ANNUAL REPORT

AFARAK
GROUP

2015

WE ARE
AFARAK
THE SPECIALITY ALLOY PRODUCER.

A vertically-integrated producer of speciality alloys, Afarak is a global organisation with operations in South Africa, Turkey and Germany. Afarak is listed on the NSDAQ OMX Helsinki Stock Exchange and the London Stock Exchange.

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STRATEGIC REVIEW

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2015 GROUP HIGHLIGHTS

Strong turnaround in performance & profitability

FINANCIALS

REVENUE
€187.7 MILLION
+8.7%

PROFIT
€8.5 MILLION
(2014 €2.2 MILLION)

EBIT
€9.9 MILLION
(2014 €1.7 MILLION)

EBITDA
€17.2 MILLION
(2014 €8.4 MILLION)

ASSETS
€266.9 MILLION
(2014 €290.3 MILLION)

GEARING RATIO
-2.6%
(2014 -0.7%)

EQUITY RATIO
64.2 %
(2014 62.8 %)

EMPLOYEES

773
+75

PRODUCTION

GROUP PRODUCTION

565,372 TONNES
+39.4%

GROUP MINING

461,781 TONNES
+51.8%

GROUP SALES

104,150 TONNES
+7%

GROUP PROCESSING

103,591 TONNES
+2.1%

CAPEX

€8 MILLION
(2014 €14.8 MILLION)

CEO REVIEW

Dr Alistair Ruiters
CEO

We Delivered.

2015 was a transformational year for Afarak. Against a difficult external environment, Afarak delivered a turnaround with significant operational and financial improvements. As a matter of fact, 2015 has been Afarak's strongest year.

Our efforts to focus on specialized products and our ability to offer unique speciality alloys to each and every customer has provided us with added resilience in the face of adverse market conditions. Our reputation in this niche sector has allowed us to conclude additional long-term sale agreements and to build deeper relationships with our clients. In essence, it helped us protect our margins. It confirms Afarak's vision of investing in research & development. In a market characterised by susceptibility to external factors, it is the speciality products that make us resilient to adverse market conditions.

Afarak has assembled an able team of professionals who were capable of transforming the business. Today, we are also pioneering logistics and delivery services to our clients apart from our bespoke speciality alloys.

Delivering on commitments

This vision has allowed us to register a strong financial performance too. We delivered on our commitment to create shareholder value by delivering high profitability and long-term, sustainable growth remains at the heart of the Group's operations. The Group's continued focus on its core business and the production of special grade material resulted in an improvement of its operative cash flow and profitability. In fact, Afarak's EBITDA doubled when compared to 2014 as EBITDA improved both in the Speciality Alloys segment and the Ferro Alloys segment.

Resumption of mining activities at the Turkish mines of Tavas and Kavak and at the South African mine of Mecklenburg during 2015 enabled the Group to increase production in both segments. Furthermore, the introduction of bulk sample mining at Vlakpoort in the second quarter contributed positively to the increase in production volumes.

As part of its growth strategy, the Group proudly announced the completion of the shaking table plant at the FerroAlloys mine of Stellite in February 2016. The shaking table technology will increase the mine's total plant mass yield significantly, leading to a decrease in the operating cost per ton. In 2015, the Speciality Alloys Turkish operation TMS invested in the new plant at Tavas and a fines tailing processing plant at Kavak, increasing annual mining volume by 15,600 tonnes following the commissioning of these plants. New dust exhaustion was installed at EWW, the smelting operation located in Germany and a key component of Afarak's integrated Speciality Alloys business. The commissioning by the Mogale Alloys plant in South Africa of the refining and granulation plant in December 2014 enabled the Group to increase annual processing levels in the FerroAlloys segment allowing the Group to enter into a new niche market and produce carbon ferrochrome in 2015.

Health, safety and the environment continue to be an integral part of our business. In 2015, the Group set up a Health Safety and Environment Committee (HSEC) with the aim of building a stronger linkage between our operations and the social, environmental, health and safety position of all stakeholders. I am pleased to report that throughout 2015, the Group only suffered 15 accidents that caused loss of time and zero fatalities.

Engaging with stakeholders

Afarak remains at core a people-centered business. We have continued to work and engage with local communities where we have our assets. We are working closely with civil society groups as we seek to make a difference in people's lives through our commitment to corporate social responsibility. Looking ahead, we want to continue engaging with all stakeholders including our valued shareholders. Our commitment to continue creating value throughout all our operations remains central to our business strategy and vision. We plan to do so through mix of investments, corporate social responsibility programs and other projects.

Looking ahead

The economic conditions remain subdued. A weaker than expected economic recovery together with China's slowing economy will continue to present a very challenging scenario. However, we are ever more determined to continue delivering on our commitments. Our results for 2015 encourage us to continue moving forward with our strategy. We will continue to build on our already significant operational investments whilst we will continue pursuing our drive towards an efficient and effective organization that creates value to all its stakeholders.

Thank you

On behalf of my executive management team, I would like to thank all our people and stakeholders for the past year. Your support has been essential in this transformational process. Our employees have continued to prove themselves as the backbone of this agile and robust organization. Our clients have been partners in this internal process and continue to believe in Afarak's unwavering commitment to quality. Also, I would like to thank the communities that host us.

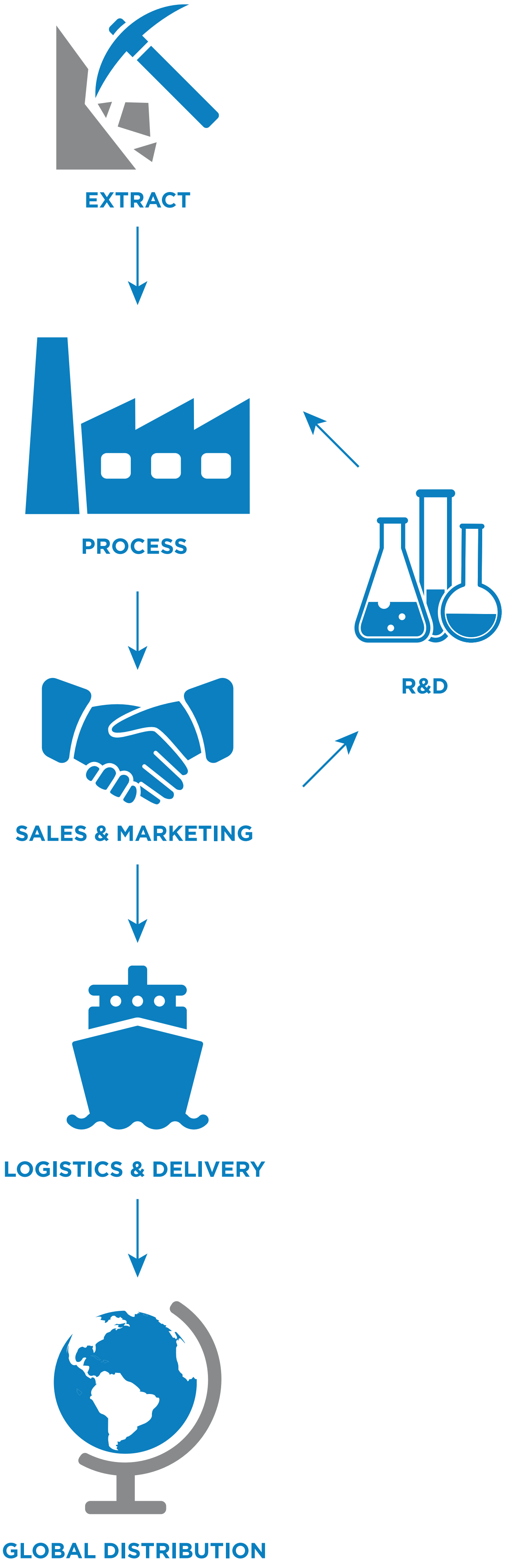
Lastly, I thank all the members of the Board, led by our chairman Alfredo Parodi, for putting their trust in me and for sharing their extensive collective expertise and insight, and for providing the support and guidance needed to deliver a performance that reflects Afarak's full potential.

Dr Alistair Ruiters
CEO

OUR BUSINESS MODEL

Afarak is a vertically-integrated specialist alloys company. We extract, process, market and trade our specialised metals. We are trusted by a highly diversified customer base that includes industry leaders from the aviation, nuclear, oil & gas and automotive sectors. Through our investments we are today able to produce a unique alloy mix for every customer making us a boutique speciality alloys producer.

In all we do, we take pride in delivering on our promise to create value for all our stakeholders.



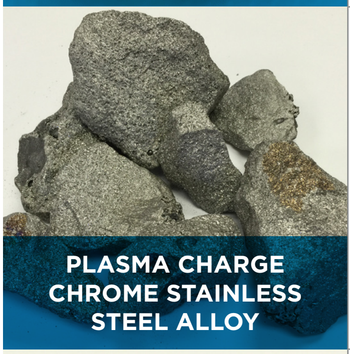
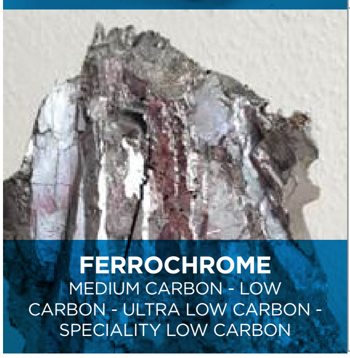
As we aim to create value across the product-chain, Afarak remains committed to sustainable development, investment and to delivering a healthy financial performance for its shareholders. As a global company, we seek to achieve a balance between our environmental, social and economic interests in all of our operations.

EXTRACT	We operate our own mines in South Africa & Turkey guaranteeing a high-quality input to our processing activities.
R&D	Our modern and state-of-the-art laboratories at our plant in Germany allow us to develop and test unique speciality alloys for every customer.
PROCESS	Our expertise and technology allow us to process our metals into speciality alloys.
SALES & MARKETING	Our industry insight and knowledge allows us to sell our products all over the world whilst building long-standing relationships with our clients.
LOGISTICS & DELIVERY	Through our logistics platform we are able to deliver any quantity of speciality alloys to our clients whilst supporting them in their inventory management.
GLOBAL DISTRIBUTION	Our products are trusted and requested by clients all over the world. Today, we are honored to have a geographically diversified client base.

OUR PRODUCTS

We pride ourselves in being the speciality alloy producer of choice for many leading companies around the world. Our knowledge and leadership allows us to produce unique alloys for each and every customer, tailored to their specific needs. Today, our products are found in a variety of sectors including aerospace, nuclear energy, construction, automobile and oil & gas.

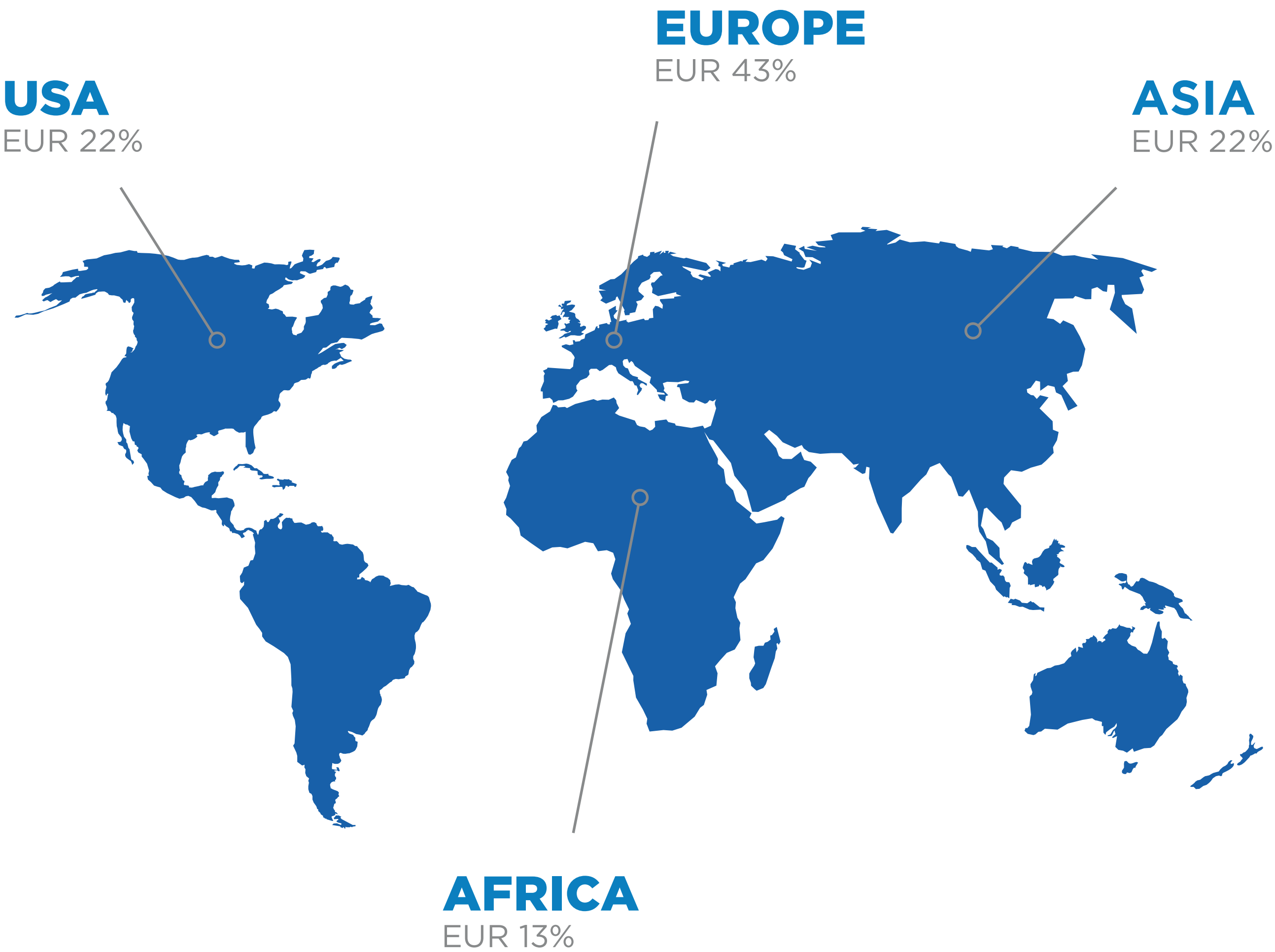
If it's speciality, it's Afarak.

Products	Customers	End User
	Ferrochrome smelters	Stainless steel smelters
	Stainless steel smelters	Cutlery Automotive Appliances Construction Architectural Rail Chemical applications
	Carbon steel mills	Automotive Construction Infrastructure Housing Appliance Shipping Industrial machinery
	Tool and high speed steels Engineering steel High stenght low alloy steel Carbon steel mills	Aerospace Automotive Engineering Plastics Machinery Yellow goods (mining equipment) Structural applications Nuclear power plant tubing/pipes

OUR CLIENTS

We are trusted by a growing number of clients all over the world. Our diversified client base also strengthens our resilience to external pressures and protects our margin as our sales to Europe are speciality products.

Afarak is seen as a partner and not just a supplier. Our ability to supply clients with the products and materials they specify is at the foundation of our relationship with them. We are also pioneering the logistics and delivery approach in the alloy business. Afarak is able to supply its clients with small to large quantities thus supporting its clients in their inventory management.

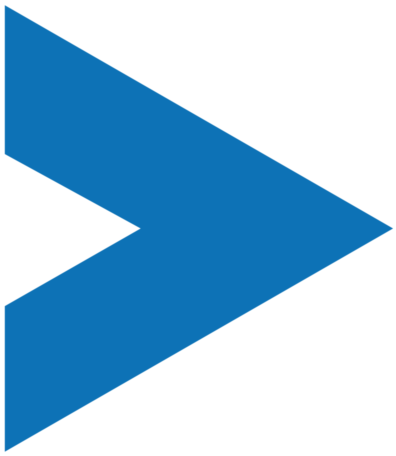


OUR STRATEGY

Afarak is focused on leveraging long-term growth opportunities. This goal guides our short to medium term strategy and action plans.

Over the past few years, Afarak has invested heavily in its internal capacity to deliver. We have invested in our people, in technology, processes and systems.

MARGIN PROTECTION	Afarak has managed to protect its margin by becoming a leading speciality alloy producer. Our focus on offering speciality products allows us to maximise our margins.
OPERATIONAL EFFICIENCY	We aim to streamline our processes and systems in order to reap economies of scale thus reducing our operational expenditure.
STRATEGIC INVESTMENTS	Through a strategic investment programme, we continue to develop and implement new technologies to support our long-term strategy and goals.
ZERO HARM	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.
SUSTAINED GROWTH	Our industry insight and knowledge ensures that we have a pipeline of opportunities and projects to pursue and to sustain our growth.
LOCAL COMMUNITY DEVELOPMENT	Afarak 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.



2015 IN
FOCUS

THE YEAR IN REVIEW

2015

01 02 03 04 05 06 07

JANUARY
Commissioning of the Tire Washing System at EWW, Germany

FEBRUARY
ISO 14001:2004 & ISO 9001:2008 recertification, Mogale Alloys, South Africa

MARCH
Resumption of mining activities at Kavak, Turkey

MAY
- New Board elected during AGM
- Dr Alistair Ruiters appointed as CEO

JUNE
Commenced bulk sampling at its Vlakpoort open pit mine in South Africa.

JULY
- Investment in dryer at Mogale Alloys plant, South Africa
- Commencement of storm water project, Mogale Alloys, South Africa

AUGUST
- Setting-up of Health Safety and Environment Committee
- Installation of solar powered borehole pumps as a part of a community project, Mecklenburg, South Africa

SEPTEMBER
Investment in new plant at Tavas, Turkey

NOVEMBER
Re-ceritification of the Energy Management System as per DIN EN ISO 50001 at EWW, Germany

DECEMBER
- Commissioning of new dust exhaustion at EWW, Germany
- Bulk sampling project at Vlakpoort, South Africa

JANUARY
- Signing of further sale agreements regarding saw mill equipment
- TMS has been granted the exploitation mining license for 'Eagle Field" in Turkey
- Start-up of the de-dusting system at EWW, Germany

FEBRUARY
- Afarak Trading entered into a long-term agreement of low carbon ferrochrome with US company Carpenter Technology Corporation
- Completion of shaking table plant at Stellite Mine
- Second campaign of high grad SiCr production at ASK, EWW Germany

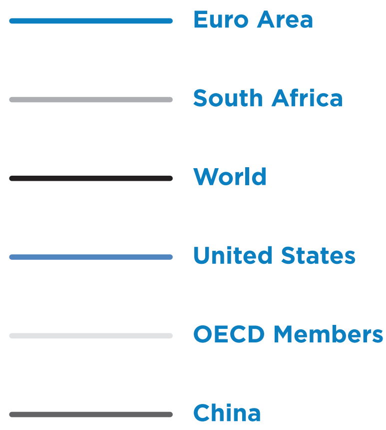
08 09 10 11 12 01 02

2016

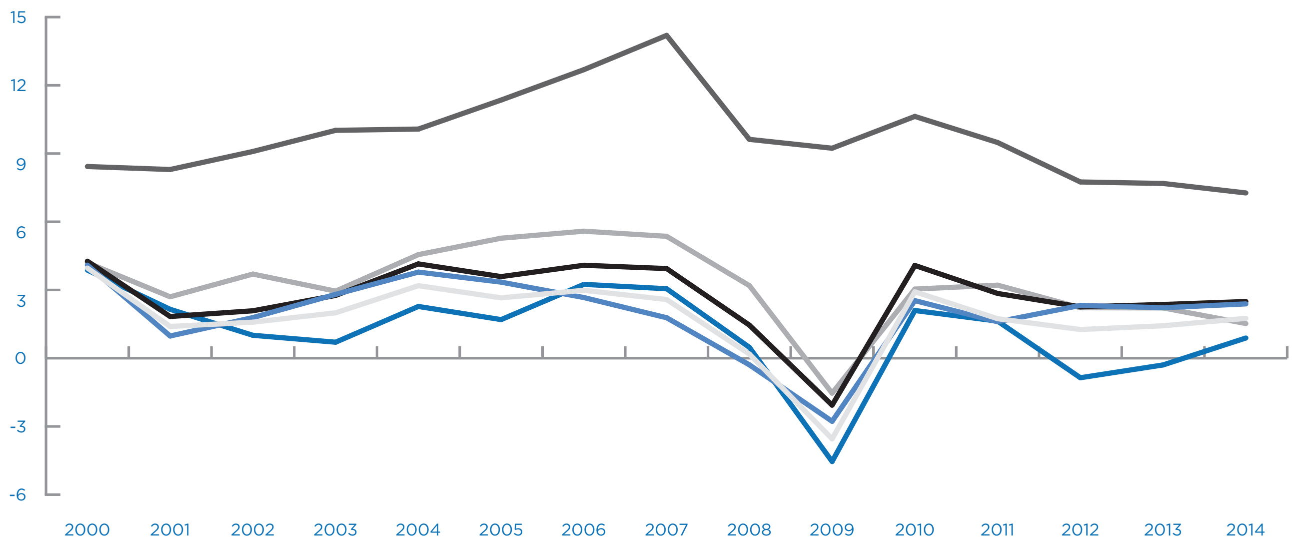
THE ECONOMIC ENVIRONMENT

The external environment continues to pose challenges to the mining industry particularly through subdued economic growth, low commodity prices and unfavourable exchange rates.

The global recovery continued to recover in 2015 and grew at a modest rate. As some developed economies continued to strengthen, emerging economies were sluggish and dampened global growth to below three percent.



