
5	Joensuun Kauppa ja Kone Oy	8,892,560	3.4
6	Kankaala Markku Olavi	7,066,116	2.7
7	Moncheur & Cie	6,592,183	2.5
8	Hanwa Company Limited	6,000,000	2.3
9	Afarak Group Plc	4,244,717	1.7
10	Hukkanen Esa Veikko	4,223,048	1.7
	Total	**247,295,003**	**95.3**
	Other Shareholders	12,267,431	4.7
	Total shares registered	**259,562,434**	**100.0**

* According to the flagging notification of Aida Djakov published 25 July 2014, the total combined holdings of Aida Djakov and her controlled corporation Atkey Limited are 68,526,701 shares representing 26.4 % of the total number of shares.
** According to the latest flagging notification of Hino Resources Co. Ltd ("Hino") published 10 October 2014, the total holdings of Hino are 49,991,903 shares representing 19.26 % of the total number of shares.
*** Kermas Limited is a controlled corporation of the Company CEO Dr Danko Koncar. According to the insider register information, the direct ownership of Dr Koncar is 19,672 shares and the related party ownership of Dr Koncar is 70,945,967, reprenting a combined total of 27.34 % of the total number of shares.

Afarak Group Plc's Board members and Chief Executive Officer owned in total 78,078,926 (78,078,926) Afarak Group Plc shares on 31 December 2014, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 30.1% (31.4%) of the total number of registered shares on 31 December 2014.

Shareholders by category 31 December 2014				
Shares	**Number of shareholders**	**% share of shareholders**	**Number of shares held**	**% of shares held**
1-100	735	18.24	45,251	0.02
101-1,000	2,099	52.08	1,097,888	0.42
1,001-10,000	1,031	25.58	3,303,284	1.27
10,001-100,000	141	3.50	3,237,050	1.25
100,001-1,000,000	14	0.35	4,583,958	1.77
1,000,001-10,000,000	7	0.17	46,501,205	17.92
in excess of 10,000,000	3	0.07	200,793,798	77.36
Total	**4,030**	**100.00**	**259,562,434**	**100.00**
of which nominee-registered	8		132,518,827	51.05
Total outstanding			**259,562,434**	**100.00**

Shareholders by shareholder type on 31 December 2014	
	% of share capital
Finnish shareholders	**13.50 %**
of which:	
Companies and business enterprises	5.50 %
Banking and insurance companies	0.00 %
Non-profit organisations	0.00 %
Households	8.00 %
Foreign shareholders	86.50 %
Total	**100 %**
of which nominee-registered	51.04 %

19. Share-based payments

The Company has three incentive-related option schemes, known as I/2005, I/2008 and I/2011.

Option rights relating to the I/2005 scheme are granted to the Group's Executive Management Team and other key employees and to non-executive directors, as recommended by the Board. The scheme entitles option holders to subscribe for a maximum of 2,700,000 shares in the Company. The share subscription period is from 1 July 2007 to 30 June 2015 for various options series denoted with different letters, and the subscription price range is EUR 0.32 – 0.78 (with dividend and capital redemption adjustment). As a result of subscriptions made with the I/2005 options, Afarak Group Plc's number of shares may be increased by a maximum of 2,700,000 new shares. In accordance with the terms of the option scheme the subscription prices will be recognised in the paid-up unrestricted equity reserve.

Option rights relating to the I/2008 scheme were granted to the Group's previous CEO, Alwyn Smit, in October 2008. The scheme entitles the option holder to subscribe for a maximum of 2,900,000 shares in the Company for a subscription price of EUR 2.18 per share (with dividend and capital redemption adjustment). The share subscription period for 1,450,000 share options commenced on 1 October 2009 and on 1 October 2010 for the remaining 1,450,000 options. The subscription period matures on 31 December 2015. As a result of the subscriptions made with the options, Afarak Group Plc's number of shares may be increased by a maximum of 2,900,000 new shares.

Option rights relating to the I/2011 scheme are granted to the key personnel of the Company, as recommended by the Board. The scheme entitles the option holders to subscribe for a maximum of 6,900,000 shares in the Company. The vesting period is 1 July 2014 to 1 August 2017 for various option series denoted with different letters and years. The share subscription price is calculated by a formula based on the Volume Weighted Average Price of the Company's share and varies between the option series.

Of the option scheme I/2005, options on A, B, C, D, E and F series have been issued to Afarak's management totalling 1,175,000 option rights, of the option scheme I/2008 a total of 2,900,000 options. Of the option scheme I/2011 a total of 6,291,997 options were issued and 99,999 options were forfeited leaving a balance of 6,191,998 options. All options have been treated according to the principles set forth in IFRS 2 Share-based Payments standard. Share options will be expired if not redeemed as agreed in the terms of options. The main terms of the option arrangements are detailed in the tables below.

A total of 52,720 ordinary shares in the Company were granted to Mr Wynand van Wyk, head of Mining South Africa. The shares were issued under the authorisation given by the Company's Annual General Meeting in May 2013 and form a part of the Company's incentive programme for senior management. Under the terms of the directed free share issue scheme, the shares were offered free of charge and in derogation of the pre-emptive subscription right of shareholders. The compensation plans are recognised as share-based payments on the Group's financial statements. The fair value of the granted shares is determined based on the market price of Afarak Group's share at the grant date. The total fair value is therefore the amount of granted shares multiplied by the share market price at the grant date. The cost is recognised as an expense in personnel costs over the vesting periods and credited to equity.

