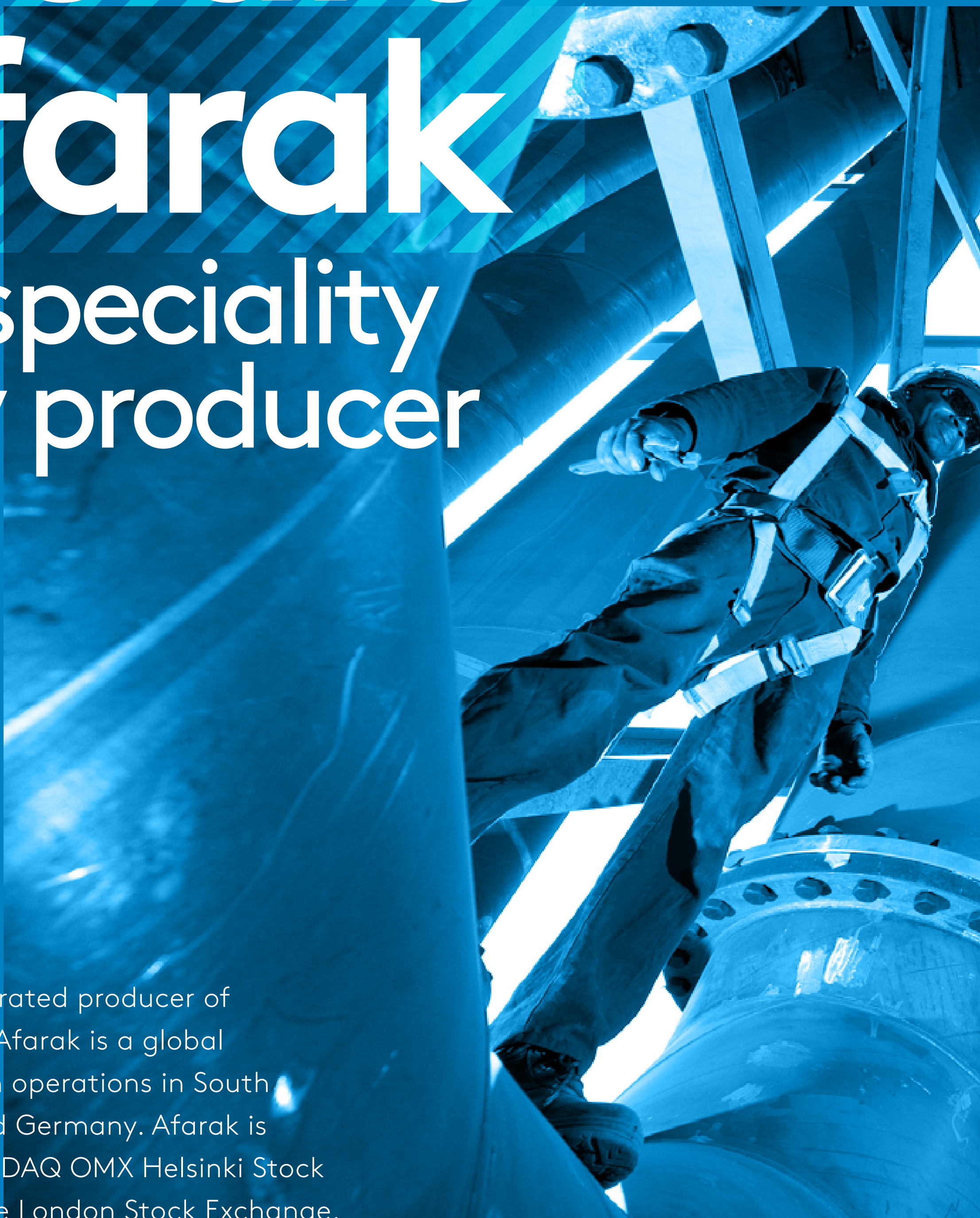

ANNUAL REPORT 2018
AFARAK ANNUAL REPORT 2018
AFARAK
GROUP

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 NASDAQ OMX Helsinki Stock Exchange and the London Stock Exchange.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SEGMENTS

FERROALLOYS

Products

FeCr
Mc FeCr

End-user Industry

Stainless steel

SPECIALITY ALLOYS

Products

LLL FeCr
ELC FeCr
HCr FeCr

End-user Industry

Aerospace
Renewable Energy
Automotive
Oil & Gas

CEO Report

The Afarak leadership team has designed and implemented corrective measures across the business. Despite some setbacks we are balanced, resilient and ready to continue to integrate and optimise the business.