GDP growth (%)



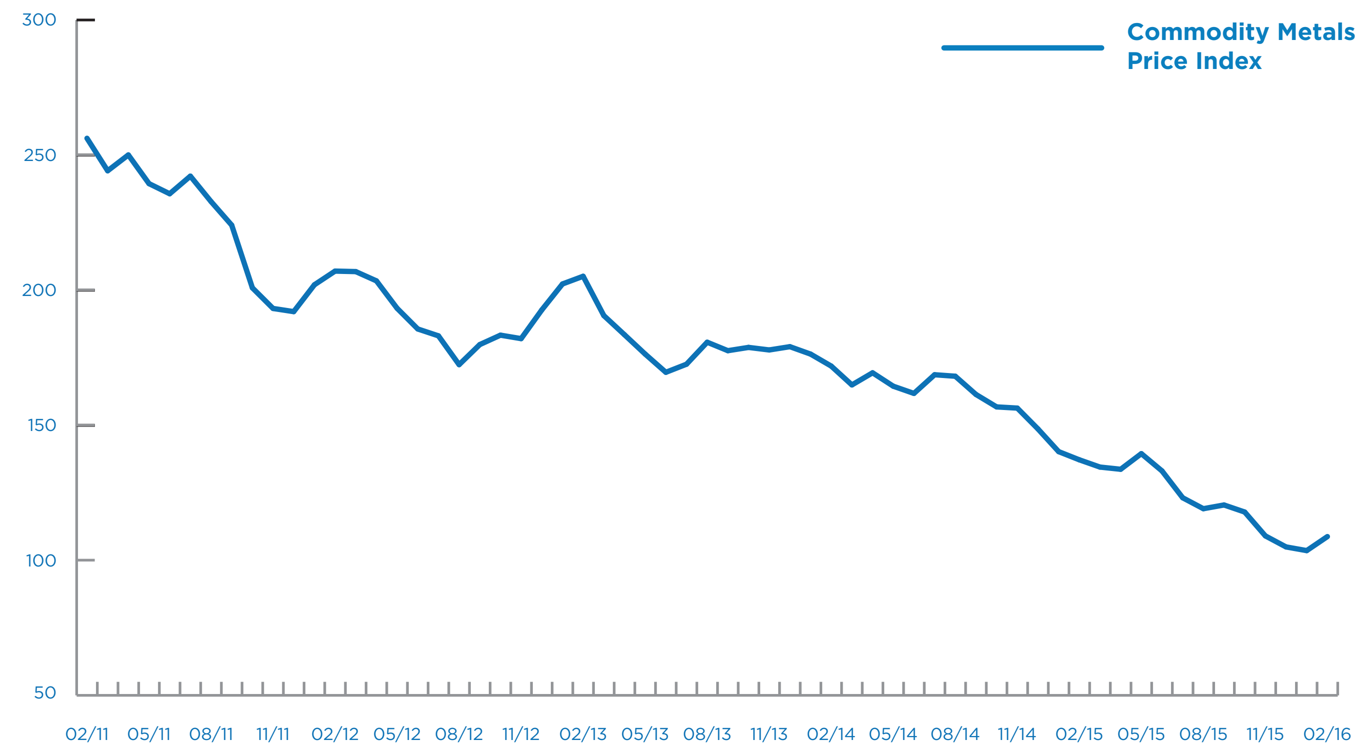
Source: World Bank.

The US economy continued its solid growth. Improvements in the labour market supported consumer demand whilst higher equity markets and the ongoing recovery in corporate investment supported growth. Europe's recovery continued to gather momentum mainly driven by the successful quantitative easing pursued by the European Central Bank.

However, growth in China continued to slow down mainly driven by a dampened property market and fixed asset investment programmed. This two factors had in turn a strong impact on the demand for metals and minerals. Policy measures directed towards the property market have supported growth. However, this s slow down coupled by subdued confidence have impacted the world economy through the effects of weaker commodity prices and increased volatility in financial markets.

Commodity prices

Commodity prices fell further in the second half of 2015. By November, the three industrial commodity price indexes—energy, metals, and agricultural raw materials—were down, on average, 45 percent from their 2011 peaks. Abundant supplies, due in part to investment during the decade-long price boom, and softening demand are the main factors behind the continued weakness. The appreciation of the U.S. dollar, the currency in which most commodities are traded, has also contributed to the price weakness.



Source: IMF.

The slump in metal prices, which reached their lowest levels in more than 6 years in November, reflects well-supplied markets as well as weaker growth in major emerging markets. New mining capacity came into operation in several countries, especially Australia, adding to already abundant supplies.

Stainless Steel

The fourth quarter of 2015 has been another difficult period for stainless steel industry globally. There was continued weakness in the European markets with the margins for all mills remaining to be unsatisfactory.

Despite the expectations at the end of the third quarter that consumption would improve in the fourth quarter, demand failed to grow materially and selling prices decreased further than expected.

During the past year, the price of nickel, which is one of the main raw materials used to produce stainless steel together with ferrochrome, in common with most other traded commodities, has had a notable downward trend. The LME nickel prices have dropped from over US$ 15,000 per tonne in 2014, to US$ 8,650 per tonne, by the end of 2015, a decrease of more than 44%. In addition, prices were at levels lower than these during parts of the fourth quarter.

The nickel price has been undermined, in part, by the unprecedented high level of LME inventory. The official daily figure rose from over 400,000 tonnes at the end of 2014, to reach a peak of over 470,000 tonnes in June 2015. Stocks steadily reduced thereafter reaching a low of around 393,000 tonnes, until a recent influx of material took the total over 438,000 tonnes at the end of 2015.

The costs of the other major raw materials have also fallen. The price paid by United States mills for chromium has decreased by around 10% in the past twelve months, while the cost of scrap, used in the American producers' alloy surcharge calculations, has dropped by 56%, resulting in losses for scrap suppliers. As a result, the December 2015 alloy surcharge in the United States is 46% lower than the figure reported in the same period of 2014. This contributes to a transaction value for 304 cold rolled coil that was around 34% less than the prices in December 2014.

The Western mill selling figures for the same products have fallen by almost 34% in China and by nearly 25% in Europe when compared to the prices at the end of 2014.

The persistent negative trend in stainless steel selling values has created very difficult business conditions for all participants in the supply chain except for the speciality stainless steel producers who saw an improvement in sentiment.

Ferrochrome

In the fourth quarter South African benchmark price dropped from the third quarter by US$ 0.04/lb Cr. The benchmark prices for the European steel mills and Japanese steel mills were of US$ 1.04/lb Cr and US$ 1.12/lb Cr respectively not including discounts which reached 25% at times. This price is the lowest since the third quarter of 2009.
The Chinese spot market prices of high carbon ferrochrome and charge chrome also came under downward pressure during the fourth quarter of 2015 where prices went down below US$ 0.70/lb Cr, which is still low when compared to the European benchmark prices. China's ferrochrome market was quiet, with most producers waiting for new tender prices from steelmakers, most of which was heavily delayed and therefore tonnages imported dropped to 539,938 tonnes in the fourth quarter, from the 755,883 tonnes reported in the third quarter of 2015.

Spot ferroalloy prices continued to decrease during the fourth quarter, even though not at the same rate as Nickel or Ferro-Molybdenum. Destocking during the fourth quarter was expected to lead to a pickup in spot demand but the stainless steel production showed very limited sign of any upturn.

Manganese Alloy

The anti-dumping disputes continued in the steel market, within the alloy markets, including silico manganese, which was also the subject of trade cases. Bulk alloy prices have decreased significantly during 2015 and in some cases have fallen back to the levels last seen prior to China's upsurge in stainless production which began in 2008 when the West was hit by the financial crisis. Bulk alloys production in China and in the West was cut during the fourth quarter of 2015 in response to low prices.

It was also noted that Eurasian Economic Union (EEU) Commission is considering introducing anti-dumping measures of Ukrainian Silico-Manganese to Russia, which could increase exports to Europe.

Currency

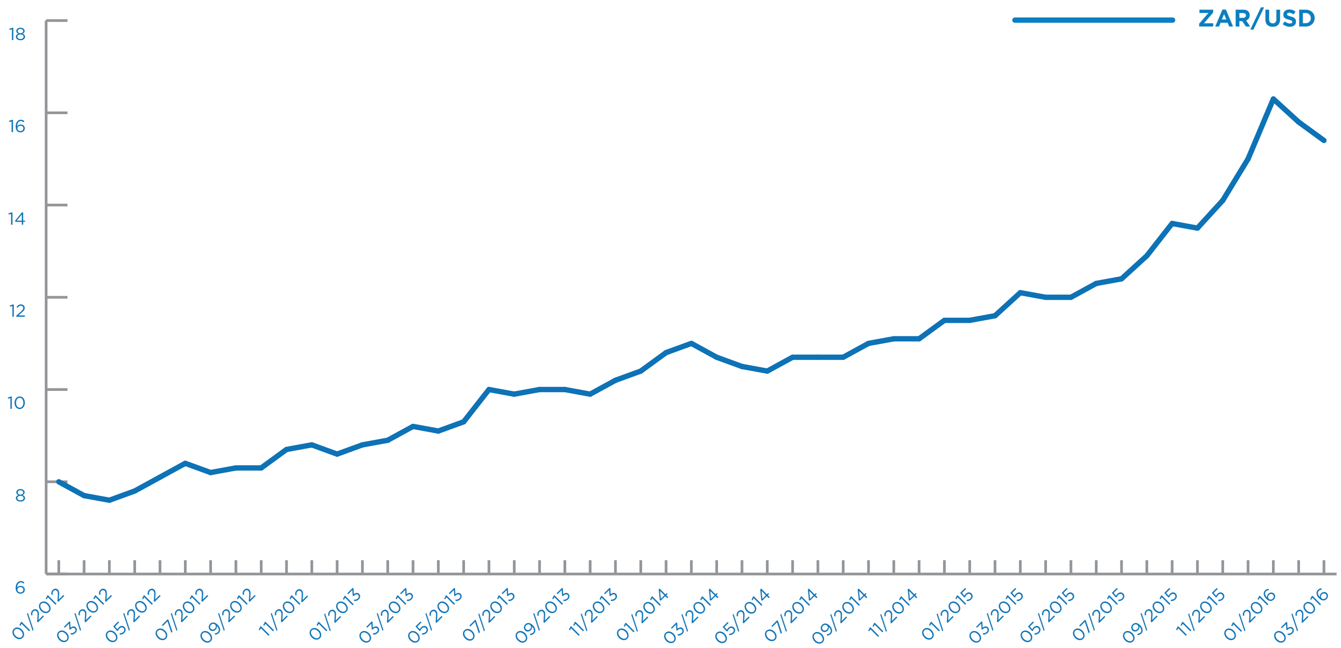
The South African Rand suffered a significant depreciation in value in 2015. Although the depreciation of the Rand increased the export earnings of domestic producers, they were offset by a further drop in international commodity prices.

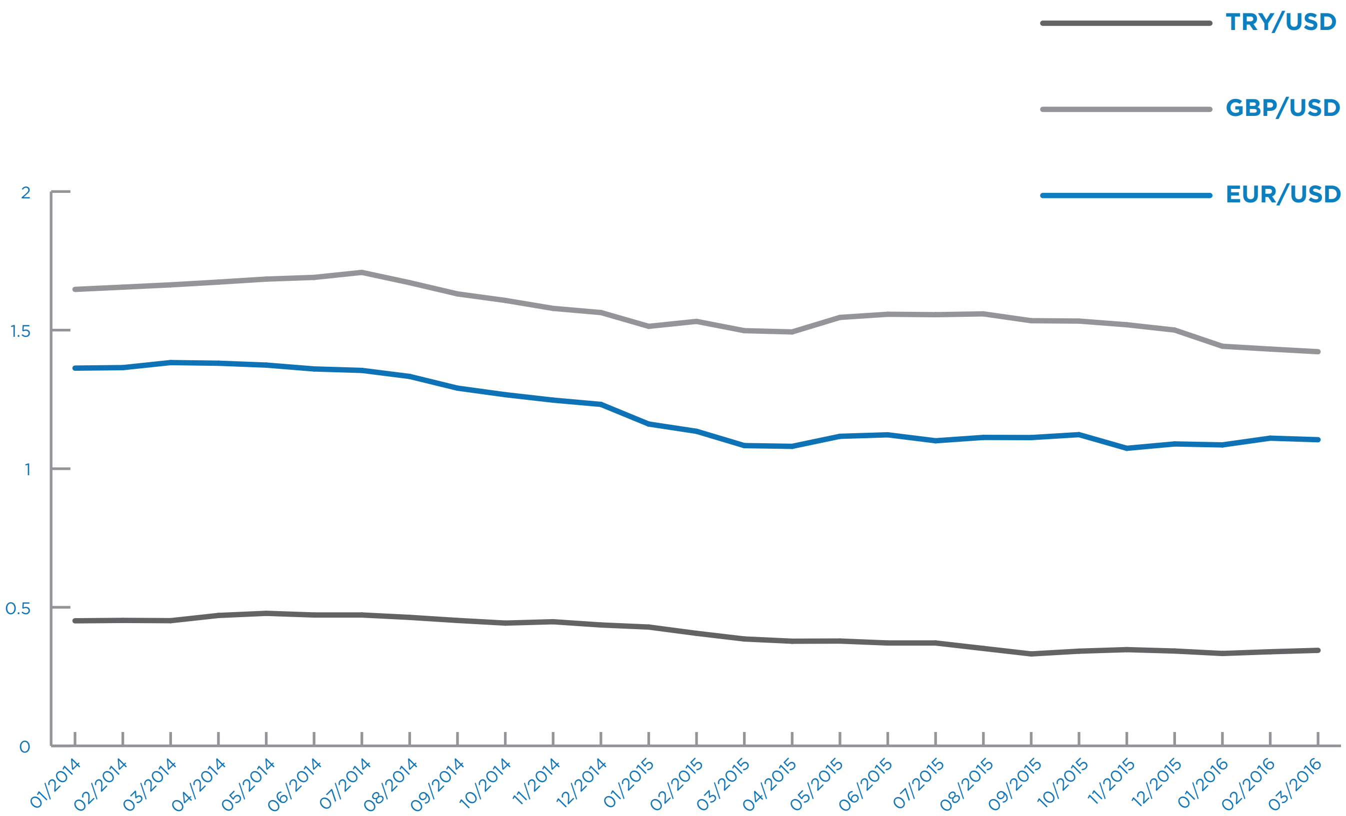
On the other hand; the Euro, Sterling and Turkish Lira continued to weaken against the dollar throughout 2015.

Economic Outlook

The global economy is expected to modestly improve its grow similarly the pace in 2014, and to 5.3 percent in 2017 and 2018. This modest improvement is predicated on continued momentum in high-income countries, a stabilization of commodity prices, still accommodative monetary policy in major economies with no bouts of financial market turbulence, and a continued gradual slowdown in China. With stabilizing commodity prices, growth in commodity exporters is expected to resume. Among low-income countries, growth is mostly steady or rising. However, forecasts for 2016 have been downgraded for some countries from previous projections, reflecting lower commodity prices and rising security and political tensions in some countries.

The persistent growth slowdown in emerging and developing economies has led to repeated forecast downgrades. The largest emerging markets are among the countries subject to significant downward revisions to their long-term forecasts in recent years. Many of the factors underpinning the slowdowns – low commodity prices, weak global trade, and slow productivity growth – are expected to persist





OPERATIONAL REVIEW

We achieved.

During 2015, both production and sales volumes increased over a year earlier contributing to the overall positive performance of the Group.

Production

Production for the year increased by 39.4% to 565,372 (405,660) tonnes. The increase was mainly attributable to the resumption of normal mining activity levels at the Mecklenburg mine throughout 2015 following a seven-month suspension of mining activity during 2014 and due to bulk sampling activity at Vlakpoort mine which commenced in June 2015. These factors were crucial in increasing mining activity in the FerroAlloys segment by 53.8% to 412,629 (268,351) tonnes. In the Speciality Alloys segment, the increase in mining activity by 37.1% to 49,152 (35,848) tonnes was primarily derived from having the Turkish mines operating at normal levels throughout most of 2015 as opposed to the previous year during which mining at TMS stopped during June 2014 due to a strike and lockout. Production of processed material decreased at the Speciality Alloys processing plant of EWW when compared to the previous year as a result of decreased demand and inventory management. On the other hand, annual processing levels at the Ferro Alloys processing plant of Mogale Alloys were higher than those registered during the previous year primarily as a result of medium carbon charge chrome production.

Group Production

Tonnes	Q1	Q2	Q3	Q4	FY15	FY14	Change
Speciality Alloys - Mining*	5,997	13,685	11,663	17,807	**49,152**	35,848	37.1%
FerroAlloys - Mining*	102,776	116,732	115,341	77,780	**412,629**	268,351	53.8%
Speciality Alloys - Processing	7,862	7,365	4,585	6,422	**26,234**	28,784	-8.9%
FerroAlloys - Processing	19,586	20,491	14,763	22,517	**77,357**	72,677	6.4%

* *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 104,150 (97,351) tonnes in 2015, an increase of 7.0% compared to 2014. Sales volumes in the Speciality Alloys segment decreased by 3.9% when compared to the previous year due to lower demand during the second and third quarters of the year. On the other hand, sales volumes in the FerroAlloys segment increased by 11.5% when compared to the previous year due to a stronger demand seen during the second and fourth quarters.

Group Sales

Tonnes	Q1	Q2	Q3	Q4	FY15	FY14	Change
Speciality Alloys - Processing	7,375	7,970	6,287	5,705	**27,337**	28,448	-3.9%
FerroAlloys - Processing	15,024	22,586	13,771	25,432	**76,813**	68,903	11.5%
Total – Processing	22,399	30,556	20,058	31,137	**104,150**	97,351	7.0%

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 2015, the Group's headcount was 773, compared to 698 in 2014.

Equal opportunities and diversity are important to an international company such as Afarak and the Group's commitment to gender diversity is demonstrated by the 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 continues to aim 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.

Group Personnel

	31 December 2015	31 December 2014	Change
Speciality Alloys	**402**	355	13.2%
FerroAlloys	**365**	339	7.7%
Other operations	**6**	4	50.0%
Total	**773**	**698**	**10.7%**

FINANCIAL REVIEW

We performed.

Afarak posted a profit of €8.5 million when compared to the €2.2 million posted a year earlier. The main driver behind this significant improvement was increased production and sales levels.

Revenue and profitability

Revenue for the full year 2015 increased by 8.7% to EUR 187.7 (172.7) million. Revenue in the Speciality Alloys segment decreased marginally by 2.3% as a result of lower sales volumes of processed material, whereas in the FerroAlloys segment revenue increased by 22.7% due to higher sales volumes.

EBITDA for the full year was EUR 17.2 (8.4) million. The increase was more accentuated in the Speciality Alloys segment due to a stronger US dollar average rate on conversion of revenue as material prices did not reduce in US dollar terms like they did in the FerroAlloys segment. Normal levels of mining activity being restored at the Turkish mines of Tavas from November 2014 and Kavak from March 2015 following the cessation of operations due to the strike and lockout of the mines from June 2014 also had a positive effect on EBITDA.

The Synergy Africa Ltd joint venture managed to reduce its losses during 2015 amounting to EUR -0.1 (-3.3) million. Such improvement occurred as a result of resumption of normal mining activity at the Mecklenburg mine throughout 2015 and as a result of the absence of net write-down of assets which during the previous year amounted to EUR 1.6 million.

Profit from discontinued operations during 2015 amounted to EUR 0.8 (1.8) million which includes a release of a EUR 0.2 (0.6) million from provision in relation to the discontinued wood segment as the Group sold part of the saw mill equipment that was acquired in 2008.

The full year earnings per share was EUR 0.03 (0.01).

EUR million	Q1	Q2	Q3	Q4	FY15	FY14	Change
Revenue	40.7	53.1	44.8	49.2	**187.7**	172.7	8.7%
EBITDA	4.6	7.6	1.3	3.7	**17.2**	8.4	
EBITDA margin	11.4%	14.4%	2.8%	7.5%	**9.2%**	4.9%	
EBIT	2.9	5.8	-0.7	1.8	**9.9**	1.7	
EBIT margin	7.2%	11.0%	-1.5%	3.7%	**5.3%**	1.0%	
Profit for the period	2.3	5.7	-1.0	1.6	**8.5**	2.2	

Balance Sheet, Cash Flow and Financing

The Group's net assets totalled EUR 171.2 (182.2) million at 31 December 2015. This decrease mainly resulted from the impact of the weaker South African rand on conversion of our South African investments which had a decrease in value during 2015 of EUR 17.3 million. This was partially offset by the positive operating performance that led to an increase in cash position of EUR 6.5 million.

The equity ratio was 64.2% (62.8%), which continues to be at a conservative level. This stance has been adopted by Afarak's management not to put pressure on the balance sheet. This could also be seen by the gearing ratio for 2015 which stood at -2.6% (-0.7%). Net interest-bearing debt amounted to EUR -4.5 (-1.2) million.

Working Capital, as at 31 December 2015, was EUR 76.1 (74,4) million. During the year Afarak managed to significantly reduce the inventory level and improve liquidity, which as at 31 December 2015 was EUR 19.6 (13.3) million. This enabled Afarak to reduce its trade and other payables by EUR 16.6 million.

The positive performance together with the more efficient working capital management has led to an increase of EUR 7.4 million in operating cash flow during 2015 when compared to 2014.. Total operating cash flows in 2015 was EUR 12.5 (5.1) million.

Investments, acquisitions and divestments

Capital expenditure for the full year 2015 totalled EUR 8.0 (14.8) million. In the Speciality Alloys segment, capital expenditure was incurred both at TMS as the company continued the investment of fines tailing processing plant at Kavak to increase annual mining volume by 15,600 tonnes following the commissioning of the plants, and at EWW, where a new dust exhaustion was commissioned in December 2015. Capital expenditure also included the dryer in the ferrochrome plant at Mogale Alloys, replacement of the furnace refractories during the shutdown period and the acquisition of new plant vehicles. At Vlakpoort mine the Group continued investing to ramp up the bulk sample operation. The Synergy Africa Joint Venture also made investments during the year with the commencement of the shaking table project at Stellite Mine.

During 2015, Afarak divested its holding in the associate company Speciality Super Alloys Inc. This led to a loss on sale of investment in associate of EUR 0.3 million and has been classified as an extraordinary item.

Research and development

Afarak remains committed to investing in Research and Development. As a Group it believes that new technology leads to improved productivity levels and reduced costs over the long-term leading to a positive effect on its financial performance. To this end, it adopted a policy whereby all subsidiaries have R&D investment projects and investments in the pipeline. In 2015, Afarak's R&D expenditure totalled EUR 0.5 (0.3) million. Following the installation of the new refining and granulation plant at Mogale Alloys which was completed during the last quarter of 2014, the Group announced the completion of the shaking table plant at the Stellite mine early in 2016. The shaking table technology will allow the Group to treat the tailing dump for chrome and increase Stellite mine's total plant mass yield to 65% from a current level of 49% leading to a reduction in operating cost per ton.

BUSINESS SEGMENTS

Afarak is a diversified company. With mines and assets in South Africa, Turkey and Germany; Afarak is mainly active in the FerroAlloys and Special Alloys industries.