Share option plan	Share options. granted to employees in 2012	Share options. granted to CEO in 2008	Share options. granted to CEO in 2008	Share options. granted to employees in 2010	Share options. granted to employees in 2009	Share options. granted to employees in 2008
Nature of the plan	**Share options issued**	**Share options issued**	**Share options issued**	**Share options issued**	**Share options issued**	**Share options issued**
Grant date	1.4.2012	28.10.2008	28.10.2008	17.5.2010	6.8.2009	28.10.2008
Number of options	6,191,998	1,450,000	1,450,000	100,000	175,000	225,000
Options series	I/2011	I/2008	I/2008	F (I/2005)	E (I/2005)	D (I/2005)
Exercise period	1.7.2014–1.8.2017	1.10.2010–31.12.2015	1.10.2009–31.12.2015	1.7.2012–30.6.2015	1.7.2011–30.6.2014	1.7.2010–30.6.2013
Dividend adjustment	yes	yes	yes	yes	yes	yes
Exercise price (with dividend and capital redemption adjustment)	0.00 – 0.86	2.18	2.18	0.78	0.68	0.58
Share price at grant date	0.90	1.26	1.26	1.00	1.75	1.26
Option life	1.1 – 3.1	5.3	6.3	3.0	3.0	3.0
Conditions	**Employment until the vesting date and target share price**	**Employment until the vesting date**	**Employment until the vesting date**	**Employment until the vesting date**	**Employment until the vesting date**	**Employment until the vesting date**
Execution	In shares	In shares	In shares	In shares	In shares	In shares
Expected volatility	45 %	44 %	44 %	56 %	46 %	44 %
Expected option life at grant date (years)	5.3 years	5.0 years	5.0 years	5.1 years	4.9 years	4.7 years
Risk free rate, Euribor 12 months	2.24%	4.33%	4.33%	3.11%	3.66%	4.33%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected personnel reductions	0	0	0	0	0	0
Fair value at grant date (EUR)	0.14 – 0.46	0.33	0.33	1.06	1.20	0.77
Valuation model	Up and in Call	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes

Changes in share options issued and in weighted average exercise prices:

	Weighted average exercise price (with dividend and capital redemption adjustment) EUR/share	Number of options
At the beginning of 2013	0.85	9,691,997
Forfeited options	0.58	225,000
Forfeited options	0.26	99,999
At the end of 2013	**0.83**	**9,366,998**
Exercisable at the end of 2013	2.05	3,175,000
At the beginning of 2014	0.83	9,366,998
Forfeited options	0.68	175,000
At the end of 2014	**0.83**	**9,191,998**
Exercisable at the end of 2014	1.25	5,100,000

There were no share subscriptions based on option rights during financial year 2014.

The exercise prices of existing share options and their years of forfeiting are presented below:

Year of forfeiting	Exercise price (EUR)	Number of shares
2014	0.68	175,000
2015	0.78	100,000
2015	2.18	2,900,000
2017	0.00–0.86	6,900,000

The exercise price above represents the original contractual exercise price adjusted by dividends and capital redemptions before the 2015 AGM.

20. Deferred tax assets and liabilities

Movements in deferred taxes in 2014					
EUR '000	**31.12.2013**	**Exchange rate differences**	**Recognised in P &L**	**Recognised in equity**	**31.12.2014**
Deferred tax assets:					
Unrealised expenses	1,824	1	-238		1,587
Pension liabilities	1,052		-64		988
From translation difference	8,822		755	-8,594	983
Group eliminations	849	12	-253		608
Total	**12,546**	**13**	**200**	**-8,594**	**4,166**
Deferred tax liabilities:					
Assets at fair value in acquisitions	7,332	244	-1,181		6,395
Translation difference	0			0	0
Other timing differences	1,175	56	574		1,804
Total	**8,507**	**300**	**-607**	**0**	**8,199**

Movements in deferred taxes in 2013					
EUR '000	**31.12.2012**	**Exchange rate differences**	**Recognised in P &L**	**Recognised in equity**	**31.12.2013**
Deferred tax assets:					
Unrealised expenses	1,744	-431	510		1,824
Pension liabilities	1,160		-108		1,052
From translation difference	0		1,081	7,741	8,822
Group eliminations	598	348	-96		849
Total	**3,504**	**-83**	**1,386**	**7,741**	**12,546**
Deferred tax liabilities:					
Assets at fair value in acquisitions	15,622	-2,348	-5,941		7,332
Translation difference	0			0	0
Other timing differences	1,284	-334	224		1,174
Total	**16,906**	**-2,682**	**-5,717**	**0**	**8,505**

21. Provisions

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2014	8,733	1,547	10,280
Additions	4	296	300
Releases and reversals	-145	-767	-912
Unwinding of discount	542	0	542
Exchange differences	-1	5	4
Balance at 31.12.2014	**9,133**	**1,081**	**10,214**

EUR '000	2014	2013
Long-term provisions	10,137	9,739
Short-term provisions	77	542
Total	**10,214**	**10,281**

The long-term provisions in the statement of financial position relate to environmental and rehabilitation provisions of the Group's production facilities and mines. The provisions are based on expected liability. The amount of environmental provisions increased during 2014 following environmental studies which were carried out to re-estimate the liability.