GUY KONSBRUCK
CEO

2018 marked a particularly disruptive and difficult year for Afarak. The unforeseen challenges in the South African assets were exacerbated by the lower average ferrochrome benchmark prices. These factors led to the Group posting poor results when compared to the record performance for 2017.

The Afarak leadership team has designed and implemented corrective measures across the business. Despite some setbacks we are balanced, resilient and ready to continue to integrate and optimise the business.

We have a clear objective to ensure that Afarak returns to growth.

2018 IN REVIEW

Several operational issues including technical faults in processing equipment in our South African mining operations, weak geological formations and lower quality of ore caused reduced production outputs, ultimately affecting raw material supply to Mogale. In addition, increasing production costs, a strengthening of the Rand and the forced closure of the P3 furnace in Mogale all had a bearing on the results. This has also happened against the backdrop of lower benchmark prices for ferrochrome. In 2018, the average benchmark price for ferrochrome was USD 131 c/lb compared to USD 142 c/lb in 2017.

The Speciality segment continued to improve its operations. Revenues increased on account of higher sales volumes and stable prices for material produced until the end of Q3. Our new investment in a fine tailing plant in Turkey supported the improved performance of the segment. However, the weakening of the US Dollar against the Euro and the softening market prices starting in Q4 2018 impinged on the results.

The Group is responding to these challenges. The Executive Management Team is highly focused on optimising the performance of the South African assets. The Mogale plant is today under a new management team which is tasked with improving operations and cutting costs. The team has already started to implement a turnaround strategy and production is shifting from charge chrome to high carbon ferrochrome which currently commands higher margins. Mining operations are also being re-focused with a resulting reduction in fixed costs and capital expenditure. In our German plant we have managed to reduce the production costs in order to cope with lower market prices.

GROWTH STRATEGY

A number of initiatives are currently underway across our units to further strengthen our operations. The Mecklenburg underground mining investment could be delayed and open-pit mining is set to continue in first quarter 2019. The PGM Plant in Stellite is operating and further improvements are expected to come on stream in the coming quarters. At Zeerust, mine beneficiation equipment is currently being repaired, and processing of tailings is expected to start in Q2 2019. Vlakpoort restarted operations during the year and plans are underway to increase the highwalls. In Serbia, the Company continues to upgrade the beneficiation plant and the rotary kiln at the Magnohrom site for operation later this year.

SUSTAINABILITY

Afarak remains committed to sustainable operations and continues to focus its efforts both on the health and safety of its employees as well as on its corporate social responsibility. This year has seen Mogale commission a 2.8 MW waste gas heat recovery unit now producing electric power, which saves electricity costs and reduces CO_2 emissions. This is just one of our environmental initiatives, we are investing in mine rehabilitation and also water management. As miners, we believe that we have an obligation towards the environment, and we will continue investing in supporting such initiatives.

I am also proud of our local management teams that have focused their efforts and energies on improving our performance in health & safety. We remain determined to preserve the lives, health and the overall well-being of our employees. In 2018 we have registered an improvement in key health & safety indicators across all of our assets. We remain committed to continue investing and implementing initiatives in this regard.

We continue to engage with our local host communities, in Turkey and South Africa. Our efforts extend beyond the social dimension. We continue supporting educational initiatives, infrastructure investments and also local entrepreneurship. We see ourselves as enablers to invest and build skills in local communities whilst supporting local charities. Our commitment to these communities will continue to be a key focus on our local management teams.

LOOKING AHEAD

The market continues to remain volatile and challenging. The Ferrochrome benchmark for Q1 2019 fell to USD 112 c/lb on account of a softening demand for stainless steel in China. This is the lowest since the benchmark settled in Q3 2017.

As a Company, as well as improving performance at Mogale, we are focusing on reducing our cost of mining, increasing our yields and improving extraction of resources on a continued basis. The Company is focused on further consolidating and streamlining its operations and is committed to increasing its resilience to pricing fluctuations. Improved commercial execution, cost discipline and technical excellence are the areas of focus for ensuring the delivery of our strategy.

As instructed by the Extraordinary General Meeting held in November 2018, management is currently working on the repurchase of Afarak's own shares and plans are underway to present the proposals and documentation to the shareholders as soon as practicable. As communicated, the Company is also looking into potential changes in domicile and a delisting from Nasdaq Helsinki. Management is currently finalising funding arrangements and it is believed that the offer period will run from end-May to June 2019. Further details will be communicated in due course.

THANK YOU

The year has been challenging however all local teams; employees and management have responded. We have worked as a team across units and countries to face the challenges and more importantly to implement resilience-building strategies at plant and unit level. I would like to thank everybody for the countless hours, the mutual respect and the support and belief in changing practices and processes.