FerroAlloys

The FerroAlloys business consists of the processing plant Mogale Alloys, Vlakpoort mine and the joint ventures, the Stellite mine and the Mecklenburg mine in South Africa. The business produces chrome ore, charge chrome, medium carbon ferrochrome and silico mangan ese for sale to global markets.

Production

Annual production increased by 43.7% to 489,986 (341,028) tonnes. The increase is mainly attributable to the resumption of normal mining activity levels at the Mecklenburg mine throughout 2015 following a seven-month suspension of mining activity during 2014 due to the unrest in the local community. Annual processing levels at Mogale Alloys were higher than those registered during the previous year primarily as a result of medium carbon charge chrome production following the commissioning in December 2014 of the converter and granulator.

Tonnes	Q1	Q2	Q3	Q4	FY15	FY14	Change
Mining*	102,776	116,732	115,341	77,780	**412,629**	268,351	53.8%
Processing	19,586	20,491	14,763	22,517	**77,357**	72,677	6.4%

* *Including both chromite concentrate and lumpy ore production*

Financial performance

Revenue for the full year increased to EUR 91.8 (74.8) million, representing an increase of 22.7% compared to the equivalent period in 2014. The increase in trading volumes of processed material was the main contributor towards the improvement in revenue when compared to 2014. The joint venture share of profit for 2015 was that of EUR -0.1 (-3.3) million, the reduction in losses was key in increasing EBITDA in the FerroAlloys segment for the full year to EUR 7.5 (3.1) million. The reduced loss from the joint venture occurred as a result of the resumption of normal mining activity at the Mecklenburg mine throughout the first eleven months of 2015 following a seven-month suspension of mining activity during the previous year and the absence of net write-down of assets which during the previous year amounted to EUR 1.6 million. The positive performance during the year enabled the FerroAlloys segment to register a positive EBIT of EUR 2.8 (-1.4) million.

EUR million	Q1	Q2	Q3	Q4	FY15	FY14	Change
Revenue	16.8	27.0	20.2	27.7	**91.8**	74.8	22.7%
EBITDA	1.8	3.9	0.7	1.0	**7.5**	3.1	
EBITDA margin	10.5%	14.6%	-3.6%	3.7%	**8.1%**	4.1%	
EBIT	0.6	2.7	-0.5	-0.1	**2.8**	-1.4	
EBIT margin	3.6%	10.1%	-2.5%	-0.20%	**3.0%**	-1.8%	

Afarak's share of joint ventures revenue for the full year increased to EUR 9.7 (5.7) million representing an increase of 69.9% compared to the equivalent period in 2014. The increase in revenue was mainly due to the increase in sales volumes of the Mecklenburg mine material as operations were resumed in December 2014. The increase in revenue was also attributable to the increase in processed material at the Stellite mine, particularly from concentrate material. Resumption of mining activity at the Mecklenburg mine also contributed to the positive share of joint venture EBITDA for the full year amounting to EUR 1.3 (-2.2) million as opposed to a negative share of joint venture EBITDA incurred during the previous year. The results of the previous year were negatively affected by write-downs in relation to Waylox mining project of EUR 0.5 million and a net write-down on the assets of Stellite mine of EUR 1.1 million.

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

EUR million	Q1	Q2	Q3	Q4	FY15	FY14	Change
Revenue	2.2	3.2	2.7	1.6	9.7	5.7	69.9%
EBITDA	0.3	0.6	0.4	-0.1	1.3	-2.2	
EBITDA margin	14.2%	18.8%	15.7%	-3.7%	13.2%	-38.0%	
EBIT	0.0	0.3	0.2	-0.2	0.3	-3.1	
EBIT margin	-0.2%	9.8%	7.3%	-11.1%	3.4%	-54.1%	


SOUTH AFRICA
MECKLENBURG MINE
SOUTH AFRICA
VLAKPOORT MINE
SOUTH AFRICA
STELLITE MINE
SOUTH AFRICA
MOGALE ALLOYS
PROCESSING PLANT

Afarak's FerroAlloys Mines & Processing Plant

Vlakpoort Mine
South Africa

The Vlakpoort Mine is situated on the Northern part of the western limb of the Bushveld complex in South Africa. It was acquired in 2011 when the prospecting right was bought. Since then extensive exploration work was conducted which include Geological drilling, trenching and a bulk sample of the LG5 and LG 6 seams that were taken to test the market.

The property has a resource of in excess of 6Mt of Chrome and 300,000 ounces of PGMs. The resource consists of the LG1-6, MG1-4 and the UG1-2 and Merensky reefs outcropping on the property.

Mecklenburg Mine
South Africa

Mecklenburg Mine is situated on the Eastern limb of the Bushveld complex. It was forms part of the Chromex Mining Company that was bought by Afarak in 2010. It consists of about 5Mt of mineable LG6 material. Mining started in 2012 with an opencast mine producing about 20kt per month of LG6 Run of Mine material. The opencast resource was depleted in January 2016, and it is envisaged to establish and underground mine out of the current opencast.

The Stellite Mine
South Africa

The Stellite mine was acquired in late 2010, as part of the Chromex acquisition and will be 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 and 40% of chrome production is sourced. The mine has a chromite resource of 32Mt comprising of four seams, namely the LG6, MG1, MG2 and MG4. All four seams outcrop on the property.

Mogale Alloys Processing Plant
South Africa

Afarak acquired Mogale 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, which has been in operation at Mogale since 1983 and is considered to be a centre of excellence.

Mogale operates four furnaces; two submerged arc furnaces and two DC furnaces, with a total production capacity of 110,000 tonnes per annum. These furnaces are capable of producing four key products: silico manganese, plasma ferrochrome, charge ferrochrome and stainless steel alloy (chromium-iron-nickel alloy). Towards the end of December 2014, the company finalized an investment of €13 million in a ferroalloy refining and granulation plant.

Speciality Alloys

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.

Production

Annual production increased by 16.6% to 75,386 (64,632) tonnes. The increase was primarily derived from having the Turkish mines operating at normal levels throughout most of 2015 as opposed to the previous year during which mining at TMS stopped during June 2014 due to a strike and lockout. Tavas mine also restarted operations following the end of the lockout in November 2014 and mining also recommenced in March 2015 at Kavak. Processing levels decreased at EWW when compared to the previous year as a result of decreased demand and inventory management.

Tonnes	Q1	Q2	Q3	Q4	FY15	FY14	Change
Mining*	5,997	13,685	11,663	17,807	**49,152**	35,848	37.1%
Processing	7,862	7,365	4,585	6,422	**26,234**	28,784	-8.9%

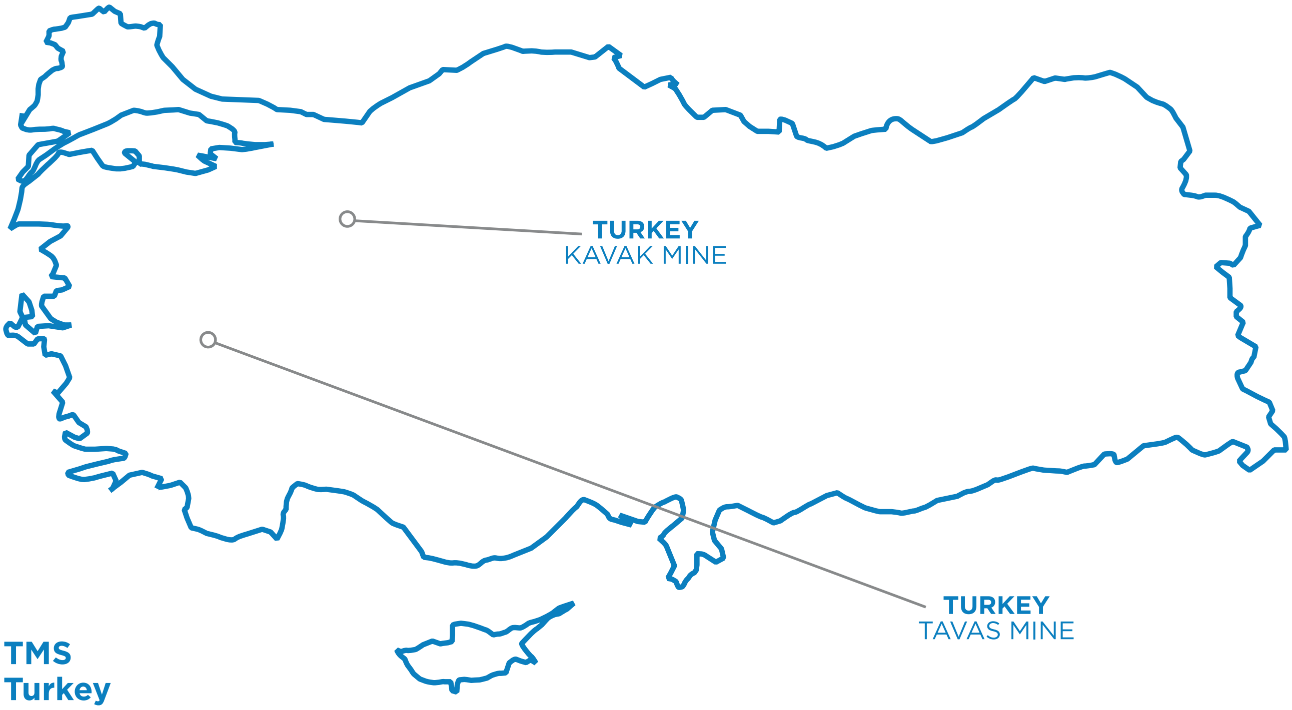
** Including both chromite concentrate and lumpy ore production*

Financial Performance

Revenue for the full year 2015 was EUR 95.6 (97.8) million, representing a marginal decrease of 2.3% compared to the previous year. The decrease in revenue was mainly attributable to lower sales volumes of processed material and third party material in 2015. EBITDA was EUR 12.7 (7.9) million and EBIT for the year was EUR 10.1 (5.7) million. The improvement in EBITDA and EBIT was mainly attributable to a stronger US dollar average rate on conversion of revenue when compared to 2014. Having the Turkish mines in operation during the majority of 2015 also had a positive impact on EBITDA and EBIT, as compared to 2014, where profit was impacted due to the lockout and strike at the Group's Turkish operations.

EUR million	Q1	Q2	Q3	Q4	FY15	FY14	Change
Revenue	23.7	26.1	24.5	21.3	**95.6**	97.8	-2.3%
EBITDA	3.4	4.5	1.4	3.4	**12.7**	7.9	
EBITDA margin	14.5%	17.2%	5.7%	16.2%	**13.3%**	8.0%	
EBIT	2.9	3.9	0.7	2.7	**10.1**	5.7	
EBIT margin	12.1%	15.0%	2.8%	12.6%	**10.6%**	5.8%	

Afarak's Speciality Alloys Mines & Processing Plant



TMS
Turkey

TMS operations consist of open pit and underground mining, as well as ore enrichment facilities equipped with primary and secondary crushing, milling and concentration tables. The production facilities are located in Kavak, in the Eskisehir province, and in Tavas, in the Denizli province. It also holds 27 licences, of which 12 are exploitation licences.

The annual production capacity is between 100,000 – 120,000 tonnes.

TMS produces two chrome ore types: special grade chromite concentrates and lumpy chrome ore.

EWW Plant
Germany

EWW is a world-renowned processing facility with state-of-the-art facilities and laboratories. With a heritage in processing spanning close to 100 years, EWW has a reputation of being a highly specialised smelting operation producing a range of specialist products, such as specialised Low Carbon and Ultralow Carbon Ferrochrome. The products are sold internationally to customers in the automotive, aerospace and power generation industries.

RISK MANAGEMENT

Understanding our risks and developing policies and procedures to manage and to minimize our exposure to such risks is critical to our success.

Afarak has defined its risks as being operational, financial and compliance. Additional information on financial risks and financial risk management are presented in the notes to the consolidated financial statements.

The section below gives an overview of the risks identified as well as the measures taken to mitigate such risks.

FINANCIAL RISK

Risks	Consequences	Controls to mitigate risk
Liquidity risk - whether Afarak has sufficient liquidity to service and finance its operations and pay back loans	Materialised liquidity risks may cause • Overdue interest expenses • Negative impact to the Group's relationship with its goods and service suppliers • • Affect the pricing and other terms for input goods and services	• The Group continuously assesses its working capital to ensure that it has sufficient funds to meet its liabilities • Prepares and assess forecast reports
Foreign exchange exposure	• Direct risk – commercial cash flows and currency positions • Indirect risk – loss of competitiveness within the industry	• The Group constantly evaluates the need to enter into forward contract arrangements
Interest rate risks	Changes in interest rates can • Influence the repayment of loans • Impact the profitability of investments • Alter the fair value of the Group's assets	• The Group constantly evaluates the need to enter into forward contract arrangements

FINANCIAL RISK (CONT.)

Credit risks	• Afarak's key customers are typically long business relationships including major international steel and stainless steel companies and some specialty agents selling to the steel sector. Major changes in that industry's future outlook or profitability could increase the Group's credit risk	• Analyse credit limits • Assesses the likelihood that a borrower will default on the debt obligations
Price risks	• The Group's processing operations are exposed to the availability, quality and price fluctuations in raw materials	• 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 business units seek long-term contract agreements with known counterparties where possible
Price and demand volatility in the commodities markets	• 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	• Using its strong customer interface and market intelligence to adjust its production volumes to match demand • Adapting its diverse product mix to meet customer requirements
Acquisition and organic growth strategy risk	• There is a risk that the investment will not perform as expected and the group will not achieve the desired future operating cash flows and profitable results from the investment • There is a risk that the Group might not be able to find the appropriate site or to obtain the necessary licences to develop and operate or to secure the required financing	• The Group's policy is to carry out extensive R&D to mitigate the risk that such investment will not be successful

COMPLIANCE RISK

Risks	Consequences	Controls to mitigate risk
Environmental risks	• Direct potential harm to the environment • Potential post-production rehabilitation or landscaping obligations	• Environmental risks are managed closely and regularly assessed' • Regular assessment of environmental liabilities • External experts are appointed to assist in identifying potential liabilities and ensuring compliance with environmental legislation
Legal risks	• Legal disputes may relate to contractual or other liabilities or environmental or other regulatory matters	• Currently there is no significant legal case pending and the group policy is to publish all significant legal cases and their outcomes
Political and social risks	• Changes in the mining, employment and fiscal regulatory environment may materially adversely affect the business and its financial results • Operations may be affected to varying degrees by government regulations	• Afarak seeks to maintain good relationships with stakeholders
Employment legislation	• If not observed may negatively impact Afarak's financial results.	• Afarak regularly re-assesses its policies in terms of employment legislations
Tax risks	• Changes in tax laws and regulation, or a change in interpretation of the tax authorities in the different jurisdiction we operate in could have an adverse impact on Afarak's financial results.	• Afarak keeps abrest with changes in tax regulation and external experts are appointed to assist in identifying potential tax liabilities and ensuring compliance with the tax legislation
Data protection risk	• If data protection legislation is not observed the business may be adversely affected and have an impact on the financial results	• Data protection law is closely and regularly assessed in terms of the Group operations

OPERATIONAL RISK

Risks	Consequences	Controls to mitigate risk
Loss of key personnel or the engagement of inappropriate personnel	• Adverse effect on operations, particularly its processing plants, which could impact the Group's operating and financial results	• Regularly re-assesses its remuneration policies and packages to attract and retain suitably skilled and qualified personnel • Afarak has set up a remuneration commitee to set guidelines

OPERATIONAL RISK (CONT.)

Risk of mining and smelting accidents (fire, flooding, rock bursts, weather conditions, seismic events and other natural phenomena)	• This could affect both employees' and operations, resulting in suspension of operations	• "Zero Harm" policy • Health and safety guidelines, policies and procedures • Continuous employee training
Volatility of fuel and energy prices with general cost inflation	• 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 plans to expand its operations and implement its growth strategy	• The Group constantly evaluates the need to enter into financial arrangements to mitigate such risk
Electricity power cuts	• Stoppages in smelting 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
Social risk	• Industry or social unrest and labour actions may materially adversely affect the business and its financial results by temporarily closing down operations.	• Afarak seeks to resolve the matters with all stakeholders to reduce the impact on it operation
Loss of key suppliers Competition & Rivalry	• Adverse effect on operations, which could impact the Group's operating and financial results • May negatively impact Afarak's current operations which could have a consequent effect on the Group's operating and financial results. It may also impact the plans to expand its operations and implement its growth strategy	• Afarak carry out continuous financial health checks of key suppliers • Evaluations of key supplier controls in order to minimize the impact associate with disruption • Assess safety and security stock levels • Understand alternate supply options and how long it will take to employ alternatives • The future success depend on the ability to attract and retain suitably skilled and qualified personnel. Afarak regularly re-assesses its remuneration policies.
Distribution network risk Technology risk	• This may have adverse effect on operations which could impact the Group's operating and financial results • There may be advances in technology which the company is not aware off or has not kept abreast with which may eventually hinder the operating activity of the company and affect the financial results	• To mitigate this risk Afarak has standard operating procedures in place for most foreseeable circumstances • Afarak regularly assesses the lastest technological equipment and software available on the market

BUILDING SUSTAINABLE COMMUNITIES

We care.

Afarak is a people-centered organization. Through its support and initiatives, Afarak is investing in various communities close to its operations in South Africa and is making a difference in people's lives.

Monwametsi Agri Project, Rustenburg

Dams and irrigation projects are central to communities in South Africa improving the quality of life for hundreds of families. Through the Monwametsi Agri Project, Afarak contributed in the repair and development of two dams, boreholes and an irrigation system. It extended its support to develop an agricultural project and various vegetables are being farmed on the land since water is now available.

Umephi Jade House, Mogale City

Afarak is supporting 7 orphans that are currently residing at Jade House. The House was built as a place of safety for orphans and offers foster care to these children.

Patrick Masego School, Mogale City

Afarak has a number of projects at Rietvallei particularly directed towards the Patrick Masego Primary school. Through Afarak's support, the school also has an extensive garden which is used to farm vegetables and fruits which are then used as part of the feeding scheme that the school operates. The Patrick Masego school provides a daily meal to close to 2,000 children including weekends and holiday periods.

Feeding schemes

Afarak supports 5 day-care centres in the Rietvallei area and provides daily meals to 155 children. The day-care centres are the following; Thembelihle, Ntlanta, Wise Girl, Little Achievers and Busy Bee. Similar schemes are also run in conjunction with Magda Fourie at the Paardekraal and Millenium Primary schools

Community entrepreneurship, Mogale City

The Mzimhlope Service Centre operates a crafts shop and centre in which various members of the community produce various items, mainly woolen items, that are used to finance their daily needs. Afarak supports the centre through the purchase of materials.

CK Trust

Afarak supports the CK Trust by paying a non-government teacher to provide support to destitute children at the Patrick Mashego Primary school. The teacher is specialized in supporting the emotional well-being of children who come from broken families.

Polekego Centre

Afarak supports this Centre in Krugersdorp that provides shelter for abused women and children. The Centre can hold up to 40 mothers.

2 SOLAR BOREHOLE PUMPS INSTALLED

600,000 MEALS & FOOD PACKS DISTRIBUTED

IRRIGATION & DAM PROJECT

200 BLANKETS DISTRIBUTED

2,200 CHILDREN BENEFIT FROM OUR DAILY FEEDING SCHEMES

RESOURCE STATEMENTS

2

MINERAL RESOURCE AND MINERAL RESERVE[1] STATEMENT

FOR CHROMITE FOR THE AFARAK GROUP IN SOUTHERN-AFRICA AS AT 31 DECEMBER 2015.

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 Tailings				**Stellite Tailings**			
LG6-MG4	683	24.49	1.14	LG6-MG4	683	24.49	1.14
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	15	29.59	1.19	MG4	28	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	-	40.76	1.58	LG6+6A	0	44.10	1.64
Vlakpoort; Open Pit				**Vlakpoort; Open Pit**			
LG1-3	23	37.30	1.74	LG1-3	32	41.57	1.59
LG5	18	39.12	1.52	LG5	42	38.77	1.59
LG6	65	36.72	1.51	LG6	151	36.85	1.59
MG1-4	52	29.72	1.25	MG1-4	131	30.01	1.59
UG1-2	101	22.40	1.14	UG1-UG2	164	21.46	1.59
Vlakpoort; Underground				**Vlakpoort; Underground**			
LG6				LG6	398	33.32	1.59
UG2				UG2	754	19.65	1.06
Total Proved	**9,107**	**36.42**	**1.42**	**Total Measured**	**24,495**	**35.64**	**1.35**
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
LG6	1,241	34.26	1.35	LG6	1,600	37.50	1.41

Stellite; Open Pit			
MG4	266	30.02	1.20
MG3	254	30.82	1.19
MG2	-	30.99	1.22
MG1	-	33.25	1.31
LG6+6A	165	33.88	1.37
Mecklenburg; Underground			
LG6	2,273	41.45	1.57
Mecklenburg; Open Pit			
LG6+6A	-	40.76	1.58
Vlakpoort; Open Pit			
LG1-3	40	37.93	1.78
LG5	3	35.01	1.45
LG6	37	31.25	1.63
MG1-4	16	30.52	1.36
UG1-2	9	27.09	1.22
Vlakpoort; Underground			
LG6			
UG2			
Total Proved	**4,304**	**37.56**	**1.45**
Proved & Probable Reserves	**13,411**	**36.78**	**1.43**

Stellite; Open Pit			
MG4	808	32.35	1.23
MG3	990	31.68	1.19
MG2	320	37.30	1.31
MG1	260	38.80	1.41
LG6+6A	280	38.54	1.46
Mecklenburg; Underground			
LG6	3,008	43.37	1.59
Mecklenburg; Open Pit			
LG6+6A	0	44.10	1.64
Vlakpoort; Open Pit			
LG1-3	53	41.57	1.86
LG5	10	39.92	1.55
LG6	64	33.95	1.58
MG1-4	75	29.92	1.35
UG1-UG2	24	27.61	1.25
Vlakpoort; Underground			
LG6	793	33.92	1.58
UG2	421	19.83	1.06
Total Indicated	**12,036**	**36.26**	**1.38**
Measured & Indicated Resources	**36,531**	**35.85**	**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	41	41.55	1.79
LG5			
LG6	1	33.49	1.59
MG1-4	119	28.61	1.30
UG1-UG2			

MINERAL RESOURCE AND MINERAL RESERVE[1] STATEMENT

FOR CHROMITE FOR THE AFARAK GROUP IN SOUTHERN-AFRICA AS AT 31 DECEMBER 2015 (CONT.)