22. Pension liabilities

Defined benefit pension plans

The majority of the Group's pension plans are defined contribution plans for which a total expense of EUR 0.8 (1.2) million has been recognised on the 2014 income statement. In addition, the Group's German subsidiary has defined benefit plans. The obligations relating to the plans have been defined by actuarial calculations. The pension scheme is arranged by recognising a provision on the statement of financial position. The present value of the obligation less fair value of plan assets totalled EUR 20.0 (16.1) million on 31 December 2014. The Group has considered that the value on 31 December also corresponds with the amount of net obligation at the balance sheet date. The Group does not own the assets of the pension plans.

Retirement benefit obligation		
EUR '000	**2014**	**2013**
Present value of funded obligation	24,454	20,187
Fair value of plan assets	-4,500	-4,092
Net liability	**19,954**	**16,095**

Movements in defined benefit obligation		
EUR '000	**2014**	**2013**
Defined benefit obligations at 1.1.	20,187	19,579
Benefits paid by the plan	–707	–675
Current service costs	305	324
Interest expence	674	652
Actuarial (gains) losses	3,996	–48
Past service cost – amendments		355
Closing balance at 31.12.	**24,454**	**20,187**

Movements in the fair value of the plan assets		
EUR '000	**2014**	**2013**
Fair value of the plan assets at 1.1.	4,092	3,764
Expected return on plan assets	143	120
Benefits paid by the plan	–100	–87
Asset gains (losses)	–40	–88
Contributions paid into the plan	405	384
Closing balance at 31.12.	**4,500**	**4,092**

The funded pension plan has been financed through an insurance company and therefore asset specification is not available.

Expense recognised in profit or loss		
EUR '000	**2014**	**2013**
Current service cost	–305	–324
Interest cost	–674	–652
Expected return on plan assets	143	120
Recognition of net (gain)/loss	0	–355
	–836	**–1,212**

Actual return on plan assets totalled EUR –0.04 (–0.09) million in 2014.

Principal actuarial assumptions	2014	2013
Discount rate	2.12 %	3.40 %
Expected return on plan assets	2.43 %	0.80 %
Inflation	2.25 %	2.25 %

The expected retirement age has been assumed to be in accordance with German legislation (RVAGAnpG 2007). Similarly, the expected pension increases have been assumed to be in line with the German legislation, and mortality expectancy in accordance with the German “Richttafeln 2005 G” has been applied in the valuations.

Historical information		
EUR '000	**2014**	**2013**
Present value of defined benefit obligation	-24,454	-20,187
Fair value of plan assets	4,500	4,092
Deficit in the plan	**-19,954**	**-16,095**
Experience adjustments arising on plan liabilities	-398	-48
Experience adjustments arising on plan assets	40	88
Adjustments due to change in actuarial assumptions	4 394	0

Provision for retirement pay liability in Turkey

In accordance with existing social legislation in Turkey, the Turkish subsidiary of the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability was based on the retirement pay ceiling announced by the Turkish government. On 31 December 2014, the employee severance indemnity recognised in accordance with IAS 19 the financial statements totalled EUR 0.7 (1.0) million.

23. Trade payables and other interest-free liabilities

EUR '000	2014	2013
Non-current		
Other liabilities	42	40
Total non-current	**42**	**40**
Current		
Purchase price liabilities (paid as shares)	2,186	6,432
Trade payables	19,144	11,205
Payables to associated companies	167	2,364
Accrued expenses and deferred income	10,472	8,735
Income tax liability	5,951	7,128
Other liabilities	6	6
Total current	**37,925**	**35,870**

In 2013 financial statements the liability to Mogale vendors has been classified as current interest-free debt.

1.8 RELATED PARTY DISCLOSURES

1.8.1 Group structure on 31 December 2014

Subsidiaries

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group Plc's direct ownership and share of votes (%)
Afarak Holdings Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining Ltd	South Africa	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Suisse SA **	Switzerland	100.00	100.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 4 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Dezzo Trading 184 (Pty) Ltd **	South Africa	100.00	0.00
Didox (Pty) Ltd **	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0,00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	0.00
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti	Turkey	97.76	0.00
Mogale Alloys (Pty) Ltd	South Africa	90.00	0.00
PGR17 Investments (Pty) Ltd **	South Africa	100.00	0.00
RCS Ltd	Malta	100.00	0.00
Rekylator Oy	Finland	100.00	100.00
Rekylator Invest Oy	Finland	100.00	0.00
Rekylator Wood Oy	Finland	100.00	0.00
Rekylator Yhtiöt Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75

Joint ventures

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group Plc's direct ownership and share of votes (%)
Synergy Africa Ltd	United Kingdom	51.00	0.00
Chromex Mining Ltd	United Kingdom	51.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	37.74	0.00
Ilitha Mining (Pty) Ltd	South Africa	41.05	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	44.24	0.00
Waylox Mining (Pvt) Ltd **	Zimbabwe	51.00	0.00

Associated companies

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group Plc's direct ownership and share of votes (%)
Specialty Super Alloys SSA Inc.	United States	20.00	0.00
Incap Furniture Oy	Finland	24.06	12.45
Valtimo Components Oyj *	Finland	24.90	24.90

* Afarak's share of ownership in Valtimo Components Oyj can increase to 39.23% if the shares sold earlier, held as pledge, are not paid in cash to Afarak.