I would like to also thank all our clients for their continued support and trust and also our host communities for their positive attitude to our Group. Lastly, I thank the Board, led by our Chairman, for putting their trust in me and for continuing to serve the Company with their experience and insight.

The Ferro-Chrome and Chrome Ore Market

Afarak Group operates primarily in the chrome industry.

Chrome ore is generally used in metallurgical applications in order to produce Ferro-Chrome. However, chrome ore is also used, though to a much lesser extent, in manufacturing of refractories, pigments and dyes. Finally, chrome ore can be utilized as foundry sand. Afarak produces metallurgical, refractory and foundry grade ore, together with ferrochrome.

Ferro-Chrome is an important ingredient of stainless steel, hence, our activity is correlated to the developments of the stainless-steel industry

2018 in Review

Global economic growth has slowed down and is estimated to be at 3.7% in 2018, mainly due to Europe and Asia. The tariff increases in the United States and China had a bearing with the latter economy slowing down, although still showing growth. Growth is expected to contract further in 2019.

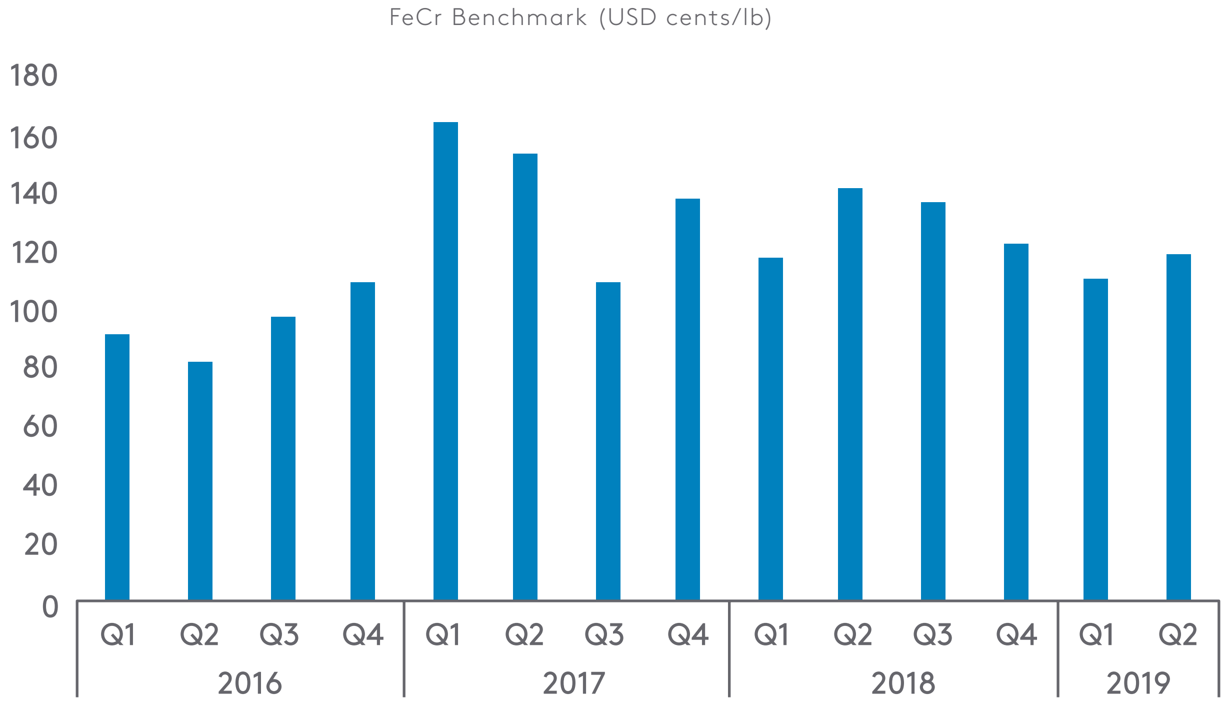
STAINLESS STEEL

In 2018, global stainless-steel production is estimated to have increased by 6.1% year on year, on par with 2017's increased production, despite increasing macroeconomic uncertainty in key producing regions.