Total Reserves	**13,411**	**36.78**	**1.43**

Vlakpoort; Underground			
LG6	1,321	1.59	20.27
UG2	33.67	115	1.08
Inferred Resources	**5,335**	**35.36**	**1.41**
Total Resources (Excl Exploration Results[2])	**41,866**	**35.78**	**1.36**
Exploration Results[2]			
Vlakpoort; Underground			
LG6	1,243	34.16	1.60
UG2			
Vlakpoort; Open Pit			
LG1	10	38.35	1.70
LG2	7	33.51	1.75
LG3	33	38.73	2.01
LG5			
LG6	365	33.55	1.60
MG1	20	39.73	2.09
MG2			
MG3	5	27.47	1.21
MG4+4A	264	29.70	1.23
UG1			
UG2			
Exploration Results[2]	**1,947**	**33.58**	**1.56**
Total (Incl Exploration Results[2])	**43,813**	**35.69**	**1.37**

- *Mineral Reserves[1] used in SAMREC and IMMM Codes whereas termed Ore Reserves in the JORC Code*
- *Exploration Target Mineralisation used in JORC Code whereas termed Exploration Results[2] in the SAMREC Code. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define Mineral Resources and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

The information in this report that relates to exploration results for Stellite, Mecklenburg and Vlakpoort is based on information compiled by the MSA Group, Andrew Scogins and Shango Solutions respectively.

The team of people involved in the Mecklenburg, MSA and Shango Solutions estimation process is listed below:

Person:	Position:	Affiliations:
Sifiso Siwela (MSA)	Exploration Project Manager	Pr.Sci.Nat, MGSSA
Mike Hall (MSA)	Mineral Resources Consultant	Pr.Sci.Nat, MGSSA, MAusIMM
Andrew Scogings (Independent)	Geological Consultant	MAusIMM, MAIG
Hendrik Pretorius (Shango)	Geological Consultant	Pr.Sci.Nat, MGSSA
Stefanie Weise (Shango)	Geological Consultant	MGSSA

The combined Stellite, Mecklenburg and Vlakpoort Measured and Indicated Resource category declared as at 31 December 2015, decreased from that declared in December 2014 by 0.8 million tonnes mainly due to depletion at all three operations. The depletion at the three operations was as follows (rounded up to nearest 0.1 million):

- Stellite 0.3 million tonnes in the MG4 open pit,
- Mecklenburg 0.2 million tonnes in the LG6/6A open pit, and
- Vlakpoort almost 0.1 million tonnes mainly in the LG6 open pit with minor amounts in the LG5, LG2, MG3 and MG4 open pits.

The combined total Stellite, Mecklenburg and Vlakpoort Mineral Resources declared as at 31 December 2015, decreased from that declared in December 2014, by 1.516 million tonnes and the grade decreased by 0.2% to 35.78% Cr_2O_3 and the Cr to Fe ratio decreased by 0.01 to 1.36.

The Mineral Resources for Stellite declared as at 31 December 2015, decreased by 0.228 million tonnes from that declared in December 2014, mainly due to depletion in the MG4 open pit. The Mineral Resources were positively impacted by the addition of tailings material of 0.125 million tonnes.

The Mineral Resources for Mecklenburg declared as at 31 December 2015, decreased by 0.195 million tonnes from that declared in December 2014, due to depletion in the open pit. Mecklenburg has no remaining open pit Mineral Resources.

The Mineral Resources for Vlakpoort declared as at 31 December 2015, decreased by 1.093 million tonnes from that declared in December 2014. This was mainly due to trenching and drilling that disproved the presence of LG chromitite seams west of portion 1 of Vlakpoort on surface, despite surface boreholes proving the existence of underground LG Mineral Resources. A revised exploration programme will be designed to locate LG open pit Mineral Resources on portion 4.

The combined Stellite, Mecklenburg and Vlakpoort Mineral Reserves[1] declared as at 31 December 2015, decreased from that declared in December 2014, by 0.77 million tonnes mainly due to depletion as stated before and the Cr_2O_3 grade decreased by 0.01% to 36.78% Cr_2O_3 and the Cr to Fe ratio remained on 1.43.

The exploration results were severely affected due to trenching and drilling that encountered the Bushveld Gap between the Amandelbult and Union Sectors further east than estimated in 2014. This eliminated all the seams over a strike length of 900 meters.

MINERAL RESOURCE AND MINERAL RESERVE[1] STATEMENT

FOR GMS FOR THE AFARAK GROUP IN SOUTHERN-AFRICA AS AT 31 DECEMBER 2015.

Mineral Reserves[1] (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	28	1.14	1,026
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	32	0.18	185
LG5				LG5	42	0.74	999
LG6+6A				LG6	151	0.46	2,233
MG1-4				MG1-4	131	1.13	4,760
UG1-MR	159	1.40	7,158	UG1-UG2	205	1.77	11,667
Vlakpoort; Underground				**Vlakpoort; Underground**			
LG6				LG6	398	0.43	5,503
UG2				UG2	754	4.04	97,947
MR				MR	618	2.15	42,723
Total Proved	**159**	**1.97**	**7,158**	**Total Measured**	**13,000**	**1.26**	**525,521**
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	583	1.18	22,120
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
Vlakpoort; Open Pit				**Vlakpoort; Open Pit**			
LG1-3				LG1-3	53	0.22	375
LG5				LG5	10	0.66	212
LG6+6A				LG6	64	0.40	823
MG1-4				MG1-4	75	0.85	2,050
UG1-MR	9	0.19	55	UG1-UG2	24	0.31	239

Vlakpoort; Underground			
LG6			
UG2			
MR			
Total Probable	**9**		**55**
Proved & Probable Reserves	**168**	**1.97**	**7,213**
Total Reserves	**168**	**1.97**	**7,213**

Vlakpoort; Underground			
LG6	793	0.43	10,964
UG2	421	4.45	60,240
MR	208	2.96	19,797
Total Indicated	**13,572**	**1.19**	**521,076**
Measured & Indicated Resources	**26,572**	**1.22**	**1,046,597**
INDICATE D:			
Stellite Tailings			
LG6-MG4	683	1.37	30,087
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
Vlakpoort; Open Pit			
LG1-3	41	0.23	303
LG5			-
LG6	1	0.42	14
MG1-4	119	1.00	3,826
UG1-UG2			
Vlakpoort; Underground			
LG6	1,321	0.42	17,840
UG2	115	4.78	17,675
MR			-
Inferred Resources	**7,700**	**1.04**	**257,675**
Total Resources (Excl Exploration Results[2])	**34,272**	**1.18**	**1,304,272**

Exploration Results[2]			
Vlakpoort; Underground			
LG6	1,243	0.41	16,387
UG2			-
MR			-

Vlakpoort; Open Pit			
LG1	10	0.30	96
LG2	7	0.17	38
LG3	33	0.27	286
UG2			-
LG5		0.42	-
LG6	365	0.85	4,929
MG1	20		547
MG2		1.67	-
MG3	5	0.87	268
MG4+4A	264		7,385
UG1			
MR			
Exploration Results[2]	**1,947**	**0.48**	**29,938**
Total (Incl Exploration Results[2])	**36,219**	**1.15**	**1,334,209**

- *Mineral Reserves[1] used in SAMREC and IMMM Codes whereas termed Ore Reserves in the JORC Code*
- *Exploration Target Mineralisation[2] used in JORC Code whereas termed Exploration Results in the SAMREC Code. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define Mineral Resources and it is uncertain if further exploration will result in the determination of a Mineral Resource.*
- *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 Measured and Indicated Mineral Resources for Stellite declared as at 31 December 2015, decreased from that declared in December 2014 due to depletion in the MG4 open pit.

The Measured and Indicated Mineral Resources for Vlakpoort declared as at 31 December 2015, decreased from that declared in December 2014. Trenching and drilling encountered the Bushveld Gap between the Amandelbult and Union Sectors further east than estimated in 2014 which resulted in a 0.458 million tonnes decrease.

The combined Stellite and Vlakpoort Mineral Resources declared as at 31 December 2015, decreased from that declared in December 2014, by 1.872 million tonnes and the PGM grade decreased by 0.18g/t. Vlakpoort contributed 1.699 million tonnes to the total decrease due to exploration results mentioned before.

The information in this statement that relates to Exploration Results and Mineral Resources is based on information compiled by Hermanus Berhardus Swart, a Competent Person who is a Professional Natural Scientist registered with South African Council for Natural Scientific Professions accredited (No. 400101/00) and a Member of the Geological Society of South Africa, each of which is a

"Recognised Professional Organisation" (RPO) that is included in a list that is posted on the ASX website from time to time. The Competent Person is employed by Dunrose Trading 186 (PTY) Ltd trading as Shango Solutions, which provides services as geological consultants. 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 2012 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 Competent Person consents to the inclusion of the matters based on his information in the form and context in which it appears.

H.B. SWART PR.SCI.NAT MGSSA
Principal Geologist – Shango Solutions

TMS RESOURCES AND RESERVES

Ore Deposit	Ore *(kt)*	Cr_2O_3 *(%)*
KAVAK CONCESSIONS		
Proven	2,336.46	7-23%
Probable	-	-
Possible	*398.52*	-
Total reserves	**2,734.98**	**7-23%**
Hypothetical resources	*1,500.00*	*7-23%*
BEYAGAC CONCESSIONS		
Proven	193.36	14-34%
Probable	-	-
Possible	*155.90*	*14-34%*
Total reserves	**295.26**	**14-34%**
Hypothetical resources	*193.10*	*14-34%*
FETHIYE & KOYCEGIZ CONCESSIONS		
Proven	101.96	8-28%
Probable	-	-
Possible	*235.97*	*8-28%*
Total reserves	**337.93**	**8-28%**
Hypothetical resources	*257.17*	*8-28%*
ADANA CONCESSIONS		
Proven	6.00	12-14%
Probable	-	-
Possible	*24.00*	*12-14%*
Total reserves	**30.00**	**12-14%**
Hypothetical resources	*40.00*	*12-14%*
EAGLE CONCESSION		
Proven	30.00	36-44%
Probable	-	-
Possible	*20.00*	36-44%
Total reserves	**50.00**	**36-44%**
Hypothetical resources	*150.00*	*36-44%*
KAVAK TAILINGS DAM		
Proven	3,395.18	4-13%
Probable	-	-

Possible	-	-
Total reserves	**3,395.18**	**4-13%**

TAVAS TAILINGS DAM		
Proven	560.56	9-11%
Probable	-	-
Possible	-	-
Total reserves	**560.56**	**9-11%**

Grand total reserves	**7,403.91**	
Total hypothetical resources	**2,140.27**	

TAHIR ACAR
Geology Engineer
Chamber of Geology Engineers Registration Nr. 14239

GOVERNANCE REVIEW

3

CHAIRMAN'S INTRODUCTION

Dr Alfredo Parodi
CHAIRMAN

Dear Shareholders,

2015 was a record year for Afarak. Despite the very challenging economic and market environment, Afarak has managed to register very positive results. Throughout 2015, Afarak strengthened its operations and we should all be proud of this achievement. The Board has made significant progress in corporate governance oversight, the strategic orientation of the company and deepening the sustainability agenda.

The Board

Following the election of the new Board in May 2015, we set out to implement an ambitious agenda focused at strengthening the policies and procedures of Afarak. The new Board brought to the table an extensive skill-set and together with the new management team our combined efforts are already showing results.

We also appointed a new CEO, Dr Alistair Ruiters who replaced Dr Danko Koncar. Dr Koncar, who held the position of CEO since 2013, was appointed to Business Development Director. In addition to these changes, the management team was strengthened through new appointments.

Soon after its election, the Board held a two-day induction and corporate governance workshop. A review of the mandates of all the sub-committees, company policies and procedures and subsidiary boards was initiated during 2015.

The Board also continued to keep abreast of changes to corporate governance reporting requirements under our two jurisdictions;

Finland and the United Kingdom. We remain committed to strengthening both the governance framework and the reporting structures within Afarak.

Committees

In 2015, the Board set-up a new Board committee tasked to work with the existing management-led HSS team, to oversee our work on health, safety and sustainable development. Being a people-centered organization, we are committed to offer a healthy and safe environment for all our stakeholders, both internal and external, to work in an empowering environment. The two Committees are working together at the operational and strategic level to ensure that our 'Zero Harm' policy is implemented throughout our operations. The Audit and Risk Management Committee reviewed all main policies throughout the year, in particular those relating to risk assessment and mitigation. Looking forward, this Committee is now focused on reviewing reporting frameworks and accountabilities within the organization. During 2015, the Nomination and Remuneration Committee took a broader remit and started a review of the company's HR function and relationships.

Research & Development

The Board is determined to continue implementing research and development projects within Afarak. R&D projects will contribute significantly to the Group's future growth and sustainability through the introduction of new technologies and production processes. Our latest investment in shaking tables technology will result in tangible gains in productivity and will lower production costs once fully implemented. Although R&D projects are administered separately by each operation, Afarak's Board is committed to continuous investment in R&D.

Community Development

The Group continues to make positive contributions to the local communities in which it operates. Afarak's current community programs in South Africa are primarily focused on children. Apart from financing feeding schemes and education projects, we have also invested in community infrastructure. We are privileged to be in a position to make a difference in peoples' lives and will continue to honour its corporate social responsibility.

Looking ahead, the Board is set on guiding Afarak in these challenging times. Building on our positive performance in 2015, I am optimistic that the team at Afarak will continue to deliver results.

Dr Alfredo Parodi
Chairman

BOARD OF DIRECTORS REPORT

In 2015, the Board of Directors was focused on improving the ogranisational structure of Afarak and its subsidiaries. The transformation that Afarak was embarking upon was a collective effort and all parties were focused on transforming Afarak into a resilient speciality alloy producer even in the face of tough market conditions.

The Board

The new Board that was elected in May, was immersed into a deep and thorough corporate review of Afarak and of all its subsidiaries. In August, the Board held its first extended Board strategy meeting. The focus of the meeting was to understand and define the commercial strategy of the Group together with management. This process also included an in-depth review of the role and contribution of the subsidiaries. The Board is determined to ensure that our products, processes, safety and customers, both at a Group level and for each subsidiary, are aligned. Given the new direction of the Group, we are particularly focused on both technology and market insight.

The ongoing strategic orientation of the Group is now a constant part of the Boards' work programme. In December 2015, we started focusing on a single-channel marketing strategy of the company. We reviewed the structure, brand and performance of RCS, our trading company, and in line with our rebranding efforts, the Board decided to change its name to Afarak Trading.

Committees

Today, the Board has three committees which focus on particular areas and which are key drivers of change and improvements.

The Nomination and Remuneration Committee broadened its remit to look at the HR function of the Group. It embarked on a streamlining exercise between employment grades and categories of the Group and its subsidiaries. It also continued with its work to build and foster relationships with key employment stakeholders in the various countries of operation and continued monitoring the employment policy of the Group.

The Audit and Risk Management Committee continued with its exercise to monitor the risks faced by the Group and to follow measures taken to reduce and mitigate such risks. A more detailed risk assessment is presented in this report. In addition, a detailed review of internal policies was adopted. The Board wants to strengthen the relationships and processes between Group level and its subsidiaries. To this end, a review of internal management and meeting practices together with an internal information and communication review was started by the Committee. Reporting frameworks are also being reviewed with the aim of further strengthening them in the near future.

The newly-established Health Safety and Sustainable Development Committee is solely focused on ensuring that our operations do not constitute any harm to our stakeholders. We are focusing on reducing injuries during operations and it is worth noting that only 0.1% of hours worked were lost due to injury. Various Protocols were implemented throughout 2015. In addition, the Board was focused on reducing its environmental impact emanating from its operations. 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 Group 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 emphasises our commitment at Group level to continuously improve and build excellence into every process of its integrated management systems.

Investments

The Board is always keen to invest in either technologies or through mergers and acquisitions to further strengthen the company. The current investment programme is focused on the shaking tables project. The shaking table technology will allow the Group to treat the tailing dump for chrome and increase Stellite mine's total plant mass yield to 65% from a current level of 49% leading to a reduction in operating cost per ton.This will also allow the firm to recycle third party mining waste further reducing the environmental impact of mining activity. In addition, the Group is following a number of investment projects throughout its subsidiaries. In Turkey, the fines tailing processing plant investment is ongoing and will be finalised throughout 2016. The Board is following a number of projects it might consider acquiring.

Risk Management

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 prod ucts, 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 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 Group 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 shaking table plant at the Stellite mine. The shaking table technology will increase the mine's total plant mass yield significantly, leading to a decrease in the operating cost per ton. 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.

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. The Group policy is to publish all significant legal cases and their outcomes.

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 rateexposures 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.

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 & equipment
2	Publication of unaudited financial information	Not applicable
4	Detals of long-term incentive schemes	1.7. Notes to the statement of financial position, 19. Share-based payments
5	Waiver of emoluments by a director	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	1.7. Notes to the statement of financial position, 1.8.2 Related party transaction
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.

OUR PEOPLE

THE BOARD OF DIRECTORS

CHAIRMAN

Dr Alfredo Parodi

Chairman, Independent Non-Executive Director.
Ph.D 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), Stoppani Engineering (Italy), Dirox (Uruguay), Vanetta Sarasota (USA) and Anxian Sichnan (China). Dr Parodi is the Chairman of the Health & Safety Committee of the Company.

EXECUTIVE DIRECTORS

Dr Alistair Ruiters

Executive Director & CEO.
BA Hons in Economic History, Ph.D in Sociology. Born 1964.

Dr Ruiters served as a public servant in the new South African Democratic Government from 1994 to 2005. He has held a numerous senior positions in Government including the Commissioner of the Competition Commission and the Director General of the Department of Trade and Industry. After leaving the public sector, Dr Ruiters started his own business and in addition has served on numerous Boards. He started his career in Afarak in October 2009 when he as appointed as a consultant. He joined on a full time basis in 2010 and May 2015 he was appointed as CEO. He holds degrees from the University of Cape Town and a Doctorate from Oxford University.

Michael Lillja

Executive Director.
M.Sc in Economics. Born 1962.

Michael Lillja is currently member of the Executive Management Team and is Marketing Director at Afarak. Prior to joining Afarak, Mr. Lillja has served for decades in several different positions in the mining and metals industry, the oil & gas sector, and in international trade for companies such as, Alloy 2000 SA/ENRC -Kazakhstan, International Ferro Metals Ltd, and SamChrome Ltd/Samancor Cr.

DEPENDENT NON-EXECUTIVE DIRECTOR

Dr Jelena Manojlovic

Dependent Non-Executive Director.
Ph.D in Medicine, Clin. D. in Psychology, MA in 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 till 8 May 2015. She is also the Chairperson 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Markku Kankaala

Independent Non-Executive Director.
B.Sc. in Engineering. 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 an Executive Director in Ruukki Group Plc (currently, Afarak Group Plc) until 31 August 2006. Mr Kankaala is a co-founder of Ruukki Group back in 1993 and since then he worked for 10 years as an entrepreneur and Managing Director of the Group. Before the era of Ruukki he worked in different positions in Ahlström and Rautaruukki.

Ivan Jakovčić

Independent Non-Executive Director.
BA in Foreign Trade Faculty. Born 1957.

Ivan Jakovčić is a Croatian politician and a member of the European Parliament where he is in the Committee on Regional Development, Committee on Agriculture and Rural Development and the Committee of the Regions of the European Union. Prior to joining the European Parliament Mr Jakovčić has held numerous political positions in Croatia where he has been a member of the Croatian Parliament, the President of the Istrian Democratic Assembly and served as Minister of European Integration.

Barry Rourke

Independent Non-Executive Director.
FCA. Born 1950.

Barry Rourke was a member of the Afarak Board, the Chairman of the Audit Committee and a member of the Remuneration Committee from April 2010 to February 2013. Previously, he was an Audit Partner at PWC's for 17 years from 1984 to 2001 where he specialised in the Oil and Gas and Mining sectors. He currently holds a number of non-executive directorships and positions on the audit committees in other listed companies.

OUR PEOPLE

LEADERSHIP TEAM

THE 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.

Dr Alistair Ruiters

CEO
BA Hons in Economic History,
Ph.D in Sociology

Michael Lillja

Marketing Director
M.Sc in Economics

Dr Danko Koncar

Business Development Director.
Diploma, M.Sc. & Ph.D. in 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 more than 20 years in ferrochrome processing with more than 10 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.

THE CORPORATE MANAGEMENT TEAM

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

Melvin Grima

Finance Director
FCCA, MIA, CPA. Born 1982.