** Dezzo Trading 184 (Pty) Ltd, Didox (Pty) Ltd, PGR 17 Investments (Pty) Ltd, Waylox Mining (Pty) Ltd and Afarak Suisse SA are expected to be struck off in 2015.

Afarak Energy (Pty) Ltd and Green Coal (Pty) Ltd were deregistered as at 31 December 2014.

1.8.2 Related party transactions

Afarak Group Plc defines the related parties as:

- companies, entities or persons having common control or considerable voting power in Afarak Group
- subsidiaries
- joint ventures
- associates
- Afarak Group Plc's and the above mentioned entities' top management

Related party transactions with persons belonging to the Group's Board and management
Finnish accounting legislation, KPA 2:8 § 4 paragraph disclosure requirement

		2014			2013		
EUR '000		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
Everard Paul	Board member 21.4.2010 – 11.2.2013					16	97
Hoyer Thomas	CEO 4.5.2011 – 11.2.2013 Board member 11.5.2011 –11.2.2013				386		548
Kankaala Markku	Board member 30.6.2003 onwards		54			56	64
Koncar Danko	CEO since 11.2.2013, Board member 11.8.2010 onwards	240			240		
	Acting Managing Director from 14.10.2010 to 3.5.2011						
Lillja Michael	Board member 11.2.2013 onwards	120			212		
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 17.6.2009 onwards		54			59	97
Parodi Afredo	Board member 11.2.2013 onwards		54			41	
Pointon Christopher	Board member 21.4.2010 – 11.2.2013					19	97
Rourke Barry	Board member 21.4.2010 – 11.2.2013					19	97
Smart Bernice	Board member 11.2.2013 onwards		54			41	
Total		**360**	**216**	**0**	**838**	**251**	**999**

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to the executive role have been presented above.

In 2011 the Company has transferred 950,000 shares to the members of the Board as part of their remuneration. The issued shares are subject to a three year lock-up period which ended in 2013.

The CEO receives an annual salary of EUR 240,000 and he is not entitled to any bonus plans, share-based incentives or severance pay in addition to the salary for the notice period.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage, and there is no set retirement age.

Management remuneration

EUR '000	2014	2013
Short-term employee benefits	185	505
Post-employment benefits	0	27
Termination benefits	0	192
Share-based payments	42	333
Total	**227**	**1 057**

The table includes the Executive Management Team remuneration excluding the CEO. The CEO and Board members compensation has been presented separately.

Business reorganisations

Afarak announced in January 2013 that the Company's management was reorganised to be more appropriately aligned to the size of the Company's current operations and the prevailing market conditions. The Company also reviewed its cost base with a view to identify other restructuring opportunities including larger structural and organisational developments. As part of the restructuring both the Company's board of directors and executive management team were materially downsized.

Financing arrangement with related parties

In 2011 Afarak Group Plc had entered into a USD 55 million standby loan facility agreement with its major shareholder Kermas Ltd. The facility was available until 31 December 2014 and the loan term would have been from the first draw-down until 31 December 2015. At the end of the financial year 2014, the Group has not drawn down any of the loan. The expenses recognised for the facilities were EUR 0.1 (0.1) million.

The Group has a EUR 34.4 (34.5) million loan receivable and EUR 6.4 (5.1) million trade and other current and not current receivables from its joint venture companies. Trade and other payables to joint venture companies amounted to EUR 0.2 (2.4) million. Interest income from a joint venture company totalled EUR 1.0 (1.1) million during the financial year 2014.

The Group had on 31 December 2014 a EUR 7.0 (10.0) million receivable from Kermas Ltd, EUR 3 million were paid in the first quarter of 2014.

Other related party transactions

The Group has sold its products and rendered services to related parties and joint ventures for a total value of EUR 0.2 (0.3) million. The Group has also made raw material purchases from a joint venture amounting to EUR 4.4 (12.1) million.

Dividends received from associated companies totalled EUR 0.0 (0.0) million.

On 31 December 2014 the Group's parent company had short-term loan receivables from the members of the Board amounting to EUR 0.1 (0.2) million.

1.9 COMMITMENTS AND CONTINGENT LIABILITIES

1.9.1 Mortgages and guarantees pledged as security

On 31 December 2014 the Group had a loan from a financial institution totalling EUR 10.3 (1.5) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 71.2 (59.8) million. Moreover, the Group companies have given cash deposits totalling EUR 4.1 (2.1) million as security for their commitments. The value of other collaterals totalled EUR 0.5 (0.6) million as at 31 December 2014. Afarak Group Plc has given guarantees for third party loans totalling EUR 1.3 (1.3) million.

1.9.2 Covenants included in the Group's financing agreements

One of the Group's Maltese subsidiaries, RCS Ltd, was granted a loan facility from a Maltese bank in 2013. As at year end 2014 the balance was US$ 11.9 (EUR 9.8) million and the financial covenants attached to this loan were not breached during the year. The Group's South African subsidiary, Mogale Alloys also had bank facilities with local banks amounting to ZAR 27.6 (EUR 2.0) million at year end and are disclosed as current financial liability in the financial statements. One of the covenants attached to this facility was breached due to the free cash flows being low as a result of the extensive cash outflows paid during the year to finance the refining and granulation plant. Management will do the utmost to rectify the situation and go back within the covenant limits.

1.9.3 Rental agreements

Liabilities associated with rental and operating lease agreements totalled some EUR 0.8 (0.8) million for the period. Typically, the rental agreements maturity varies between two to five years, and normally there is a possibility to continue these agreements beyond the original maturity date. For these contacts, their price indexing, renewal and other terms differ contract by contract. As guarantees for these rental agreements, the Group companies have made cash deposits of approximately EUR 0.0 (0.1) million as at 31 December 2014.

1.9.4 Collaterals given by Afarak Group Plc

Afarak Group Plc has given guarantees in connection with certain borrowings of Junnikkala Oy, the Group's former subsidiary which it sold in June 2011. These guarantees will continue to be in force until 30 June 2018. Under the terms of the disposal it has been agreed that Junnikkala will pay a fee of 2% per annum to Afarak Group Plc in consideration for the continuation of these guarantees. At 31 December 2014 the indebtedness subject to these guarantees was EUR 1.3 (1.3) million in aggregate.

1.10 EVENTS AFTER THE REPORTING PERIOD

On 2 January 2015, Afarak announced that the Company has signed a sale agreement in relation to part of the saw mill equipment the Company acquired in 2008. The transaction from the discontinued operation positively affects the Q4/2014 profit.

On 2 January 2015, Afarak announced that as a result of a transaction that occurred between Ms Aida Djakov and her controller corporation Atkey Limited (“Atkey”) Ms Aida Djakov has personally decreased below the threshold of 5% and Atkey has increased above the threshold of 25%. However, the total combined ownership of Ms Aida Djakov and Atkey remained unchanged.

Parent Company's Financial Statements (FAS)

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.2014 – 31.12.2014	1.1.2013 – 31.12.2013
REVENUE	1	**150**	**347**
Other operating income	2	46	250
Personnel expenses			
Salaries and wages		-556	-1,269
Pension expenses		-16	-157
Other social security expenses		-28	-20
Social security expenses total		-44	-177
Personnel expenses total		-601	-1,446
Depreciation and amortisation	3		
Depreciation and amortisation according to plan		-11	-33
Depreciation and amortisation total		-11	-33
Other operating expenses	4	-1,554	-1,557
OPERATING PROFIT (LOSS)		**-1,969**	**-2,439**
Financial income and expenses:	5		
Other financial income			
From Group companies		1,877	2,669
From others		159	272
Interests and other financial expenses			
To Group companies		-56	-60
To others		-206	-270
Financial income and expenses total		1,774	2,612
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		**-195**	**172**
PROFIT BEFORE TAXES		**-195**	**172**
Income taxes	6		
Income taxes		0	-60
NET PROFIT		**-195**	**112**

BALANCE SHEET (FAS)

EUR '000	Note	31.12.2014	31.12.2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7		
Intangible rights		0	2
Total intangible assets		**0**	**2**
Property, plant and equipment	7		
Machinery and equipment		25	35
Total property, plant and equipment		**25**	**35**
Investments	8		
Shares in Group companies		215,931	164,926
Shares in associated companies		0	0
Receivables from Group companies		8,015	8,015
Total investments		**223,946**	**172,941**
Total non-current assets		**223,971**	**172,977**
CURRENT ASSETS			
Receivables	9		
Non-current receivables			
Receivables from Group companies		55,261	111,042
Other interest-bearing receivables		0	0
Other interest-free receivables		128	128
Total non-current receivables		**55,388**	**111,169**
Current receivables			
Trade receivables		1	27
Receivables from Group companies		6,828	1,326
Receivables from Holding companies		988	899
Other interest-bearing receivables		43	53
Other non interest-bearing receivables		27	26
Prepaid expenses and accrued income		131	224
Total current receivables		**8,018**	**2,556**
Cash and cash equivalents		**221**	**150**
Total current assets		**63,628**	**113,875**
TOTAL ASSETS		**287,599**	**286,853**

EUR '000	Note	31.12.2014	31.12.2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	10		
Share capital		23,642	23,642
Share premium reserve		25,223	25,223
Paid-up unrestricted equity reserve		249,800	249,101
Retained earnings		-13,644	-13,756
Profit for the period		-195	112
Total shareholders' equity		**284,827**	**284,322**
LIABILITIES	11		
Non-current liabilities			
Liabilities to Group companies		1,248	1,614
Loans from associated companies		5	5
Total non-current liabilities		**1,254**	**1,619**
Current liabilities			
Liabilities to Group companies		66	247
Accounts payable		36	156
Accounts payable to Group companies		833	211
Other liabilities		24	24
Accrued expenses and deferred income		560	272
Total current liabilities		**1,518**	**911**
Total liabilities		**2,772**	**2,530**
TOTAL EQUITY AND LIABILITIES		**287,599**	**286,853**