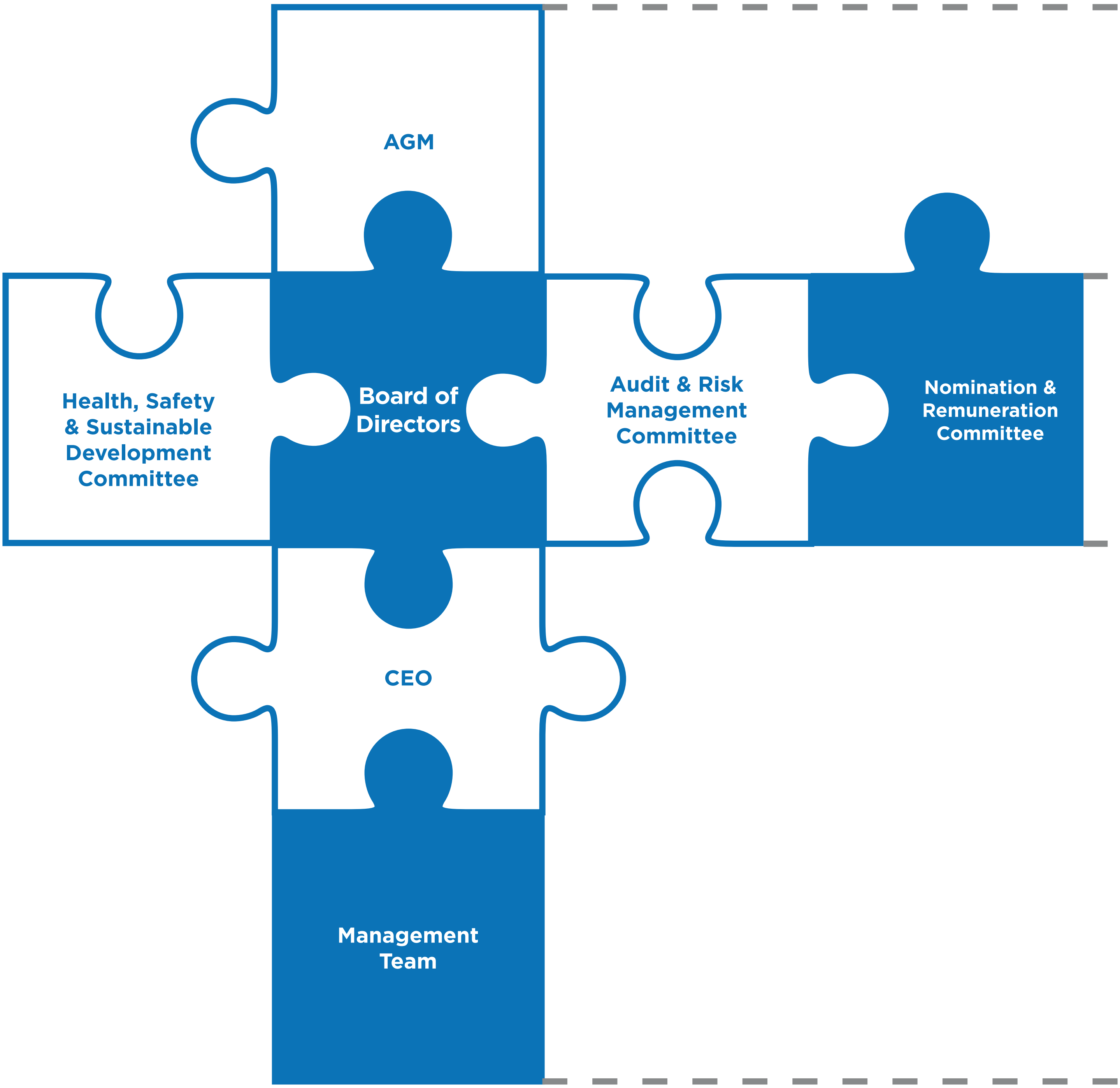
Melvin Grima joined Afarak in 2013 as Group Finance Manager. He was responsible of the relocation of the Group's corporate finance function to Malta and its setup. He was promoted to Finance Director in 2015. Prior to joining Afarak, he held a number of management positions including Group Accountant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

Julia Simonsson

General Counsel.
Master of Laws (LL.M.). Born 1975.

Julia Simonsson joined Afarak in September 2015 as General Counsel. Mrs Simonsson is a German lawyer with prior experience as General Counsel for an international multi-disciplinary Group.

GOVERNANCE STRUCTURE



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 & risk management committee; nomination & remuneration committee, health safety & sustainable development committee; and the Chief Executive Officer.

General Meeting

Afarak's ultimate decision-making body is the shareholders' General Meeting which 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

Shareholders

Board of Directors & Board Committees

Management

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;	• Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
• Confirming the financial year's profit or loss, the dividend distribution or other distribution, such as capital redemption;	• 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 f or election as a director for the first time, he or she will also attend the General Meeting.

General Meetings in 2015

The Annual General Meeting was held on 8 May 2015 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/2015/

THE BOARD OF DIRECTORS

Tasks & 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.

The 2015 Annual General Meeting elected seven members to the Board: Dr Alfredo Parodi, Dr Jelena Manojlovic, Mr Michael Lillja, Mr Markku Kankaala were re-elected and Mr Barry Rourke, Mr Ivan Jakovčić and Dr Alistair Ruiters were newly 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 Mr Barry Rourke, Mr Ivan Jakovčić, 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 Mr Barry Rourke as the senior independent non-executive director.

Members of the Board	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination & Remuneration Committee	Health & Safety Committee
Alfredo Parodi	Chairman	11 February 2013	Independent	-	-	Chair
Jelena Manojlovic	NED	11 July 2008	Dependent	-	Chair	-
Barry Rourke	NED	8 May 2015	Independent	Chair	-	-
Ivan Jakovčić	NED	8 May 2015	Independent	Member	Member	Member
Michael Lillja	Executive	11 February 2013	Executive	-	-	Member
Markku Kankaala	NED	30 June 2003	Independent	Member	Member	Member
Alistair Ruiters	Executive	8 May 2015	Executive	-	-	-
Danko Koncar	n/a	11 August 2010 - 8 May 2015	(Executive)	-	-	-
Bernice Smart	n/a	11 February 2013 - 8 May 2015	(Independent)	(Chair)	(Member)	-

THE BOARD IN 2015

The new Board of Directors made it a priority during their term to review various elements relating to the operation and corporate governance of Afarak. A review of the main discussions and decision is presented below.

Corporate Governance

Strengthening the corporate governance structure of Afarak was selected as a priority area for the new Board. To this end, a review of the corporate reporting structure was undertaken whilst a review of the corporate structures was initiated. This is an ongoing process and work in this area is underway. In tandem, a review of internal policies and procedures was also initiated by the Board.

Review of policies & procedures

A thorough review of internal policies and procedures was initiated. Although the review is holistic in its nature, special focus was directed towards the human resources element where a review of employment scales, positions and wages was undertaken. A review of the Group's insurance was also undertaken by the Board together with the setting up of a Health Safety & Environment Committee which started to focus on the Group's health and safety policies. An exercise focusing on subsidiary meetings, corporate level meetings and information requirements was initiated. A decision was taken to kick-start a re-branding exercise so that all subsidiary companies will carry the Afarak brand. This is an ongoing process and will continue well into 2016.

Share performance

The Board implemented a decision taken by the AGM to move the London listing from primary to standard. Discussion on how to continue improving the share performance of the Company and various meetings were held with stakeholders in order to draw a road-map for improving liquidity and share performance. It was decided that a greater emphasis should be placed on investors relations with the aim of having road shows targeting a number of institutional investors. This process is currently underway, in parallel with the re-branding organisation.

Company performance

As part of the focus to improve the company's performance, it was decided to strengthen the oversight of subsidiaries as well as reporting frameworks. Given the exchange rate volatility it was also decided to close off foreign exchange positions in order to minimize the exchange rate risk.

A total of 17 meetings of the Board were held during the reporting period and the attendance of the directors is tabled below.

Meetings Attended	
Alfredo Parodi	17/17
Jelena Manojlovic	17/17
Markku Kankaala	17/17
Michael Lillja	16/17
Barry Rourke	10/10
Alistair Ruiters	10/10
Ivan Jakovčić	9/10
Danko Koncar	7/7
Bernice Smart	7/7

A total of 17 meetings were held during the reporting period. The differences in the meetings attended relate to the changes in the Board composition.

Remuneration

The Annual General Meeting held on 8 May 2015 approved that the Chairman of the Board and the Chairman of the Audit and Risk Management Committee shall be paid EUR 4,500 per month and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for 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 2015, the Board members received a total of **EUR 285,967** in Board and Committee membership fees.

BOARD COMMITTEES

Audit and Risk Management Committee

The Audit and Risk Management Committee currently has three members: Mr Barry Rourke (committee chairman), Mr Markku Kankaala and Mr Ivan Jakovčić.

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 2015, 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 2015, along with the regular scrutiny of the Group's compliance with laws, regulations and best practice.

Nomination and Remuneration Committee

The combined Nomination and Remuneration Committee of the Company currently has three members: Dr Jelena Manojlovic (committee chairperson), Mr Markku Kankaala and Ivan Jakovčić.

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.

During 2015, the Committee took a broad review of the company's HR function. It reviewed policies and procedures in this regard focusing on HR relationships across the Group. A streamlining exercise of employment grades and categories was initiated.

Health Safety and Sustainable Development Committee

The Health and Safety Committee of the Company currently has three members: Dr Alfredo Parodi (committee chairman), Mr Markku Kankaala, Mr Michael Lillja. Dr Stefano Bonati acts as a consultant to the Committee.

The Committee was set-up in 2015 with the stated mission to ensure Afarak conduct its business in a responsible and ethical manner for the benefit of all its stakeholders. The Committee's priority was to focus on its 'Zero Harm' policy and to this end, the Committee worked together with the CEO to establish a Health Safety and Environment Committee with the task of generating, implementing and maintaining a common global culture about safety, health, environment and communities. The Committee also continued to monitor Afarak's investment in environmental initiatives and projects.

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
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 may not be included.
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 may 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 2015 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.

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 & 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 prodecures.

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 surveillance of Group management;
- Supervision of the efficiency and functionality of the business operations ny Group management;
- 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.

stable operating prodecures.

Group Management

The Group's management is in charge of the day-to-day management of the Group in accordance with the 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 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 2015 the Company paid EUR 365,000 (412,000) for audit fees and EUR 29,000 for non-audit services (20,000) 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.

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, corporate management 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 2015

Members of the Board	Title	Shares	Related Party Shares	Options
Jelena Manojlovic	Chairman	150,000	0	0
Markku Kankaala	Non-executive Director	7,066,116	24,500	0
Michael Lillja	Executive Director	0	71	200,000
Alfredo Parodi	Chairman	22,600	0	0
Alistair Ruiters	Executive Director	400,000	0	600,000
Ivan Jakovčić	Non-executive Director	0	0	0
Barry Rourke	Non-executive Director	150,000	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar	Executive	0	70,459,254	800,000

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

The Company's Annual General Meeting ("AGM") was held on 8 May 2015. 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 2014. The capital redemption was paid on 20 May 2015.

The AGM resolved that the Chairman of the Board and the Chairman of the Audit and Risk Management Committee would be paid EUR 4,500 per month and the ordinary Board Members would be paid EUR 3,500 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 Group are not entitled to receive any remuneration for Board membership.

The AGM resolved that the Board of Directors comprises of seven members. Mr Michael Lillja, Mr Markku Kankaala, Dr Jelena Manojlovic and Dr Alfredo Parodi were re-elected to the Board. Mr Barry Rourke, Dr Alistair Ruiters and Mr Ivan Jakovčić were elected. The Board appointed from among its members the following members to the Committees:

Audit Committee

Barry Rourke (Chairman),
Markku Kankaala,
Ivan Jakovčić

The Nomination and Remuneration Committee

Jelena Manojlovic (Chairperson),
Markku Kankaala,
Ivan Jakovčić

Health, Safety and Environment Committee

Alfredo Parodi (Chairman),
Michael Lillja,
Markku Kankaala

The AGM resolved that authorised public accountant firm Ernst & Young Oy was re-elected as the Auditor of the Group for the year 2015.

The AGM resolved to authorise the Board of Directors to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 25,000,000 new shares or shares owned by the Company. This equates to approximately 9.6% of the Company's currently registered shares. The authorisation 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 authorisation, 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 authorisation 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 authorisation replaces all previous authorisations and is valid 2 years from the decision of the Annual General Meeting.

The AGM authorised the Board of Directors to resolve upon acquiring a maximum of 15,000,000 of the Company's own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision of the Annual General Meeting.

The AGM resolved to approve the proposed transfer of the Company's equity share listing on the Official List of the United Kingdom Listing Authority (''UKLA'') and on the Main Market of the London Stock Exchange plc from the Premium listing (commercial company) segment to the Standard listing (shares) segment as described in detail in the circular to shareholders dated 16 April 2015.

2016 Annual General Meeting

Afarak's 2016 Annual General Meeting will be held on 11 May 2016 at the Palace Restaurant, Helsinki.

Dividend Payout Proposal

The Board of Directors will propose a new dividend policy to the Annual General Meeting, which will be held on 11 May 2016. The Group will in future review it distributions to shareholders either through a capital redemption or dividend twice yearly at the time of full year and the half year announcements. This new policy will allow the Board to take prudent decisions based on market conditions whilst continuing to share its positive results with shareholders. In line with this new policy the Board will be recommending a EUR 0.02 per share distribution where EUR 0.01 will be paid in May 2016 and subject to market conditions a further EUR 0.01 will be paid in August 2016.

ADDITIONAL INFORMATION

Ligitation

Further to the announcement of 27 March 2014, whereby Afarak announced that the Group had been served a notice of arbitration by Chinese Suzhou Kaiyuan Chemical Co. Ltd ("Suzhou"), on 14 July 2015, Afarak announced that the claim by Suzhou was withdrawn. Suzhou's claim of EUR 2.66 million had related 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 and was served on Afarak's marketing arm Afarak Trading Limited (previously known as RCS Limited) and various companies which form part of the Chromex joint venture. As a result of the withdrawal the arbitration tribunal dismissed the claim and ordered Suzhou to pay the full arbitration cost.

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 2015, the registered number of Afarak Group Plc shares was 263,040,695 (259,562,434) and the share capital was EUR 23,642,049.59 (23,642,049.59).

On 31 December 2015, the Company had 4,244,717 (4,244,717) own shares in treasury, which was equivalent to 1.61% (1.64%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2015, was 258,795,978 (255,317,717).

At the beginning of the period under review, the Company's share price was EUR 0.33 on NASDAQ Helsinki and GBP 0.25 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.40 and GBP 0.33 respectively. During 2015 the Company's share price on NASDAQ Helsinki ranged from EUR 0.33 to EUR 0.67 per share and the market capitalisation, as at 31 December 2015, was EUR 105.7 (1 January 2015: 83.1) million. For the same period on the London Stock Exchange the share price range was GBP 0.25 to GBP 0.33 per share and the market capitalisation, as at 31 December 2015 was GBP 85.5 (1 January 2015: 65.5) million.

Based on the resolution at the AGM on 8 May 2015, 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 2016. The Company did not carry out any share buy-backs during 2015.

Flagging Notifications

On 30 April 2015, Afarak announced that as a result of a transaction that occurred between two controlled corporations of Dr Danko Koncar, Kermas Limited and Kermas Resources Limited, Kermas Limited has decreased below the threshold of 5% and Kermas Resources Limited has increased above the threshold of 25%. However, the total combined beneficial ownership of Dr Danko Koncar remains unchanged.

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.

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 2015.

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 2015 were Dr Jelena Manojlovic (Chairman), Mr Markku Kankaala and Mr Ivan Jakovcic.

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 360,000. He shall also receive 500,000 Company Shares as an incentive for each completed year of service acting as the Chief Executive Officer, the first 500,000 Company shares shall be received on 22 May 2016 and the second 500,000 shares shall be received on 22 May 2017 if he is still acting as CEO at that time.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage, and there is no set retirement age. CEO's agreement is a definite agreement for 2 years until 30th June 2017.

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 Annual General Meeting held on 8 May 2014 approved that all Board Members are paid EUR 3,500 per month and the Chairman of the Board and the Chairman of the Audit and Risk Committee are paid 4,500 per month. 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.

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 below.

EUR '000		**2015**			**2014**		
		Salaries	**Fees**	**Share-based remuneration**	**Salaries**	**Fees**	**Share-based remuneration**
Kankaala Markku			58			54	
Koncar Danko	CEO 11.2.2013 – 20.5.2015, Board member 11.8.2010 – 7.5.2015	86			240	0	
Lillja Michael	Board member 11.2.2013 onwards	120			120	0	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 17.6.2009 - 7.5.2015		58		0	54	
Parodi Afredo	Board member 11.2.2013 onwards. Chairman 8.5.2015 onwards		66		0	54	
Smart Bernice	Board member 11.2.2013 – 7.5.2015		19			54	
Alistair Ruiters	Board member 8.5.2015 onwards, CEO 21.5.2015 onwards	242		183			
Rourke Barry	Board member 8.5.2015 onwards		47				
Ivan Jakovcic	Board member 8.5.2015 onwards		39		0		
Total		**448**	**287**	**183**	**360**	**216**	**0**

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.

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.

Management remuneration

EUR '000	**2015**	**2014**
Short-term employee benefits	258	185
Post-employment benefits	0	0
Termination benefits	0	0
Share-based payments	0	42
Total	**258**	**227**

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 are 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 matured on 31 December 2015, and the maximum number of 2,900,000 options has 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.

In May 2015 the Group has granted the CEO, Alistair Ruiters 1,000,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares shall be received once the first vesting period has lapsed, on 22 May 2016. The second 500,000 Company shares shall be received by the employee on 22 May 2017. These shares have a lock-up period of two years form subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.40 per share. The value at year end was EUR 182,870.24

Directors' and EMT members' Shareholdings and Options at 31 December 2015

Members of the Board	Title	Shares	Related Party Shares	Options
Jelena Manojlovic	Chairman	150,000	0	0
Markku Kankaala	Non-executive Director	7,066,116	24,500	0
Michael Lillja	Executive Director	0	71	200,000
Alfredo Parodi	Chairman	22,600	0	0
Alistair Ruiters	Executive Director	400,000	0	600,000
Ivan Jakovčić	Non-executive Director	0	0	0
Barry Rourke	Non-executive Director	150,000	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar	Executive	0	70,459,254	800,000

FINANCIAL STATEMENTS

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KEY FIGURES

FINANCIAL INDICATORS

Continuing Operations		2015	2014	2013
Revenue	EUR'000	187,711	172,669	135,509
EBITDA	EUR'000	17,190	8,447	14,090
% of revenue		9.2%	4.9%	10.4%
Operating profit / loss (EBIT)	EUR'000	9,888	1,725	-7,984
% of revenue		5.3%	1.0%	-5.9%
Profit / loss before taxes	EUR'000	6,521	460	-11,130
% of revenue		3.5%	0.3%	-8.2%
Return in equity	%	4.4%	1.2%	-2.2%
Return on capital employed	%	9.3%	3.1%	0.0%
Equity ratio	%	64.2%	62.8%	68.5%
Gearing	%	-2.6%	-0.7%	-6.4%
Personnel at the end of the accounting period		773	698	779

KEY FIGURES

SHARE-RELATED KEY INDICATORS

		2015		2014		2013	
		Group	**Continuing Operations**	**Group**	**Continuing Operations**	**Group**	**Continuing Operations**
Earnings per share, basic	EUR	0.03	0.03	0.01	0.00	-0.02	-0.02
Earnings per share, diluted	EUR	0.03	0.03	0.01	0.00	-0.02	-0.02
Equity per share	EUR	0.65	0.65	0.69	0.69	0.74	0.74
Distribution*	EUR'000	2,588		5,106		4,884	
Distribution per share*	EUR	0.01		0.02		0.02	
Price to earnings	EUR	11.7		27.9		neg.	
Average number of shares	1000	256,652		249,280		244,135	
Average number of shares, diluted	1000	259,849		253,077		248,532	
Number of shares at the end of the period	1000	263,040		259,562		248,432	

Share price information (NASDAQ Helsinki)

		2015	2014	2013
Average share price	EUR	0.44	0.32	0.40
Lowest share price	EUR	0.33	0.21	0.30
Highest share price	EUR	0.67	0.42	0.48
Market capitalisation	EUR'000	105,742	83,060	79,498
Share turnover	EUR'000	16,936	6,638	1,826
Share turnover	%	14.5%	8.1%	1.8%

Share price information (London Stock Exchange)

		2015	2014	2013
Average share price	EUR	0.45	0.37	0.43
	GBP	0.33	0.30	0.37
Lowest share price	EUR	0.34	0.30	0.35
	GBP	0.25	0.24	0.30
Highest share price	EUR	0.45	0.39	0.47
	GBP	0.33	0.32	0.40
Market capitalisation	EUR'000	116,479	84,144	89,396
	GBP'000	85,488	65,540	74,530
Share turnover	EUR'000	6	9	19
	GBP'000	4	7	16
Share turnover	%	0.0%	0.0%	0.0%

** In 2014 and 2015 the Company distributed a capital redemption of EUR 0.02 per share out of the paid-up unrestricted equity fund. In 2016 the Board will propose to the AGM a new dividend policy and will recommend a EUR 0.02 per share distribution where EUR 0.01 per share will be paid in May 2016 and subject to market conditions a further EUR 0.01 will be paid in August 2016.*

KEY FIGURES

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
Distribution per share	Distribution / 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.- 31.12.2015	1.1 - 31.12.2014
Revenue	1	**187,711**	**172,669**
Other operating income	2	2,331	3,370
Materials and supplies		-142,349	-136,552
Employee benefits expense	3	-17,836	-16,123
Depreciation and amortisation	4	-7,302	-6,717
Other operating expenses	5	-11,928	-11,612
Impairment, net	4	0	-5
Loss on disposal on investment in associate	12	-327	0
Share of profit from associates	12	2	6
Share of profit from joint ventures	13	-414	-3,311
Operating profit		**9,888**	**1,725**
Finance Income	6	7,906	4,166
Finance Cost	6	-11,274	-5,431
Profit before taxes		**6,520**	**460**
Income taxes	7	1,236	12
Profit for the year from continuing operations		**7,756**	**472**
Discontinued operations			
Profit for the year from discontinued operations	8	783	1,773
Profit for the year		**8,539**	**2,245**
Profit attributable to:			
Owners of the parent		8,854	2,858
Non-controlling interests		-315	-613
		8,539	**2,245**
Earnings per share (counted from profit attributable to owners of the parent):	9		
basic (EUR), Group total		0.03	0.01
diluted (EUR), Group total		0.03	0.01
basic (EUR), continuing operations		0.03	0.00
diluted (EUR), continuing operations		0.03	0.00

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	1.1.- 31.12.2015	1.1 - 31.12.2014
Profit for the year	**8,539**	**2,245**
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurements of defined benefit pension plans	986	-4,036
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations - Group	-18,844	-5,198
Exchange differences on translation of foreign operations – Associate and Joint Venture	-3,126	-997
Income tax relating to other comprehensive income	4,552	-964
Other comprehensive income, net of tax	**-16,432**	**-11,195**
Total comprehensive income for the year	**-7,893**	**-8,950**
Profit attributable to:		
Owners of the parent	-6,790	-8,527
Non-controlling interests	-1,103	-423
	-7,893	**-8,950**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Property, plant and equipment	10	43,559	47,972
Goodwill	11	58,349	63,051
Other intangible assets	11	17,015	20,358
Investments in associates	12	0	92
Other financial assets	14	597	587
Receivables	14	38,638	39,910
Deferred tax assets	20	3,260	4,166
		161,418	**176,136**
Current assets			
Inventories	15	45,153	60,052
Trade and other receivables	16	40,779	40,769
Cash and cash equivalents	17	19,644	13,332
		105,576	**114,153**
Total assets		**266,994**	**290,289**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