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.-31.12.2014	1.1.-31.12.2013
Operating activities		
Net profit	-195	112
Adjustments:		
Depreciation and amortisation	11	33
Capital gains and losses from investments	0	0
Impairment	0	0
Unrealised foreign exchange gains and losses	-90	34
Finance income and expense	-1,683	-2,612
Income taxes	0	60
Share-based payments	0	0
Cash flow before working capital changes	**-1,958**	**-2,372**
Working capital changes:		
Change in current trade receivables	109	1,614
Change in current non interest-bearing debt	692	48
Cash flow before financing items and taxes	**-1,157**	**-710**
Interests received and other financing items	147	243
Interests paid and other financing items	-93	-170
Income taxes paid	33	-641
Net cash from operating activities	**-1,070**	**-1,277**
Investing activities		
Capital expenditure on tangible and intangible assets	0	0
Proceeds from sale of tangible and intangible assets	0	0
Acquisitions of subsidiaries and associates	0	0
Payments for earn-out liabilities	0	0
Disposals of subsidiaries and associates	0	0
Net cash used in investing activities	**0**	**0**
Financing activities		
Non-current loans from group companies	0	114
Current loans to group companies	0	-10
Current loans to others	0	0
Repayments of non-current loans to group companies	6,350	1,500
Non-current loans to group companies	-334	-1,825
Repayments of non-current loans given to Group companies	0	0
Repayments of current loan receivables	9	9

EUR '000	1.1.–31.12.2014	1.1.–31.12.2013
Capital redemption	–4,884	–2,441
Net cash used in financing activities	**1,141**	**–2,653**
Change in cash and cash equivalents	**71**	**–3,931**
Cash at beginning of period	150	4,081
Cash at end of period	221	150
Cash received from subsidiaries' dissolution	0	0
Change in the balance sheet	**71**	**–3,931**

2. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

2.1 Accounting Policies

Scope of financial statements and accounting policies

The parent company has prepared its separate financial statements in accordance with Finnish Accounting Standards. Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Consolidated financial statements are presented separately as a part of these financial statements.

Information on holdings in subsidiaries and associated companies and information on their consolidation is presented in the notes to the financial statements.

All figures are presented in thousand Euros, unless otherwise explicitly stated.

Valuation principles and methods

Investments in associated companies and debt instruments are valued at acquisition cost, less eventual impairment. Dividends received from Group companies and associates have been recorded as financial income.

The balance sheet value of property, plant and equipment is stated at acquisition cost, less accumulated depreciation. Other assets have been stated in the balance sheet at the lower of acquisition cost or their likely realisable value. Debt items are valued at acquisition cost. Loan receivables from subsidiaries and Group companies have been valued at acquisition cost.

Depreciation methods

Acquisition costs of property, plant and equipment are depreciated over their useful lives according to plan. Depreciation plans have been defined based on practice and experience.

Asset	Depreciation method and period
Intangible rights	5 years straight line
IT equipment	2 years straight line
Other machinery and equipment	5 years straight line

Translations of foreign currency items

Balance sheet items denominated in foreign currency are translated into functional currency using the exchange rates of the balance sheet date. Income statement items are translated applying the exchange rates prevailing at the date of the transaction.

Comparability of the reported financial year and the previous year

The reported financial year and the previous year were both calendar years and are thus comparable. The Company has been actively restructuring its business, which has required various ownership and financial arrangements. The transactions have had significant non-recurring effects on the Company's income statement, balance sheet and financial position, which make comparison of financial statements and estimating the future more difficult.

2.2 Notes to the income statement

1. Revenue

EUR '000	2014	2013
By business line:		
Services	150	347
Other revenue	0	0
Total	**150**	**347**
By geography:		
Finland	3	3
EU countries	68	152
Other countries	79	192
Total	**150**	**347**

2. Other operating income

EUR '000	2014	2013
Gain on disposal of property, plant and equipment	0	0
Other income	46	250
Total	**46**	**250**

3. Depreciation, amortisation and impairment

EUR '000	2014	2013
Depreciation and amortisation according to plan		
Intangible rights	-2	-22
Machinery and equipment	-9	-12
Total	**-11**	**-33**

4. Other operating expenses

EUR '000	2014	2013
Voluntary employee benefits	-3	-21
Premise expenses	-105	-116
Machinery and equipment expenses	-84	-153
Travelling expenses	-54	-104
Representation expenses	-15	-4
Marketing expenses	0	-15

Administration expenses	-840	-913
Other operating expenses	-454	-233
Total	**-1,554**	**-1,557**

5. Financial income and expense

EUR '000	2014	2013
Other financial income		
From Group companies	1,877	2,669
From others	159	272
Other financial expense		
To Group companies	-56	-60
To others	-206	-270
Total	**1,774**	**2,612**

6. Income taxes

EUR '000	2014	2013
Profit for the period	-195	112
Adjustments for tax calculation	41	53
Taxable income	**-154**	**165**
Tax advances paid	-35	-43
Tax deferral based on taxable income	35	40
Income tax of the period	0	**-2**
Tax loss carryforward used	0	0
Net income taxes	**0**	**-2**
Income tax receivable	35	2
Income tax payable	0	0

2.3 Notes to assets

7. Fixed assets

EUR '000	2014	2013
Intangible rights		
Acquisition cost 1.1.	245	245
Acquisition cost 31.12.	245	245
Accumulated depreciation 1.1.	243	222
Depreciation for the period	2	22
Accumulated depreciation 31.12.	245	243
Book value 31.12.	**0**	**2**
Machinery and equipment		
Acquisition cost 1.1.	283	283
Additions	0	0
Acquisition cost 31.12.	283	283
Accumulated depreciation 1.1.	248	237
Depreciation for the period	9	12
Impairment for the period	0	0
Accumulated depreciation 31.12.	258	248
Book value 31.12.	**25**	**35**
Other tangible assets		
Acquisition cost 1.1.	2	2
Acquisition cost 31.12.	2	2
Accumulated depreciation 1.1.	2	2
Accumulated depreciation 31.12.	2	2
Book value 31.12.	**0**	**0**