EUR '000	Note	31.12.2015	31.12.2014
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent		**6,520**	**460**
Share capital	18	23,642	23,642
Share premium reserve		25,740	25,740
Legal Reserve		187	210
Paid-up unrestricted equity reserve		240,240	243,424
Translation reserve		-28,692	-12,061
Retained earnings		-93,755	-103,657
		167,362	**177,298**
Non-controlling interests		3,845	4,947
Total equity		**171,207**	**182,245**
Non-current liabilities			
Deferred tax liabilities	20	5,949	8,200
Interest-bearing debt	14	2,977	6,263
Share of joint ventures´ losses	13	23,218	19,580
Non-current liabilities (cont.)			
Pension liabilities	22	18,734	19,954
Other non-current debt	23	1,969	42
Provisions	21	9,309	10,137
		62,156	**64,176**
Current liabilities			
Trade and other payables	23	15,364	31,974
Provisions	21	99	77
Tax liabilities	23	6,036	5,951
Interest-bearing debt	14	12,132	5,866
		33,631	**43,868**
Total liabilities		**95,787**	**108,044**
Total equity and liabilities		**266,994**	**290,289**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	1.1.-31.12.2015	1.1.-31.12.2014
Operating activities		
Profit for the year	8,539	2,245
Adjustments to net profit:		
Non-cash items		
Depreciation and impairment	7,302	6,722
Finance income and cost	3,191	2,352
Income from associates	414	3,305
Income taxes	-1,236	-12
Share-based payments	103	154
Proceeds from non-current assets	-563	-3,029
Working capital changes:		
Change in trade receivables and other receivables	-5,525	2,732
Change in inventories	12,234	-13,298
Change in trade payables and other debt	-9,148	7,140
Change in provisions	-145	-1,113
Interest paid	-1,796	-1,240
Interest received	369	782
Other financing items	-218	-47
Income taxes paid	-1,163	-478
Discontinued operations	177	-1,087
Net cash from operating activities	**12,535**	**5,129**
Investing activities		
Acquisitions of subsidiaries, net of cash acquired	-201	0
Capital expenditure on non-current assets, net	-7,317	-14,347
Other investments, net	-239	1,785
Disposals of subsidiaries, net of cash sold	212	-2
Disposals of associated companies	109	0
Repayments of loan receivables and loans given, net	3,517	2,351
Net cash used in investing activities	**-3,919**	**-10,213**
Financing activities		
Capital redemption	-5,106	-4,884
Proceeds from borrowings	8,728	11,365
Repayments of borrowings	-5,649	-1,801
Repayments of finance leases	-71	-89
Net cash used in / from financing activities	**-2,098**	**4,590**

EUR '000	1.1.-31.12.2015	1.1.-31.12.2014
Change in cash and cash equivalents	**6,518**	**-494**
Cash at beginning of period	13,332	13,769
Exchange rate differences	-206	57
Cash at end of period	19,644	13,332
Change in the statement of financial position	**6,518**	**-494**

The cash flow from operating activites in 2015 includes discontinued operations relating to cash received in December 2015 of Eur 560 thousand less the storage costs of the saw mill equipment of Eur 327 thousand and commissions of Eur 56 thousand. The cash flow from operating activites in 2014 includes discontinued operations relating to LP Kunnanharju cleaning cost of Eur 585 thousand and the storage cost of the Sawmill equipment of Eur 501 thousand. The first part of the Sawmill equipment was sold in December 2014, however the cash inflows were actually received in January 2015.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital
B = Share premium reserve
C = Paid-up unrestricted equity reserve
D = Translation reserve
E = Retained earnings
F = Legal reserve
G = Equity attributable to owners of the parent, total
H = Non-controlling interests
I = Total equity

ATTRIBUTABLE TO OWNERS OF THE PARENT

EUR '000	A	B	C	D	E	F	G	H	I
Equity at 31.12.2013	**23,642**	**25,740**	**242,725**	**-4,773**	**-102,574**	**201**	**184,961**	**5,367**	**190,328**
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
Share 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				61	-61	9	9	0	9
Equity at 31.12.2014	**23,642**	**25,740**	**243,424**	**-12,061**	**-103,657**	**210**	**177,298**	**4,947**	**182,245**
Profit for the period 1-12/2015					8,854		8,854	-315	8,539
Other comprehensive income				-16,631	986		-15,645	-787	-16,432
Total comprehensive income				**-16,631**	**9,840**		**-6,791**	**-1,102**	**-7,893**
Share-based payments			183		91		274	0	274
Share Issue			1,739				1,739	0	1,739
Capital redemption			-5,106				-5,106	0	-5,106
Acquisitions and disposals of subsidiaries					-29		-29	0	-29
Other changes in equity						-23	-23	0	-23
Equity at 31.12.2015	**23,642**	**25,740**	**240,240**	**28,692**	**-93,755**	**187**	**167,362**	**3,845**	**171,207**

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 2015. 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 the 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 31 March 2016 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 in the statement of comprehensive income, 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 accounting 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

Amounts 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 end of each reporting period. 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 statements and statements 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. Exchange differences arising from operational transactions with third parties are included in operating profit; otherwise they are recorded under financial items.

All other items of the income statement are excluded from operating profit.

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 at the end of each reporting period. Changes in the estimates are recorded in the statement of comprehensive income. 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

At the end of each reporting period, 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 2015 financial year, testing took place on 31 December 2015. 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 statement of comprehensive income. 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 in the statement of comprehensive income 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%. Six sevenths 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 isdeclared. Taxes arising from items recognised directly in 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 end of the reporting period. 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. In 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. 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 and 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:

» IFRS 3 Business Combinations The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

» IFRS 8 Operating Segments The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Group has not applied the aggregation criteria in IFRS 8. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 1.5 in this period's financial statements.

» IFRS 3 Business Combinations The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

Afarak Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

» IFRS 13 Fair Value Measurement The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

The Group will apply the following new or amended standards and interpretations in the financial statements for the year 2016 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.

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 of IFRS 15 on the entities within the Group.

» IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will impact the Group to the extent that it undertakes future transactions of this nature, as this accounting approach differs to that which it would currently apply.

» IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute

a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will impact the Group to the extent that it undertakes future transactions of this nature, as this accounting approach differs to that which it would currently apply.

» IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements.
The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group is assessing the impact of this amendment to its financial statements.

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 2015

Afarak did not carry out any acquisitions during the financial year 2015.

1.3.2 FINANCIAL YEAR 2014

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

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 2015. 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 the end of each reporting period 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 2015, 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 note 13.

CHANGES IN GOODWILL DURING 2015

During the financial year 2015, the total goodwill of the Group decreased by EUR 4.7 million to a total of EUR 58.3 million. The decrease was mainly attributable to an exchange rate movement of EUR 4.4 million. A further decrease of EUR 0.3 million was recognised resulting from the disposal of investment in associate. In 2014, the synergy goodwill identified in the Mogale acquisition, related to Afarak Trading (previously known as RCS) acting as a global sales entity for the whole Group, was initially tested within Speciality Alloys segment, into which segment Afarak Trading (previously known as RCS) was included. To reflect the change in segments, where Afarak Trading (previously known as RCS) is now divided to both segments to reflect the nature of serving the whole Group, the Afarak Trading (previously known as 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 Afarak Trading (previously known as RCS) related benefits enjoyed by the CGU. The changes are described below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2015	41,412	21,639	63,051
Disposal of investment in associate	-307	0	-307
Exchange rate movement	-671	-3,724	-4,395
Goodwill 31.12.2015	**40,434**	**17,915**	**58,349**

The changes in goodwill during 2014 are presented below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2014	57,104	5,184	62,288
Reclassification between segments	-9,052	9,052	0
Exchange rate movement	-6,640	7,403	763
Goodwill 31.12.2014	**41,412**	**21,639**	**63,051**

Goodwill as a ratio of the Group's equity on 31 December 2015 and 31 December 2014 was as follows:

EUR '000	31.12.2015	31.12.2014
Goodwill	58,349	63,051
Equity	171,207	182,245
Goodwill/Equity, %	**34%**	**35%**

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 2015.

The information used in the 31 December 2015 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.

Cash Generating Unit	**Pre-tax discount rate**	
	2015	**2014**
Speciality Alloys	11.9%	14.9%
South African minerals processing	24.1%	23.3%

The key reasons for the changes in the discount rates compared to 2014 were the changes in risk-free interest rates in both cash-generating units.

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 2015

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	40.4	40.4	63.4	Clearly above
South African minerals processing	17.9	17.9	66.4	Clearly 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: 26,000 – 31,000 t/a Lumpy Cr ore: 21,000 – 29,000 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: 81,000 – 85,000 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 13.55.

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 2015 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	4.3% - points	-31.5%	-3.8% - points
South African minerals processing	10.2% - points	-32.5%	-7.7% - 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, Vlakpoort mine and the joint ventures, the Stellite mine and Mecklenburg mine in South Africa. The business produces chrome ore, charge chrome, charge chrome, medium carbon ferrochrome and silicomanganese 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. Chrome ore from TMS that is not utilised for the production of specialised low carbon ferrochrome is sold to the market.

The revenue and costs of the Group's sales and marketing arm Afarak Trading (previously known as 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 2015

Year ended 31.12.2015 EUR '000	**Speciality Alloys**	**Ferro Alloys**	**Segments total**	**Unallocated items**	**Eliminations**	**Consolidated Group**
External revenue						
Rendering of services	0	259	259	125	0	384
Sale of goods	95,555	91,515	187,070	257	0	187,327
Total external revenue	95,555	91,774	187,329	382	0	187,711
Inter-segment revenue	924	0	924	1,133	-2,058	0
Total revenue	**96,480**	**91,774**	**188,254**	**1,516**	**-2,058**[1]	**187,711**
Items related to associates (core)	0	0	0	0	0	0
Items related to joint ventures (core)	0	-414	-414	0	0	-414
Segment EBITDA	**12,740**	**7,467**	**20,207**	**-3,017**	**0**	**17,190**
Depreciation and amortisation	-2,617	-4,678	-7,295	-7	0	-7,302
Impairment	0	0	0	0	0	0

Segment operating profit/loss	**10,123**	**2,789**	**12,912**	**-3,024**	**0**	**9,888**
Finance income						7,906
Finance cost						-11,274
Income taxes						1,236
Profit / loss for the period from continuing Operations						**7,756**
Profit for the period from discontinued operations						782
Profit / loss for the period						**8,539**
Segment's assets [2]	**150,216**	**129,187**	**279,303**	**12,519**	**-24,929**	**266,994**
Segment's liabilities	**52,367**	**58,855**	**111,122**	**2,565**	**-18,000**	**95,787**
Other disclosures						
Gross capital expenditure [3]	4,035	3,952	7,988	0	0	**7,988**
Investments in associates [4]	0	0	0	0	0	**0**
Investment in joint ventures [4]	0	-23,218	-23,218	0	0	**-23,218**
Provisions [4]	2,954	6,455	9,308	0	0	**9,408**

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 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	160	160	15	0	175
Sale of goods	97,836	74,658	172,494	0	0	172,494
Total external revenue	97,836	74,818	172,654	15	0	172,669
Inter-segment revenue	0	0	0	132	-132	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]	**148,276**	**146,514**	**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.

Geographical information - Revenues from external customers

EUR '000	2015	2014
Other EU countries	74,945	77,530
United States	42,244	41,282
China	15,407	3,090
Africa	23,834	23,351
Finland	5,704	7,040
Other countries	25,577	20,376
Total revenue	**187,711**	**172,669**

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 14% (16%) of the Group's revenue in 2015. In the FerroAlloys business segment the largest customer represents 5% (7%) of the Group's revenue in 2015.

Non-current assets

EUR '000	2015	2014
Africa	46,183	53,835
Other EU countries	6,636	5,177
Finland	14	25
Other countries	7,741	9,385
Total	**60,574**	**68,422**

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	2015	2014
Sale of goods	187,327	172,494
Rendering of services	384	175
Total	**187,711**	**172,669**

2. Other operating income

EUR '000	2015	2014
Gain on disposal of tangible and intangible assets	50	45
Gain on disposal of investments	57	1,211
Rental income	307	297
Other	1,917	1,817
Total	**2,331**	**3,370**

3. Employee benefits

EUR '000	2015	2014
Salaries and wages	-16,330	-14,325
Share-based payments	-293	-154
Pensions costs	237	-241
Other employee related costs	-1,450	-1,403
Total	**-17,836**	**-16,123**

Average personnel during the accounting period

	2015	2014
Speciality Alloys business	372	387
FerroAlloys business	365	335
Group Management and other operations	5	4
Total	**742**	**726**

Personnel at the end of the accounting period

	2015	2014
Speciality Alloys business	402	355
FerroAlloys business	365	339
Group Management and other operations	6	4
Total	**773**	**698**

4. Depreciation, amortisation and impairment

Depreciation / amortisation by asset category	2015	2014
Intangible assets		
Clientele and technology	-1,740	-2,563
Other intangible assets	-350	-341
Total	**-2,090**	**-2,904**
Property, plant and equipment		
Buildings and constructions	-523	-398
Machinery and equipment	-3,280	-2,142
Other tangible assets	-1,409	-1,273
Total	**-5,212**	**-3,813**
Impairment by asset category		
Other intangible assets	0	-5
Total	**0**	**-5**

5. Other operating expenses

EUR '000	2015	2014
Rental costs	-673	-825
External services[1]	-3,122	-2,796
Travel expenses	-1,059	-855
Other operating expenses[2]	-7,074	-7,136
Total	**-11,928**	**-11,612**

1. Audit fees paid to EY totalled EUR 365 (2014: 412) thousand in the financial year. The fees for non-audit services totalled EUR 29 (2014: 20) thousand.
2. Other operating expenses include shutdown costs of EUR 2,093 (2014: 2,324) thousand in the financial year.

6. Financial income and expense

EUR '000	2015	2014
Finance income		
Interest income on loans and trade receivables	1,327	1,785
Foreign exchange gains	6,530	2,379
Other finance income	49	2
Total	**7,906**	**4,166**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-1,734	-1,223
Impairment losses on receivables	-1	0
Foreign exchange losses	-8,867	-3,141
Loss on assets at fair value	0	-461
Loss on disposal, assets available for sale	-113	0
Unwinding of discount, provisions	-642	-546
Other finance expenses	83	-61
Total	**-11,274**	**-5,431**
Net finance expense	**-3,368**	**-1,265**

7. Income taxes

EUR '000	2015	2014
Income tax for the period	494	-772
Income tax for previous years	0	-24
Deferred taxes	742	808
Other direct taxes	0	0
Income tax for continuing operations	**1,236**	**12**
Income tax for discontinued operations	0	0
Total	**1,236**	**12**

EUR '000	2015	2014
Profit before taxes	**7,303**	**2,233**
Income tax calculated at income tax rate	**-1,461**	**-447**
Tax exempt income	60	639
Difference between domestic and foreign tax rates	-1,542	432
Tax credit	3,717	2,031
Items recognised only for taxation purposes	557	-1,218
Income tax for previous years	0	-24
Income from JV and associates	83	-661
Impairment losses	0	-1
Tax losses not recognised as deferred tax assets	-352	-461
Non-tax deductible expenses	-96	-434
Previously unrecognised tax losses now recognised	270	156
Total adjustments	**2,697**	**459**
Income tax recognised	**1,236**	**12**

On 31 December 2015 the Group companies had unused tax losses totalling EUR 24.6 (24.2) million for which the Group has not recognised deferred tax assets.

8. Discontinued operations

EUR '000	2015	2014
Other operating income	580	1,286
Other operating expenses	-357	-713
Gain on disposal from discontinued operations	560	1,200
Profit for the period	**783**	**1,773**

The discontinued operation items relate to expenses in connection with the sawmill machinery and environmental cleaning costs. The Group sold part of the saw mill equipment which positively affected profit by EUR 0.8 (2014: 1.8) million that includes a release of EUR 0.2 (2014: 0.6) million from the provision in relation to the discontinued wood business.

9. Earnings per share

	2015			2014		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit attributable to owners of the parent company (EUR '000)	8,071	783	8,854	1,085	1,773	2,858
Weighted average number of shares, basic (1,000)	256,652	256,652	256,652	249,280	249,280	249,280
Basic earnings per share (EUR) total	**0.03**	**0.01**	**0.03**	**0.00**	**0.01**	**0.01**
Profit attributable to owners of the parent company (EUR '000)	8,071	783	8,854	1,085	1,773	2,858
Weighted average number of shares, basic (1,000)	256,652	256,652	256,652	249,280	249,280	249,280
Effect of share options on issue (1,000)	3,197	3,197	3,197	3,798	3,798	3,798
Weighted average number of shares, diluted (1,000)	259,849	259,849	259,849	253,077	253,077	253,077
Diluted earnings per share (EUR) total	**0.03**	**0.00**	**0.03**	**0.00**	**0.01**	**0.01**

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 1.1.2015	2,346	6,515	54,475	11,802	2,915	78,053
Additions		1,520	4,971	437	408	7,336
Disposals			-893		-5	-898
Reclass between items			-28		339	311
Effect of movements in exchange rates	-297	-535	-8,391	-1,308	-329	-10,860
Balance at 31.12.2015	**2,049**	**7,500**	**50,134**	**10,931**	**3,328**	**73,942**
Accumulated depreciation and impairment 1.1.2015		-3,060	-18,256	-7,230	-1,534	-30,080
Depreciation		-523	-3,280	-1,164	-245	-5,212
Disposals			54		3	57
Reclass between items						0

Effect of movements in exchange rates		257	3,455	840	300	4,852
Accumulated depreciation and impairment at 31.12.2015	**0**	**-3,326**	**-18,027**	**-7,554**	**-1,476**	**-30,383**
Carrying amount at 1.1.2015	**2,346**	**3,455**	**36,219**	**4,572**	**1,381**	**47,973**
Carrying amount at 31.12.2015	**2,049**	**4,174**	**32,107**	**3,377**	**1,852**	**43,559**
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**

Machinery and equipment include the prepayments made for them. In 2014 Mogale Alloys capitalisated 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 1.1.2015	110,481	109,232	4,863	699	225,275
Additions			123	529	652
Disposals	-307		-3		-310
Reclass between items			30		30
Effect of movements in exchange rates	-11,720	-6,339	-645	-107	-18,811
Balance at 31.12.2015	**98,454**	**102,893**	**4,368**	**1,121**	**206,836**

Accumulated amortisation and impairment 1.1.2015	**-47,430**	-92,683	-1,753	0	-141,866
Amortisation		-1,740	-338	-12	-2,090
Impairment					0
Reclass between items	**7,325**	4,982	174		12,481
Effect of movements in exchange rates		257	3,455	840	4,852
Accumulated amortisation and impairment at 31.12.2015	**-40,105**	**-89,441**	**-1,914**	**-12**	**-131,472**
Carrying amount at 1.1.2015	**63,051**	**16,549**	**3,110**	**699**	**83,409**
Carrying amount at 31.12.2015	**58,349**	**13,452**	**2,454**	**1,109**	**75,364**
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**	**83,409**

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	Value at reporting date	Ownership (%)	Reporting date	Assets	Liabilities	Revenue	Profit
2015								
Non-core associates								
Incap Furniture Oy *	Finland	0	24.1					
Valtimo Components Oyj *	Finland	0	24.9					
		0						

EUR '000	Domicile	Value at reporting date	Ownership (%)	Reporting date	Assets	Liabilities	Revenue	Profit
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						

** 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.

During the financial year 2015, Afarak divested its holding in the associated company Speciality Super Alloys Inc. This led to a loss on sale of investment in associate of EUR 0.3 million.

Movements in 2015

EUR '000	1.1.2015	92
Share of profit		2
Exchange rate differences		15
Proceeds from disposal		-109
	31.12.2015	**0**

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

Movements in 2014

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

13. Investments in joint ventures

At the end of the financial year 2015, 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	2015	2014
Revenue	**18,954**	**11,153**
Other operating income	**289**	**212**
Materials and supplies	-13,595	-7,895
Employee benefits expense	-1,124	-1,493
Depreciation and amortisation	-1,855	-1,798
Other operating expenses	-2,017	-1,980
Impairment, net	0	-4,235
Operating profit / loss	**652**	**-6,036**
Finance income	1,891	382
Finance cost	-3,093	-2,256
Loss before taxes	**-549**	**-7,911**
Income taxes	306	1,418
Loss for the year	**-243**	**-6,492**
Group's share of loss for the year	**-124**	**-3,311**
Loss attributable to:		
Joint venture owners	-86	-2,839
Non-controlling interests	-38	-472
	-124	**-3,311**

Assets and liabilities

EUR '000	2015	2014
Non-current assets		
Intangible assets	4,187	2,668
Mines and mineral assets	24,543	30,712
Property, plant and equipment	2,824	3,761
Non-current assets total	**31,555**	**37,141**
Current assets		
Inventories	1,239	1,911
Trade and other receivables	419	546
Trade and other receivables from JV owners	747	166
Cash and cash equivalents	1,264	511
Current assets total	**3,669**	**3,134**
Total assets	**35,224**	**40,275**
Non-current liabilities		
Interest-bearing debt	26,423	23,679
Interest-bearing debt to JV owners	32,573	34,406
Provisions	1,665	1,725
Deferred tax liability	7,046	8,820
Other non-current liabilities to JV owners	5,624	5,004
Non-current liabilities total	**73,332**	**73,634**
Current liabilities		
Trade and other payables	5,255	3,648
Trade and other payables to JV owners	2,163	1,385
Current liabilities total	**7,418**	**5,033**
Total liabilities	**80,750**	**78,667**
Net Liability	**-45,526**	**-38,392**
Proportion of Group's Ownership	51 %	51 %
Carrying amount of Joint venture	**-23,218**	**-19,580**

At the end of 2015, Synergy Africa Group had 65 (56) employees. The average number of employees in full year 2015 was 63 (59).

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 2015.

The statement of financial position of Synergy Africa 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 is 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 2015. Similarly to 2014, in view of the weak situation in the chrome market, Synergy Group assessesed whether there is any indication of impairment and consequently the assets of the business were tested for impairment. Contrary to the impairment recognised in the previous year in view of the weak market conditions, no further impairment was recognised in 2015 subsequent to the impairment assessment made on the assets of Synergy Group.

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 2015.

The information used in the 31 December 2015 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 2015 impairment testing was 23.64% for Mecklenburg mine and 21.52% for Stellite mine. The cash flows in the Stellite mine impairment test review include both opencast and recycling of tailing dam by way of using the shaking table technology. The cash flows in the Mecklenburg mine impairment test review only includes underground operation. The Stellite mine model has a life of mine of 30 years whereas the Mecklenburg mine model has a life of mine of 16 years.

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 2015

As a result of the tests carried out Synergy Africa did not pass any impairment as the impairment tests indicated that the recoverable amounts from the mines exceed the carrying amount and consequently no impairment was required.

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 15.75.

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: Opencast mining of 169,500t/a in 2016; 193,000 in 2017 and 2018; 168,000 in 2019; and 72,000 as from 2020 till 2045 PGM: 5,591oz t/a from 2018 till 2045	SA Chrome Ore – UG2 CIF adjusted for FOM, based on external experts (Heinz Pariser) price forecasts 2018 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 excluding inflation is estimated to be ZAR 745 per saleable ton of chrome.
Mecklenburg mine	ROM: Underground 5,300t/a in 2016; 140,600t/a in 2017; and is planned to increase to an average of 380,000t/a as from 2018 till 2031	SA Chrome Ore – Lumpy CIF adjusted for FOM, based on external experts (Heinz Pariser) price forecasts	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 excluding inflation is estimated to be ZAR 550 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 2015 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
Stellite Mine	15.8% - points	-57.6%	3.3%	-19.6%- points
Mecklenburg Mine	12.7% - points	-60.0%	9.9%	-33.1% - points

14. Financial assets and liabilities

31.12.2015, EUR '000

Non-current financial assets	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current interest-bearing receivables		597	33,165		33,763
Trade and other receivables *			441		441
Current financial assets					
Current interest-bearing receivables			3,519		3,519
Trade and other receivables *			23,407		23,407
Other financial assets			0		0
Cash and cash equivalents			19,644		19,644
Carrying amount of financial assets	**0**	**597**	**80,176**	**0**	**80,773**
Fair value of financial assets	**0**	**597**	**80,176**	**0**	**80,773**
Non-current financial liabilities					
Non-current interest-bearing liabilities				2,975	2,975
Other non-current liabilities				1,969	1,969
Current financial liabilities					
Current interest-bearing liabilities				12,133	12,133
Trade and other payables *				11,783	11,783
Derivatives				0	0
Carrying amount of financial liabilities				**28,860**	**28,860**
Fair value of financial liabilities				**28,860**	**28,860**

31.12.2014, EUR '000

Non-current financial assets	**Assets available-for-sale**	**Assets held-to-maturity**	**Loans and other receivables**	**Liabilities measured at amortised cost**	**Total carrying amount**
Non-current interest-bearing receivables		587	34,406		34,993
Trade and other receivables *			499		499
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**

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

FAIR VALUE HIERARCHY

31.12.2015, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives		0	
Total		**0**	

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

31.12.2015, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2015	**40**
Acquisition cost at 31.12.2015	**40**
Accumulated impairment losses at 1.1.2015	-40
Accumulated impairment losses at 31.12.2015	-40
Carrying amount at 31.12.2015	**0**

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**

Interest-bearing debt

EUR '000	2015	2014
Non-current		
Bank loans	2,970	6,238
Subordinated loans	5	5
Finance lease liabilities	0	20
Total	**2,975**	**6,263**
Current		
Bank loans	5,071	5,039
Finance lease liabilities	22	70
Cheque account with overdraft facility	4,532	757
Other interest-bearing liabilities	2,508	0
Total	**12,133**	**5,866**

EUR '000	2015	2014
Finance lease liabilities, minimum lease payments		
No later than 1 year	22	70
Later than 1 year and not later than 5 years	0	20
	22	**90**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	22	70
Later than 1 year and not later than 5 years	0	20
	22	**90**

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 2015

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 2015 closing date:

The Group's financial assets decreased in consequence of various capital expenditure project that the Group conducted during the year. The capital expenditure related primarily to the Speciality Alloys segment where TMS continued the investment of fines tailing processing plant at Kavak to increase annual mining volume and the new dust exhaustion at EWW which was commissioned in December 2015. Capital expenditure for 2015 also included the dryer in the ferrochrome plant at Mogale Alloys, replacement of the furnace refractories during the shutdown period and the acquisition of new plant vehicles. At Vlakpoort mine the Group continued investing to ramp up the bulk sample operation. The cash flow effect for capital expenditure totalled EUR 7.3 million during the year.

Also repayments of financial liabilities reduced the Group's financial assets during the year.

On 31 December 2015, 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 0.6 (4.6) million. Other financial assets comprise interest-bearing loans and other receivables.

During the year Mogale Alloys has been granted an increase in the overdraft facility of ZAR 50 million to ZAR 100 million to better manage its working capital.

TMS has also been granted a loan facility during the year of USD 500 thousand to finance the capital expenditure projects at Tavas and Kavak mines.

Interest-bearing debt 31 December 2015

» Floating rate loans from financial institutions total EUR 7.8 (11.0) million. Fixed rate loans total EUR 7.5 (1.1) million.

» The interest rate of the South African loans is tied to the market rate of JIBAR. The interest rate on 31 December 2015, based on market interest rates at that date, was 6.63 % (5.83%). 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 2015, based on market interest rates at that date, was 0.54 % (0.26%). The interest rate margin for floating rate notes was 3.75% (3.75%) p.a.

» The interest rate of the Turkish bank loan facility is tied to the market rate of LIBOR. The interest rate on 31 December 2015, based on market interest rates at that date, was 0.45 % (0.26%). The interest rate margin for the fixed rate notes was 0.75% (0.00%) p.a.

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 above 50%. At the end of the reporting period, the Group's equity ratio stood at 64.2% (62.8%).

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 Afarak Trading Limited (previously known as RCS Limited) must not be lower than 5; Debt cover ratio of Afarak Trading Limited (previously known as RCS Limited) must be greater than 3; leverage ratio of Afarak Trading Limited (previously known as RCS Limited) 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 Alloys 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 the end of the reporting period there has not been any breach of covenant at Afarak Trading Limited (previously known as RCS Limited). At Mogale Alloys both the debt service cover and the Net Debt to EBITDA ended up in breach. Management will do the utmost to restore the situation within the covenant limits. Despite the covenant breach during the year the same South African bank has granted an increase in the overdraft facility to Mogale Alloys to better manage its working capital.

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 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:

31.12.2015, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	8,042	-8,527	-2,744	-2,314	-3,469	0	0
Finance lease liabilities	22	-22	-12	-10	0	0	0
Trade and other payables	13,310	-13,310	-11,243	-82	-1,984	0	0
Bank overdraft	4,532	-4,532	-4,532	0	0	0	0
Derivatives	0	0	0	0	0	0	0
Total	**25,904**	**-26,391**	**-18,530**	**-2,407**	**-5,454**	**0**	**0**

31.12.2014, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
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**

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

31.12.2015, EUR '000	EUR exchange rate	1	1.0887	0,7340	3,1765	16,9530
		EUR	**USD**	**GBP**	**TRY**	**ZAR**
Cash and cash equivalents (EUR)		4,026	13,768	118	227	1,504
Trade and other receivables (EUR)		4,514	22,521		41	3,048
Loans and other financial assets (EUR)			821	913	377	8,229
Trade and other current payables (EUR)		-3,784	-828	-15	-473	-5,258
Loans and other liabilities (EUR)		-1,913	-8,061		-335	-6,768
Currency exposure, net (EUR)		31,738	28,222	1,016	-162	755
Currency exposure, net in currency ('000)		**31,738**	**30,725**	**746**	**-515**	**12,807**

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)		17,342	12,908			2,609
Loans and other financial assets (EUR)		39,952			545	0
Trade and other current payables (EUR)		-11,916	-2,795	-9	-363	-6,253
Loans and other liabilities (EUR)		-76	-10,108		-488	-1,500
Currency exposure, net (EUR)		48,043	8,659	120	-239	-3,403
Currency exposure, net in currency ('000)		**48,043**	**10,513**	**93**	**-675**	**-47,762**

The effect on the 31 December 2015 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 2015

	USD	GBP	TRY	ZAR
20% strengthening	7,055	254	-41	189
15% strengthening	4,980	179	-29	133
10% strengthening	3,136	113	-18	84
5 % strengthening	1,485	53	-9	40
0% no change	0	0	0	0
-5% weakening	-1,344	-48	8	-36
-10% weakening	-2,566	-92	15	-69
-15% weakening	-3,681	-132	21	-99
-20% weakening	-4,704	-169	27	-126

31 December 2014

	USD	GBP	TRY	ZAR
20% strengthening	2,165	30	-60	-851
15% strengthening	1,528	21	-42	-601
10% strengthening	962	13	-27	-378
5 % strengthening	456	6	-13	-179
0% no change	0	0	0	0
-5% weakening	-412	-6	11	162
-10% weakening	-787	-11	22	309
-15% weakening	-1,129	-16	31	444
-20% weakening	-1,443	-20	40	567

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 2014 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. The group does not apply hedge accounting.

	2015		2014	
EUR '000	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
FX-Forwards	0	0	41,586	4,066
FX-Options	0	0	4	0

(iii) 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 2015, 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 2015 and 31 December 2014 was as follows:

Interest rate profile of interest-bearing financial instruments (EUR '000)

Fixed rate instruments	**31.12.2015**	**31.12.2014**
Financial assets	3,500	7,502
Financial liabilities	-7,521	-1,102
Fixed rate instruments, net	**-4,021**	**6,399**
Variable rate instruments		
Financial assets	33,184	36,705
Financial liabilities	-7,755	-11,028
Variable rate instruments, net	**25,429**	**25 677**
Interest-bearing net debt	**28,151**	**32 076**

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 2015, and if there were no changes in exchange rates.

31 December 2015

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-664	155	-509
-1.50%	-498	116	-381
-1.00%	-332	78	-254
-0.50%	-166	39	-127
0.00%	0	0	0
0.50%	166	-39	127
1.00%	332	-78	254
1.50%	498	-116	381
2.00%	664	-155	509

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

(iv) 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 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 31.12.2015	EUR '000 31.12.2014
Interest-bearing		
Cash and cash equivalents	19,644	13,332
Receivables from related parties	36,073	41,406
Other interest bearing receivables	611	2,800
Interest-bearing, total	**56,328**	**57,538**
Interest-free		
Trade receivables	23,407	19,447
Other short-term receivables	6,507	6,814
Trade and other receivable from associate	2,289	1,385
Long-term receivables	6,070	5,504
Interest-free, total	**38,273**	**33,150**
Total	**94,601**	**90,688**

(v) 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 2015.

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 2015 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 36,000 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 2015

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR '000	EUR '000
2,72	20 %	23,129	21,973
2,61	15 %	17,347	16,480
2,49	10 %	11,565	10,986
2,38	5 %	5,782	5,493
2,27	0 %	0	0
2,15	-5 %	-5,782	-5,493
2,04	-10 %	-11,565	-10,986
1,93	-15 %	-17,347	-16,480
1,81	-20 %	-23,129	-21,973

Financial year 2014

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR '000	EUR '000
2,74	20%	20,912	19,866
2,63	15%	15,684	14,900
2,51	10%	10,456	9,933
2,40	5%	5,228	4,967
2,29	0%	0	0
2,17	-5%	-5,228	-4,967
2,06	-10%	-10,456	-9,933
1,94	-15%	-15,684	-14,900
1,83	-20%	-20,912	-19,866

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 110,000 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 2015 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 2015

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
1,10	20%	20,903	15,050
1,06	15%	15,677	11,288
1,01	10%	10,451	7,525
0,97	5%	5,226	3,763
0,92	0%	0	0
0,87	-5%	-5,226	-3,763
0,83	-10%	-10,451	-7,525
0,78	-15%	-15,677	-11,288
0,74	-20%	-20,903	-15,050

Financial year 2014

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
1,30	20%	22,004	15,843
1,24	15%	16,503	11,882
1,19	10%	11,002	7,921
1,13	5%	5,501	3,961
1,08	0%	0	0
1,03	-5%	-5,501	-3,961
0,97	-10%	-11,002	-7,921
0,92	-15%	-16,503	-11,882
0,86	-20%	-22,004	-15,843

15. Inventories

EUR '000	2015	2014
Goods and supplies	16,389	30,611
Unfinished products	117	90
Finished products	28,646	29,351
Total	**45,152**	**60,052**

16. Trade and other current receivables

EUR '000	2015	2014
Trade receivables	23,407	19,447
Loan receivables	415	3,836
Interest-bearing receivables	3,519	7,034
Prepaid expenses and accrued income	3,307	3,201
Income tax receivables	5,058	3,323
Other receivables	5,073	3,928
Total	**40,779**	**40,769**

Prepaid expenses and accruals mainly relate to rental contracts, personnel expenses, VAT receivables and accrued interest for loans. The values of receivables at the end of the reporting period 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.

The aging of trade receivables at the end of the reporting period

EUR '000	2015	2014
Not past due	12,708	14,121
Past due 0-30 days	10,936	5,579
Past due 31-60 days	96	176
Past due 61-90 days	99	0
Past due more than 90 days	-432	-430
Total	**23,407**	**19,447**

17. Cash and cash equivalents

Cash and cash equivalents in the cash flow statement:

EUR '000	2015	2014
Cash and bank balances	**18,793**	**12,449**
Pledged deposits	508	4,286

EURO '000	31.12.2015	31.12.2014
Cash and bank balances	18,793	12,449
Short-term money market investments	851	883
Total	**19,644**	**13,332**

18. Notes to equity

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
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**
Subscriptions based on option rights	3,478,261	3,478,261	0
31.12.2015	**263,040,695**	**258,795,978**	**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.

TREASURY SHARES
On 31 December 2015 the Company had altogether 4,244,717 (4,244,717) of its own shares, which was equivalent to 1.61 (1.64) % of all registered shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2015 was 258,795,978 (255,317,717).
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 2015 resolved to authorize the Board of Directors to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 25,000,000 new shares or shares owned by the Company. This equates to approximately 9.6% of the Company's currently registered shares. 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 authorisation replaces all previous authorisations and is valid 2 years from the decision of the Annual General Meeting.

The Annual General Meeting authorised the Board of Directors to resolve upon acquiring a maximum of 15,000,000 of the Company's own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision of the Annual General Meeting.

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).

On 16 April 2015, Afarak announced that the Company intended to transfer the listing segment of its share on the Main Market of the London Stock Exchange to a Standard listing from the current Premium listing. The proposed change to a Standard listing was subject to shareholder approval and the Board sought authority from the shareholders to transfer its listing on the London Stock Exchange. The purpose of the transfer is to allow the Company to reduce the costs of its listing which arise from the regulatory burden applicable to companies with a Premium listing, which would no longer be applicable following transfer to a Standard listing. The trading arrangements for the Company's shares on the NASDAQ Helsinki Stock Exchange and on the London Stock Exchange remain unchanged.

On 16 April 2015, Afarak announced that the company had published a circular to shareholders in connection with the proposed transfer of the listing segment of its shares on the Main Market of the London Stock Exchange to a Standard listing from the current Premium listing.

On 9 June 2015 Afarak announced that the United Kingdom Listing Authority had given its approval to effect the shares transfer on the Main Market of the London Stock Exchange to a Standard listing from a Premium listing, and that the transfer had now become effective.

SHARE PERFORMANCE AND TRADING

During the financial year 2015, the price of Afarak Group's share in London Stock Exchange varied between GBP 0.25 (0.24) and GBP 0.33 (0.32) and in NASDAQ Helsinki between EUR 0.33 (0.21) and EUR 0.67 (0.42). Afarak's share closed in London at the end of the financial year at GBP 0.33 (0.25) and Helsinki at EUR 0.40 (0.32). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 263,040,695 (259,562,434) shares of GBP 85.5 (65.5) million and EUR 105.7 (83.1) million.

A total of 13,248 (23,013) Afarak shares were traded in London and 38,224,080 (20,927,217) shares in Helsinki during the financial year, representing 0.01% (0.01%) of stock in London and 14.53% (8.06%) in Helsinki.

SHAREHOLDERS

On 31 December 2015, the Company had a total of 4,433 shareholders (4,030 shareholders on 31 December 2014), of which eight were nominee-registered. The registered number of shares on 31 December 2015 was 263,040,695 (259,562,434).

Largest shareholders on 31 December 2015

	Shareholder	Shares	%
1	Nordea Bank Finland Plc *	164,508,392	62.5
2	Hino Resources Co. Ltd **	34,881,903	13.3
3	Joensuun Kauppa ja Kone Oy	11,272,326	4.3
4	Kankaala Markku Olavi	7,066,116	2.7
5	Clearstream Banking S.A.	6,663,927	2.5
6	Moncheur & Cie	6,607,183	2.5
7	Hanwa Company Limited	6,000,000	2.3
8	Afarak Group Plc	4,244,717	1.6
9	Hukkanen Esa Veikko	4,223,048	1.6
10	Danske Bank Plc	925,810	0.4
	Total	**246,393,422**	**93.7**
	Other Shareholders	16,647,273	6.3
	Total shares registered	**263,040,695**	**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.*

Afarak Group Plc's Board members and Chief Executive Officer owned in total 7,813,287 (78,078,926) Afarak Group Plc shares on 31 December 2015, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 3.0% (30.1%) of the total number of registered shares on 31 December 2015.

Shareholders by category 31 December 20155

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1-100	752	16.96	45,522	0.02
101-1,000	2,148	48.45	1,133,151	0.43
1,001-10,000	1,312	29.60	4,466,944	1.70
10,001-100,000	190	4.29	5,257,160	2.00
100,001-1,000,000	22	0.50	6,670,306	2.54
1,000,001-10,000,000	6	0.14	34,804,991	13.23
in excess of 10,000,000	3	0.07	210,662,621	80.09
Total	**4,433**	**100**	**263,040,695**	**93.7**
of which nominee-registered	8		173,362,087	1.6
Total outstanding			**263,040,695**	**100.00**

Shareholders by shareholder type on 31 December 2015

	% of share capital
Finnish shareholders	**15.98 %**
of which:	
Companies and business enterprises	6.49 %
Banking and insurance companies	0.07 %
Non-profit organisations	0.00 %
Households	9.41 %
Foreign shareholders	83.95 %
Total	100 %
of which nominee-registered	65.91 %

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.

In May 2015 the Group has granted the CEO, Alistair Ruiters 1,000,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares shall be received once the first vesting period has lapsed, on 22 May 2016. The second 500,000 Company shares shall be received by the employee on 22 May 2017. These shares have a lock-up period of two years form subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.40 per share. The value at year end was EUR 182,870.24

On 14 August 2015, Afarak announced that it has resolved to offer 3,478,261 new ordinary shares in the Company ("New Shares") to Gujo Investment (Pty) Limited, one of the vendors of Mogale Alloys (a company acquired in May 2009) under the settlement agreement announced on 11 October 2012. Following completion of the share issue, the consideration for the acquisition was fully satisfied. All of the New Shares were subscribed for and the subscriptions have been approved by the Board of Directors. The total subscription price of EUR 1,739,130.50 (EUR 0.5 per share) has been fully satisfied through offset against the settlement receivables of the Vendor related to the Mogale Alloys acquisition.

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
Nature of the plan	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
Number of options	6 191 998	1 450 000	1 450 000	100 000	175 000
Options series	I/2011	I/2008	I/2008	F (I/2005)	E (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
Dividend adjustment	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
Share price at grant date	0.90	1.26	1.26	1.00	1.75
Option life	1.1 - 3.1	5.3	6.3	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
Execution	In shares	In shares	In shares	In shares	In shares
Expected volatility	45 %	44 %	44 %	56 %	46 %
Expected option life at grant date (years)	5.3 years	5.0 years	5.0 years	5.1 years	4.9 years
Risk free rate, Euribor 12 months	2.24%	4.33%	4.33%	3.11%	3.66%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected personnel reductions	0	0	0	0	0
Fair value at grant date (EUR)	0.14 - 0.46	0.33	0.33	1.06	1.20
Valuation model	Up and in Call	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)	Number of options
	EUR/share	
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
At the beginning of 2015	0.83	9,191,998
Forfeited options	0.78	100,000
Forfeited options	2.18	2,900,000
At the end of 2015	**0.26**	**6,191,998**
Exercisable at the end of 2015	0.26	1,400,000

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

Year of forfeiting	Exercise price (EUR)	Number of shares
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 2016 AGM.

20. Deferred tax assets and liabilities

Movements in deferred taxes in 2015

EUR '000	31.12.2014	Exchange rate differences	Recognised in income statement	Business combinations and divestments	31.12.2015
Deferred tax assets:					
Unrealised expenses	1,587	-7	-972		608
Pension liabilities	988		-173		815
From translation difference	983		187	-43	1,127
Group eliminations	608	-30	132		710
Total	**4,166**	**-37**	**-826**	**-43**	**3,260**
Deferred tax liabilities:					
Assets at fair value in acquisitions	6,395	-504	-944		4,947
Translation difference	0			0	0
Other timing differences	1,805	-182	-621		1,002
Total	**8,200**	**-686**	**-1,565**	**0**	**5,949**

Movements in deferred taxes in 2014

EUR '000	31.12.2013	Exchange rate differences	Recognised in income statement	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**

EUR '000	31.12.2013	Exchange rate differences	Recognised in income statement	Recognised in equity	31.12.2014
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		1,805
Total	**8,507**	**300**	**-607**	**0**	**8,200**

21. Provisions

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2015	9,133	1,081	10,214
Additions	11	495	506
Releases and reversals	-247	-190	-437
Unwinding of discount	642	0	642
Exchange differences	-1,362	-155	-1,517
Balance at 31.12.2015	**8,177**	**1,231**	9,408

EUR '000	2015	2014
Long-term provisions	9,309	10,137
Short-term provisions	99	77
Total	**9,408**	**10,214**

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.

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 (0.8) million has been recognised on the 2015 statement of comprehensive income. 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 18.7 (20.0) million on 31 December 2015. The Group has considered that the value on 31 December also corresponds with the amount of net obligation at the end of the reporting period. The Group does not own the assets of the pension plans.

Retirement benefit obligation

EUR '000	2015	2014
Present value of funded obligation	24,101	24,454
Fair value of plan assets	-5,367	-4,500
Net liability	**18,734**	**19,954**

Movements in defined benefit obligation

EUR '000	2015	2014
Defined benefit obligations at 1.1.	24,454	20,187
Benefits paid by the plan	-781	-707
Current service costs	393	305
Interest expense	510	674
Actuarial (gains) / losses	-475	3,995
Closing balance at 31.12.	**24,101**	**24,454**

Movements in the fair value of the plan assets

EUR '000	2015	2014
Fair value of the plan assets at 1.1.	4,500	4,092
Expected return on plan assets	98	143
Benefits paid by the plan	-131	-100
Asset gains / (losses)	511	-40
Contributions paid into the plan	389	405
Closing balance at 31.12.	**5,367**	**4,500**

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

Expense recognised in statement of comprehensive income

EUR '000	2015	2014
Current service cost	-393	-305
Interest cost	-510	-674
Expected return on plan assets	98	143
	-805	**-836**

Actual return on plan assets totalled EUR 0.50 (-0.04) million in 2015.