8. Investments

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2014	**234,974**	**8,153**	**19,618**	**262,745**
Additions	51,005			51,005
Acquisition cost 31.12.2014	285,979	8,153	19,618	313,750
Accumulated depreciation and impairment 1.1.2014	–70,048	–8,153	–11,603	–89,804
Impairment	0			0
Accumulated depreciation and impairment 31.12.2014	–70,048	–8,153	–11,603	–89,804
Book value 31.12.2014	**215,931**	**0**	**8,015**	**223,946**

Holdings in Group and other companies

Name	Country of incorporation	Group's ownership and share of votes (%)	AfarakGroup Plc's direct ownership and share of votes (%)
Afarak Holdins Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining (Pty) Ltd	South Africa	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Suisse SA	Switzerland	100.00	100.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 4 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Dezzo Trading 184 (Pty) Ltd **	South Africa	100.00	0.00
Didox (Pty) Ltd **	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0.00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	0.00
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti	Turkey	97.76	0.00
Mogale Alloys (Pty) Ltd	South Africa	90.00	0.00
PGR17 Investments (Pty) Ltd **	South Africa	100.00	0.00
RCS Ltd	Malta	100.00	0.00
Rekylator Oy	Finland	100.00	100.00
Rekylator Invest Oy	Finland	100.00	0.00
Rekylator Wood Oy	Finland	100.00	0.00
Rekylator Yhtiöt Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75

Joint ventures

Name	Country of incorporation	Group's ownership and share of votes (%)	AfarakGroup Plc's direct ownership and share of votes (%)
Synergy Africa Ltd	United Kingdom	51.00	0.00
Chromex Mining Ltd	United Kingdom	51.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	37.74	0.00
Ilitha Mining (Pty) Ltd	South Africa	41.05	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	44.24	0.00
Waylox Mining (Pvt) Ltd **	Zimbabwe	51.00	0.00

Associated companies

Name	Country of incorporation	Group's ownership and share of votes (%)	AfarakGroup Plc's direct ownership and share of votes (%)
Special Super Alloys SSA Inc.	United States	20.00	0.00
Incap Furniture Oy	Finland	24.06	12.45
Valtimo Components Oyj *	Finland	24.90	24.90

* Afarak’s ownership can increase to 39.23% if the shares sold earlier, held as pledge, are not paid in cash to Afarak.

** Dezzo Trading 184 (Pty) Ltd, Didox (Pty) Ltd, PGR 17 Investments (Pty) Ltd, Waylox Mining (Pty) Ltd and Afarak Suisse SA are expected to be struck off in 2015.

Afarak Energy (Pty Ltd and Green Coal (Pty) Ltd were deregistered as at 31 December 2014.

9. Receivables

EUR '000	2014	2013
Non-current		
Loan and other receivables	55,261	76,764
Interest receivables	0	34,278
Total	**55,261**	**111,042**
Current		
Loan receivables	5,575	10
Trade receivables	1,218	1,248
Interest receivables	34	36
Prepayments and accrued income	0	33
Total	**6,828**	**1,326**
Other interest-bearing receivables		
Non-current		
Receivables from disposals of Group companies	0	0
Total	**0**	**0**
Current		
Loan receivables	34	43
VAT receivable	10	10
Total	**43**	**53**
Other interest-free receivables		
Non-current		
Other prepaid expenses and accrued income	128	128
Total	**128**	**128**
Current		
Trade receivables	1	27
Receivables from associated companies	988	899
Other receivables	27	27
Total	**1,016**	**953**
Prepaid expenses and accrued income		
Income tax receivable	35	2
Accrued interest income	1	7
Other prepaid expenses and accrued income	95	214
Total	**131**	**224**

2.4 Notes to equity and liabilities

10. Shareholders' equity

EUR '000	2014	2013
Share capital		
Share capital 1.1.	23,642	23,642
Share capital 31.12.	**23,642**	**23,642**
Share premium reserve		
Share premium reserve 1.1.	25,223	25,223
Share premium reserve 31.12.	**25,223**	**25,223**
Paid-up unrestricted equity reserve		
Paid-up unrestricted equity reserve 1.1.	249,101	251,542
Rights Issue	5,583	0
Capital redemption to the shareholders	-4,884	-2441
Purchase of own shares	0	0
Share-based payments	0	0
Paid-up unrestricted equity reserve 31.12.	**249,800**	**249,101**
Retained earnings		
Retained earnings 1.1.	-13,756	41,263
Profit for the previous financial year	112	-55,018
Retained earnings 31.12.	**-13,644**	**-13,756**
Profit for the financial year	**-195**	**112**
Total shareholders' equity	**284,827**	**284,322**
Distributable funds		
Retained earnings 1.1.	-13,644	-13,756
Profit for the financial year	-195	112
Retained earnings 31.12.	**-13,839**	**-13,644**
Paid-up unrestricted equity reserve	249,800	249,101
Distributable funds 31.12.	**235,962**	**235,457**

11. Liabilities

EUR '000	2014	2013
Non-current liabilities		
Non-current interest bearing debt		
Loans from Group companies	1,248	1,614
Total	**1,248**	**1,614**
Non-current interest-free debt		
Loans from associated companies	5	5
Earn-out purchase consideration liabilities	0	0
Total	**5**	**5**
Current liabilities		
Current interest bearing debt		
Other debt to Group companies	50	50
Total	**50**	**50**
Current interest-free debt		
Accounts payable	36	156
Payables to Group companies	833	211
Other debt	24	24
Other debt to Group companies	16	197
Accrued expenses and deferred income	560	272
Total	**1,468**	**861**

Option rights

The Company's option schemes are presented in the notes to the consolidated financial statements. The Company has option schemes I/2005 (maximum 2,700,000 shares), I/2008 (maximum 2,900,000 shares, all options granted to the Group's previous CEO) and I/2011 (maximum 6,900,000 shares).

2.5 Pledges and contingent liabilities

EUR million	2014	2013
Commitments on behalf of subsidiaries		
Guarantees	10.7	9.4
Commitments on behalf of others		
Guarantees	1.3	1.3
Other own contingent liabilities		
Leasing amd rent liability	0.2	0.3
Commitments and contingent liabilities total	**12.2**	**11.0**

Pension liabilities

The Company's pension liabilities are directly in accordance with the statutory TyEL-system.

2.6 Other notes

Related party loans

The Company has short-term loan receivables from the members and past members of the Board amounting to EUR 102 (217) thousand.

Information on the personnel

Personnel, annual average (all employees)	2014	2013
Employees	3	3
Management remuneration		
Chief Executive Officer	234	240
Board members	216	2,088

The annual basic salary of the CEO is EUR 240,000 and he is not entitled to any bonus plans, share-based incentives or severance pay in addition to the salary for the notice period.

Information on shares and shareholders

Changes in the number of shares and share capital

On 31 December 2014, the registered number of Afarak Group Plc shares was 259,562,434 (248,432,000) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2014, the Company had 4,244,717 (4,244,717) own shares in treasury, which was equivalent to 1.64% (1.71%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2014, was 255,317,717 (244,187,283).

On 10 July 2014, Afarak announced that it had resolved to offer 11,130,434 new ordinary shares in the Company ("New Shares") to the vendors of Mogale Alloys (a subsidiary of Afarak acquired in May 2009) under the settlement agreement announced on 11 October 2012. The New Shares represented approximately 4.48 per cent of the issued share capital and approximately 4.56 per cent of the total voting rights of the Company prior to the share issue. On 18 July 2014, Afarak announced that all of the New Shares had been subscribed for and that the total subscription price of EUR 5,565,217 (EUR 0.5 per share) was fully satisfied through offset against the settlement receivables of the vendors related to the Mogale Alloys acquisition. A maximum of 3,478,261 shares remain to be offered under the agreed settlement. The New Shares were registered with the Finnish Trade Register on 24 July 2014 and admitted to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange and NASDAQ Helsinki on 25 July 2014.

More information on shares, share capital and shareholders have been presented in the notes to the consolidated financial statements.

Information obligated to a Group company

The Company is the Group's parent company.

Afarak Group Plc, domicile Helsinki (address: Kasarmikatu 36, 00130 Helsinki)

Board members' and Chief Executive Officer's ownership

Afarak Group Plc's Board members and Chief Executive Officer owned in total 78,078,926 (78,078,926) Afarak Group Plc shares on 31 December 2014 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 30.1% (31.4%) of all outstanding shares that were registered in the Trade Register on 31 December 2014.

31.12.2014		**shares**	**options**
Board and CEO total:			
Danko Koncar	Executive Director, CEO	70,815,639	0
Jelena Manojlovic	Chairman	150,000	0
Bernice Smart	Non-Executive Director	0	0
Markku Kankaala	Non-Executive Director	7,090,616	0
Michael Lillja	Executive Director	71	200,000
Alfredo Parodi	Non-Executive Director	22,600	0
Board and CEO total		**78,078,926**	**200,000**
All shares outstanding		**259,562,434**	**259,562,434**
Proportion of all shares		**30.1 %**	**0.0 %**

On 31 December 2013 the total number of registered shares was 248,432,000 and the Board and CEO's ownership corresponded to 31.4% of the total number of registered shares.

EUR '000	**2014**	**2013**
Auditor's fees		
Ernst & Young Oy		
audit	277	258
other services	20	11
Total	**297**	**269**

Board's dividend proposal

The Board of Directors proposes to the Annual General Meeting which will be held on 8 May 2015 that no dividend would be distributed but that a capital redemption of EUR 0.02 per share would be paid out of the paid-up unrestricted equity fund.

3. SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

Helsinki 28 March 2014

Jelena Manojlovic Chairman	Danko Koncar Member of the Board, Chief Executive Officer
Markku Kankaala Member of the Board	Michael Lillja Member of the Board
Alfredo Parodi Member of the Board	Bernice Smart Member of the Board

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki 28 March 2014

Ernst & Young Oy

Erkka Talvinko
Authorised Public Accountant

4. Auditor's report

To the Annual General Meeting of Afarak Group Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Afarak Group Plc for the financial period 1.1. – 31.12.2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, March 27, 2015

Ernst & Young Oy
Authorized Public Accountant Firm

Erkka Talvinko
Authorized Public Accountant