Principal actuarial assumptions

	2015	2014
Discount rate	2.22 %	2.12 %
Expected return on plan assets	1.83 %	2.43 %
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	2015	2014
Present value of defined benefit obligation	-24,101	-24,454
Fair value of plan assets	5,367	4,500
Deficit in the plan	**-18,734**	**-19,954**
Experience adjustments arising on plan liabilities	-81	-398
Experience adjustments arising on plan assets	-511	40
Adjustments due to change in actuarial assumptions	-393	4,394

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 2015, the employee severance indemnity recognised in accordance with IAS 19 the financial statements totalled EUR 0.8 (0.7) million.

23. Trade payables and other interest-free liabilities

EUR '000	2015	2014
Non-current		
Other liabilities	1,969	42
Total non-current	**1,969**	**42**
Current		
Purchase price liabilities (paid as shares)	0	2,186
Current liabilities to related parties	6	0
Trade payables	9,673	19,143
Payables to associated companies	209	167
Accrued expenses and deferred income	4,797	10,472
Current advances received	100	0
Income tax liability	6,036	5,951
Other liabilities	579	6
Total non-current	**21,400**	**37,925**

1.8 RELATED PARTY DISCLOSURES

1.8.1 Group structure on 31 December 2015

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
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
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
Afarak Trading Ltd (previously known as 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

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

Associated companies

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.*

Afarak disposed Afarak Suisse in 2015.

Afarak divested its holding in the associated company Speciality Super Alloys Inc. This led to a loss on sale of investment in associate of EUR 0.3 million.

Dezzo Trading 184 (Pty) Ltd, Didox (Pty) Ltd, PGR 17 Investments (Pty) Ltd, and Waylox Mining (Pty) Ltd were deregistered as at 31 December 2015.

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

EUR '000		**2015**			**2014**		
		Salaries	**Fees**	**Share-based remuneration**	**Salaries**	**Fees**	**Share-based remuneration**
Kankaala Markku			58			54	
Koncar Danko	CEO 11.2.2013 – 20.5.2015, Board member 11.8.2010 – 7.5.2015	86			240	0	
Lillja Michael	Board member 11.2.2013 onwards	120			120	0	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 17.6.2009 - 7.5.2015		58		0	54	
Parodi Afredo	Board member 11.2.2013 onwards. Chairman 8.5.2015 onwards		66		0	54	
Smart Bernice	Board member 11.2.2013 – 7.5.2015		19			54	
Alistair Ruiters	Board member 8.5.2015 onwards, CEO 21.5.2015 onwards	242		183		0	
Rourke Barry	Board member 8.5.2015 onwards		47	0			
Ivan Jakovcic	Board member 8.5.2015 onwards		39		0		
Total		**448**	**287**	**183**	**360**	**216**	**0**

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.
The CEO receives an annual salary of EUR 360,000. He shall also receive 500,000 Company Shares as an incentive for each completed year of service acting as the Chief Executive Officer, the first 500,000 Company shares shall be received on 22 May 2016 and the second 500,000 shares shall be received on 22 May 2017 if he is still acting as CEO at that time.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage, and there is no set retirement age. The table includes the Executive Management Team remuneration excluding the CEO. The CEO and Board members compensation has been presented separately.

Management remuneration

EUR '000	2015	2014
Short-term employee benefits	258	185
Post-employment benefits	0	0
Termination benefits	0	0
Share-based payments	0	42
Total	**258**	**227**

BUSINESS REORGANISATIONS

The AGM held on 8 May 2015 resolved that the Board of Directors comprises of seven members. Mr Michael Lillja, Mr Markku Kankaala, Dr Jelena Manojlovic and Dr Alfredo Parodi were re-elected to the Board. Mr Barry Rourke, Dr Alistair Ruiters and Mr Ivan Jakovcic were elected.

On 21 May 2015, Afarak announced changes in the Company's management structure so that its current executive management team and board member Dr Alistair Ruiters was appointed new Chief Executive Officer ("CEO") of the Company. Dr. Danko Koncar, is now focusing on the operational matters of the Company as Business Development Director, reporting to the CEO. Dr Ruiters continues to serve as a board member of the Company. Further, Mr Michael Lillja, currently head of marketing and a board member, has assumed the responsibilities of Marketing Director while continuing as a board member.

The current executive management team is as follows

Dr. Alistair Ruiters, CEO
Dr. Danko Koncar, Business Development Director
Michael Lillja, Marketing Director

Furthermore, the board has also reviewed the composition of the board committees.

The new committees are as follows:

Audit Committee
Barry Rourke, Chairman
Markku Kankaala
Ivan Jakovcic

The Nomination and Remuneration Committee
Jelena Manojlovic, Chairman
Markku Kankaala
Ivan Jakovcic

The Committee for Health Safety and Sustainable Development
Alfredo Parodi, Chairman
Michael Lillja
Markku Kankaala

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 32.6 (34.4) million loan receivable and EUR 7.9 (6.4) million trade and other current and non-current receivables from its joint venture companies. Trade and other payables to joint venture companies amounted to EUR 0.2 (0.2) million. Interest income from a joint venture company totalled EUR 1.0 (1.0) million during the financial year 2015.

The Group had on 31 December 2015 a EUR 3.5 (7.0) million receivable from Kermas Ltd.

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 0.4 (0.2) million. The Group has also made raw material purchases from a joint venture amounting to EUR 9.4 (4.4) million and received services from a related party amounting to EUR 0.1 (0.1) million.

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

On 31 December 2015 the Group's parent company had short-term loan receivables from the members of the Board amounting to EUR 0.0 (0.1) million.

1.9 COMMITMENTS AND CONTINGENT LIABILITIES

1.9.1 MORTGAGES AND GUARANTEES PLEDGED AS SECURITY

On 31 December 2015 the Group had a loan from a financial institution totalling EUR 8.0 (10.3) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 64.2 (71.2) million. Moreover, the Group companies have given cash deposits totalling EUR 0.1 (4.1) million as security for their commitments. The value of other collaterals totalled EUR 0.5 (0.5) million as at 31 December 2015. 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, Afarak Trading Ltd (previously known as RCS Ltd), was granted a loan facility from a Maltese bank in 2013. As at year end 2015 the balance was US$ 7.6 (EUR 7.0) 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 87.4 (EUR 5.2) million at year end and are disclosed as current financial liability in the financial statements. The financial coventants attached to this loan were breached during the year. Management will do the utmost to restore the situation within the covenant limits.

1.9.3 RENTAL AGREEMENTS

Liabilities associated with rental and operating lease agreements totalled some EUR 0.7 (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 (0.0) million as at 31 December 2015.

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 2015 the indebtedness subject to these guarantees was EUR 1.3 (1.3) million in aggregate.

1.10 EVENTS AFTER THE REPORTING PERIOD

On 5 January 2016, Afarak announced that the Company has signed further sale agreements in relation to parts of the saw mill equipment, acquired by the Company in 2008. The transaction from the discontinued operation positively affects the Q4/2015 profit.

On 14 January 2016, Afarak announced that its subsidiary Türk Maadin Şirketi A.S (TMS) has been granted the exploitation mining license for Eskisehir -Mihaliccik Karaagac "Eagle Field".

On 4 February 2016, Afarak announced that its wholly owned subsidiary Afarak Trading Limited (RCS) has entered into a long-term agreement with US company Carpenter Technology Corporation. Afarak Trading Limited will provide low carbon ferrochrome.

On 11 February 2016, Afarak announced that Ilitha Mine has completed a Shaking Table plant. Ilitha Mine is part of the Synergy Africa joint venture between Afarak and Kermas Limited. The Shaking Table technology, 13 already used in the mines of Afarak's Turkish subsidiary TMS, will allow the company to treat the Tailing Dump for chrome and increase Ilitha Mine's total plant mass yield from currently 49% to 65%.This in turn will drastically reduce the operating cost per ton. Full production is expected to be reached by Mid-March 2016.

PARENT COMPANY'S FINANCIAL STATEMENTS

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.2015 - 31.12.2015	1.1.2014 - 31.12.2014
Revenue	**1**	**1,259**	**150**
Other operating income	2	57	46
Personnel expenses			
Salaries and wages		-861	-556
Pension expenses		-4	-16
Other social security expenses		-30	-28
Social security expenses total		**-34**	**-44**
Personnel expenses total		**-895**	**-601**
Depreciation and amortisation	3		
Depreciation and amortisation according to plan		-5	-11
Depreciation and amortisation total		-5	-11
Other operating expenses	4	-1,951	-1,554
OPERATING PROFIT (LOSS)		**-1,535**	**-1,969**
Financial income and expenses:	5		
Other financial income			
From Group companies		1,093	1,877
From others		488	**159**
Interests and other financial expenses			
To Group companies		-51	-56
To others		-110	-206
Financial income and expenses total		**1,420**	**1,774**
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		**-115**	**-195**
PROFIT BEFORE TAXES		**-115**	**-195**
Income taxes	6		
Income taxes		0	0
NET PROFIT		**-115**	**-195**

PARENT COMPANY'S FINANCIAL STATEMENTS

BALANCE SHEET (FAS)

EUR '000	Note	1.1.2015 - 31.12.2015	1.1.2014 - 31.12.2014
Assets			
Non Current Assets			
Property, plant and equipment	7		
Machinery and equipment		14	25
Total property, plant and equipment		14	**25**
Investments	8		
Shares in Group companies		215,931	215,931
Receivables from Group companies		8,015	8,015
Total investments		**223,946**	**223,946**
Total non-current assets		**223,960**	**223,971**
Current Assets		**-1,535**	**-1,969**
Receivables	9		
Non-current receivables			
Receivables from Group companies		47,965	**55,261**
Other interest-free receivables		128	128
Total non-current receivables		**48,093**	**55,388**
Current receivables			
Trade receivables		1	1
Receivables from Group companies		9,318	6,828
Receivables from Holding companies		1,164	988
Other interest-bearing receivables		181	43
Other non interest-bearing receivables		8	27
Prepaid expenses and accrued income		192	131
Total current receivables		**10,865**	**8,018**
Cash and cash equivalents		**603**	**221**
Total current assets		**59,561**	**63,628**
Total Assets		**285,521**	**287,599**

PARENT COMPANY'S FINANCIAL STATEMENTS

BALANCE SHEET (FAS) (CONT.)

EUR '000	Note	31.12.2015	31.12.2014
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	10		
Share capital		23,642	23,642
Share premium reserve		25,223	25,223
Paid-up unrestricted equity reserve		246,433	249,800
Retained earnings		-13,839	-13,644
Profit for the period		-115	-195
Total shareholders' equity		**281,345**	**284,827**
LIABILITIES	11		
Non-current liabilities			
Liabilities to Group companies		1,248	1,248
Loans from associated companies		5	5
Total non-current liabilities		**1,254**	**1,254**
Current liabilities			
Liabilities to Group companies		113	66
Accounts payable		77	36
Accounts payable to Group companies		86	833
Other liabilities		441	24
Accrued expenses and deferred income		206	560
TOTAL CURRENT LIABILITIES		**922**	**1,518**
TOTAL LIABILITIES		**2,176**	**2,772**
TOTAL EQUITY AND LIABILITIES		**283,521**	**287,599**

PARENT COMPANY'S FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS (FAS)

EUR '000	Note	1.1.2015 - 31.12.2015	1.1.2014 - 31.12.2014
Operating activities			
Net profit		-115	-195
Adjustments:			
Depreciation and amortisation		5	11
Unrealised foreign exchange gains and losses		-60	-90
Finance income and expense		-1361	-1,683
Cash flow before working capital changes		-1,530	-1,958
Working capital changes:			
Change in current trade receivables		-1,134	109
Change in current non interest-bearing debt		-324	692
Cash flow before financing items and taxes		-2,988	-1,157
Interests received from Group companies		1,014	0
Interests received and other financing items		166	147
Interests paid and other financing items		-110	-93
Income taxes paid		1	33
Net cash from operating activities		**-1,917**	**-1,070**
Investing activities			
Acquisitions of subsidiaries and associates		6	0
Net cash used in investing activities		**6**	**0**
Financing activities			
Repayments of non-current loans to group companies		7,929	6,350
Repayments of current loans given to Group companies		10	0
Non-current loans to group companies		-555	-334
Repayments of current loan receivables		15	9
Capital redemption		-5,106	-4,884
Net cash used in financing activities		**2,292**	**1,141**
Change in cash and cash equivalents		**2,176**	**2,772**
Cash at beginning of period		221	150
Cash at end of period		603	221
Change in the balance sheet		**381**	**71**

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 & 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	2015	2014
By business line:		
Services	1,259	150
Other revenue	0	0
Total	**1,259**	**150**
By geography:		
Finland	3	3
EU countries	616	68
Other countries	640	79
Total	**1,259**	**150**

2. Other Operating Income

EUR '000	2015	2014
Gain on disposal of property, plant and equipment	0	0
Other income	57	46
Total	**57**	**46**

3. Depreciation, Amortisation and Impairment

EUR '000	2015	2014
Depreciation and amortisation according to plan		
Intangible rights	0	-2
Machinery and equipment	-5	-9
Total	**-5**	**-11**

4. Other Operating Expenses

EUR '000	2015	2014
Voluntary employee benefits	-19	-3
Premise expenses	-63	-105
Machinery and equipment expenses	-77	-84
Travelling expenses	-32	-54
Representation expenses	-14	-15
Marketing expenses	-9	0
Administration expenses	-1,720	-840
Other operating expenses	-17	-454
Total	**-1,951**	**-1,554**

5. Financial Income and Expense

EUR '000	2015	2014
Other financial income		
From Group companies	1,093	1,877
From others	488	159
Other financial expense		
To Group companies	-51	-56
To others	-110	-206
Total	**1,420**	**1,774**

6. Income Taxes

EUR '000	2015	2014
Profit for the period	-115	-195
Adjustments for tax calculation	26	41
Taxable income	**-88**	**-154**
Tax advances paid	-34	-35
Tax deferral based on taxable income	34	35
Income tax of the period	**0**	**0**
Tax loss carryforward used	0	0
Net income taxes	**0**	**0**
Income tax receivable	34	35
Income tax payable	0	0

2.3 NOTES TO ASSETS

7. Fixed Assets

EUR '000	2015	2014
Machinery and equipment		
Acquisition cost 1.1.	283	283
Disposals	-6	0
Acquisition cost 31.12.	277	283
Accumulated depreciation 1.1.	258	248
Depreciation for the period	5	9
Accumulated depreciation 31.12.	263	258
Book value 31.12.	**14**	**25**

8. Investments

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2015	285,979	8,153	19,618	313,750
Additions				
Acquisition cost 31.12.2015	285,979	8,153	19,618	313,750
Accumulated depreciation and impairment 1.1.2015	-70,048	-8,153	-11,603	-89,804
Impairment	0			0
Accumulated depreciation and impairment 31.12.2015	-70,048	-8,153	-11,603	-89,804
Book value 31.12.2015	**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
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
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
Afarak Trading Ltd (previously known as 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

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

Associated companies

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.*

Afarak disposed of Afarak Suisse in 2015.

Afarak divested its holding in the associated company Speciality Super Alloys Inc. This led to a loss on sale of investment in associate of EUR 0.3 million.

Dezzo Trading 184 (Pty) Ltd, Didox (Pty) Ltd, PGR 17 Investments (Pty) Ltd, and Waylox Mining (Pty) Ltd were deregistered as at 31 December 2015.

9. Receivables

EUR '000	2015	2014
Receivables from group companies		
Non-current		
Loan and other receivables	47,887	55,261
Interest receivables	78	0
Total	**47,965**	**55,261**
Current		
Loan receivables	7,304	5,575
Trade receivables	1,967	1,218
Interest receivables	**35**	**34**
Prepayments and accrued income	12	0
Total	**9,318**	**6,828**

Other interest-bearing receivables

EUR '000	2015	2014
Current		
Loan receivables	19	34
VAT receivable	162	10
Total	**181**	**43**

Other interest-free receivables

EUR '000	2015	2014
Non-current		
Other prepaid expenses and accrued income	128	128
Total	**128**	**128**

Current		
Trade receivables	1	1
Receivables from associated companies	1,164	988
Other receivables	8	27
Total	**1,174**	**1,016**

Prepaid expenses and accrued income	**2015**	2014
Income tax receivable	34	35
Accrued interest income	1	1
Other prepaid expenses and accrued income	158	95
Total	**192**	**131**

2.4 NOTES TO EQUITY & LIABILITIES

10. Shareholders' equity

EUR '000	**2015**	**2014**
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	**2015**	**2014**
Paid-up unrestricted equity reserve 1.1.	249,800	249,101
Rights Issue	1,739	5,583
Capital redemption to the shareholders	-5,106	-4,884
Paid-up unrestricted equity reserve 31.12	**246,433**	**249,800**
Retained earnings	**2015**	**2014**
Retained earnings 1.1.	-13,644	-13,756
Profit for the previous financial year	-195	112
Retained earnings 31.12.	**-13,839**	**-13,644**
Profit for the financial year	**-115**	**-195**
Total shareholders' equity	**281,345**	**284,827**

Distributable funds	2015	2014
Retained earnings 1.1.	-13,839	-13,644
Profit for the financial year	-115	-195
Retained earnings 31.12.	**-13,953**	**-13,839**
Paid-up unrestricted equity reserve	246,433	249,800
Distributable funds 31.12.	**232,480**	**235,962**

11. Liabilities

Non-current liabilities

EUR '000

Non-current interest bearing debt	2015	2014
Loans from Group companies	1,248	1,248
Total	**1,248**	**1,248**

Non-current interest-free debt	2015	2014
Loans from associated companies	5	5
Earn-out purchase consideration liabilities	0	0
Total	**5**	**5**

Current Liabilities

EUR '000

Current interest bearing debt	2015	2014
Other debt to Group companies	50	50
Total	**50**	**50**

Current interest-free debt	2015	2014
Accounts payable	77	36
Payables to Group companies	86	833
Other debt	441	24
Other debt to Group companies	63	16
Accrued expenses and deferred income	206	560
Total	**872**	**1,468**

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	31.12.2015	31.12.2014
Commitments on behalf of subsidiaries		
Guarantees	11.9	10.7
Commitments on behalf of others		
Guarantees	1.3	1.3
Other own contingent liabilities		
Leasing amd rent liability	0.0	0.2
Commitments and contingent liabilities total	**13.2**	**12.2**

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)	2015	2014
Employees	3	3

Management remuneration	2015	2014
Chief Executive Officer	425	234
Board members	286	216

The CEO receives an annual salary of EUR 360,000. He shall also receive 500,000 Company Shares as an incentive for each completed year of service acting as the Chief Executive Officer, the first 500,000 Company shares shall be received on 22 May 2016 and the second 500,000 shares shall be received on 22 May 2017 if he is still acting as CEO at that time.

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

INFORMATION ON SHARES AND SHAREHOLDERS

Changes in the number of shares and share capital

On 31 December 2015, the registered number of Afarak Group Plc shares was 263,040,695 (259,562,434) and the share capital was EUR 23,642,049.59 (23,642,049.59).

On 31 December 2015, the Company had 4,244,717 (4,244,717) own shares in treasury, which was equivalent to 1.61% (1.64%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2015, was 258,795,978 (255,317,717).

On 14 August 2015, Afarak announced that it has resolved to offer 3,478,261 new ordinary shares in the Company ("New Shares") to Gujo Investment (Pty) Limited, one of the vendors of Mogale Alloys (a company acquired in May 2009) under the settlement agreement announced on 11 October 2012. Following completion of the share issue, the consideration for the acquisition was fully satisfied. All of the New Shares were subscribed for and the subscriptions have been approved by the Board of Directors. The total subscription price of EUR 1,739,130.50 (EUR 0.5 per share) has been fully satisfied through offset against the settlement receivables of the Vendor related to the Mogale Alloys acquisition.

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 7,813,287 (78,078,926) Afarak Group Plc shares on 31 December 2015 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 3.0% (30.1%) of all outstanding shares that were registered in the Trade Register on 31 December 2015.

31.12.2015

Board and CEO total:		**Shares**	**Options**
Alistair Ruiters	Executive Director & CEO	400,000	600,000
Jelena Manojlovic	Dependent Non-Executive Director	150,000	0
Markku Kankaala	Non-Executive Director	7,090,616	0
Michael Lillja	Executive Director	71	200,000
Alfredo Parodi	Chairman & Non-Executive Director	22,600	0
Barry Rourke	Non-Executive Director	150,000	0
Ivan Jakovcic	Non-Executive Director	0	0
Board and CEO total		**7,813,287**	**800,000**
All shares outstanding		263,040,695	263,040,695
Proportion of all shares		3.0 %	0.3 %

On 31 December 2014 the total number of registered shares was 259,562,434 and the Board and CEO's ownership corresponded to 30.1% of the total number of registered shares.

Auditor's fees

EUR '000	2015	2014
Ernst & Young Oy		
Audit	201	277
Other services	28	20
Total	**229**	**297**

BOARD'S DIVIDEND PROPOSAL

In 2016 the Board will propose to the AGM a new dividend policy and will recommend a EUR 0.02 per share distribution where EUR 0.01 per share will be paid in May 2016 and subject to market conditions a further EUR 0.01 will be paid in August 2016.

SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

HELSINKI 31 MARCH 2016

ALFREDO PARODI
Chairman

ALISTAIR RUITERS
Member of the Board, Chief Executive Officer

JELENA MANOJLOVIC
Member of the Board

MICHAEL LILLJA
Member of the Board

MARKKU KANKAALA
Member of the Board

BARRY ROURKE
Member of the Board

IVAN JAKOVCIC
Member of the Board

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

HELSINKI 31 MARCH 2016
ERNST & YOUNG OY

ERKKA TALVINKO
Authorised Public Accountant

AUDITOR'S REPORT

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TRANSLATION

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. - 31.12.2015. 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 31, 2016
ERNST & YOUNG OY
Authorized Public Accountant Firm

ERKKA TALVINKO
Authorized Public Accountant

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