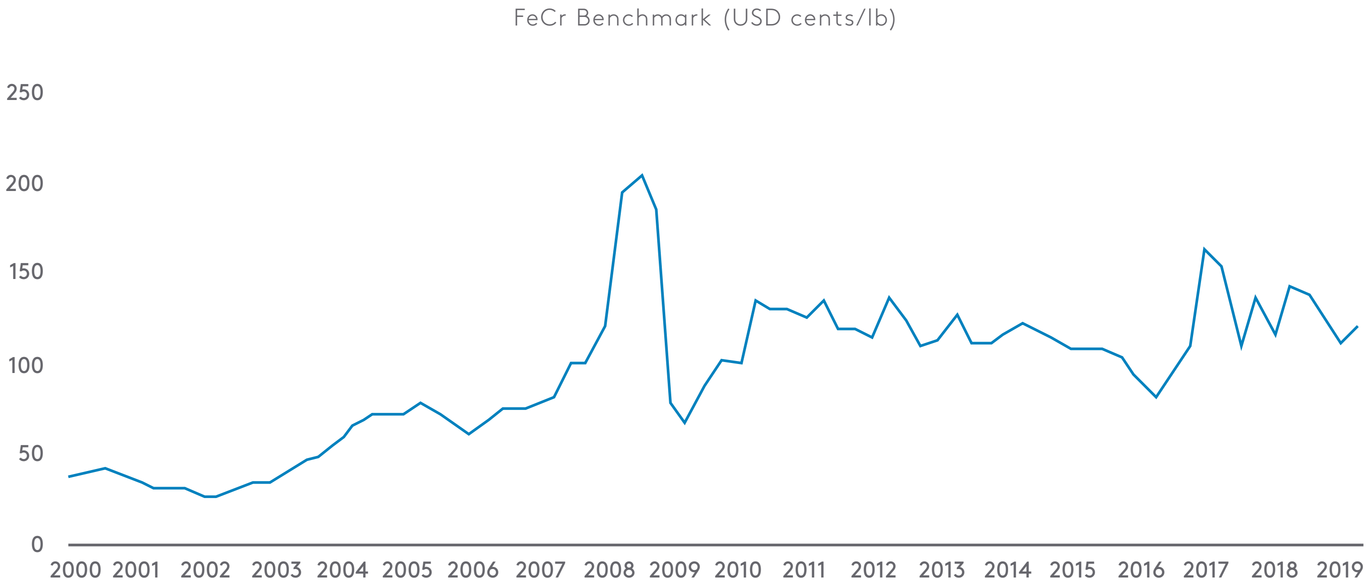
Asia continued to be the major source of increase in production with Indonesia, India and China being the main drivers. On the other hand, US production increased only marginally, whilst Europe's production remained broadly stable.

The long-term outlook for stainless steel demand remains positive. Key global mega trends such as urbanization, modernization, and increased mobility combined with growing global demand for energy, food, and water are expected to support the future growth of stainless-steel demand. However, in the short term, negative developments, like recently the China-US trade dispute, regularly create strong variance in usage and price of Chrome units.

FERROCHROME



Despite the increase in demand for stainless steel and ferrochrome, chrome and ferrochrome prices did not mirror this stronger demand. Although price levels recovered after the low benchmark price in quarter one, prices again declined throughout the year. The average ferrochrome benchmark price for 2018 was USD 131c/lb compared to USD 142c/lb in 2017. Going forward, the market is expected to strengthen again after another contraction in quarter one. However, the benchmark remains highly unstable as pricing cycles have become more frequent and more volatile as shown below.



In view of this volatility, building resilience is a key goal for Afarak. Apart from enhancing its vertical integration, Afarak continues to take measures and undertake investments that will allow it to produce higher value-added products and offer a broader product portfolio.

Group Operational Review

Operationally, 2018 presented mixed results for the Group. The tonnages gained from the mining sector were partly offset by the reduction in smelting activity due to plant specific issues at Mogale in South Africa. In addition, sales volumes contracted from a year earlier despite growth in the speciality segment.

Group Sales

100,567mt

(101,598mt)

Group Mining

549,410mt

(503,914mt)

Group Processing

102,120mt

(107,630mt)

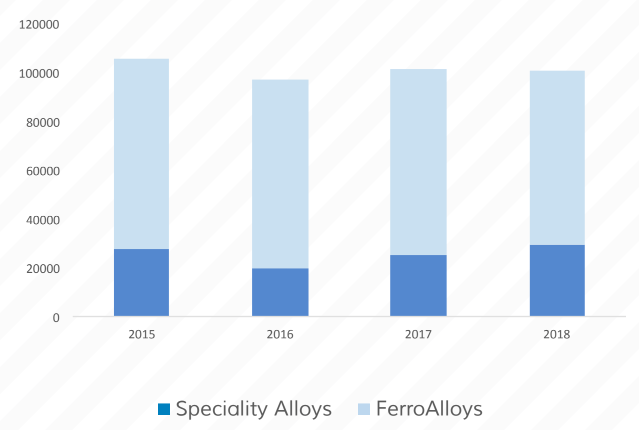
Human Resources

942

(928)

SALES

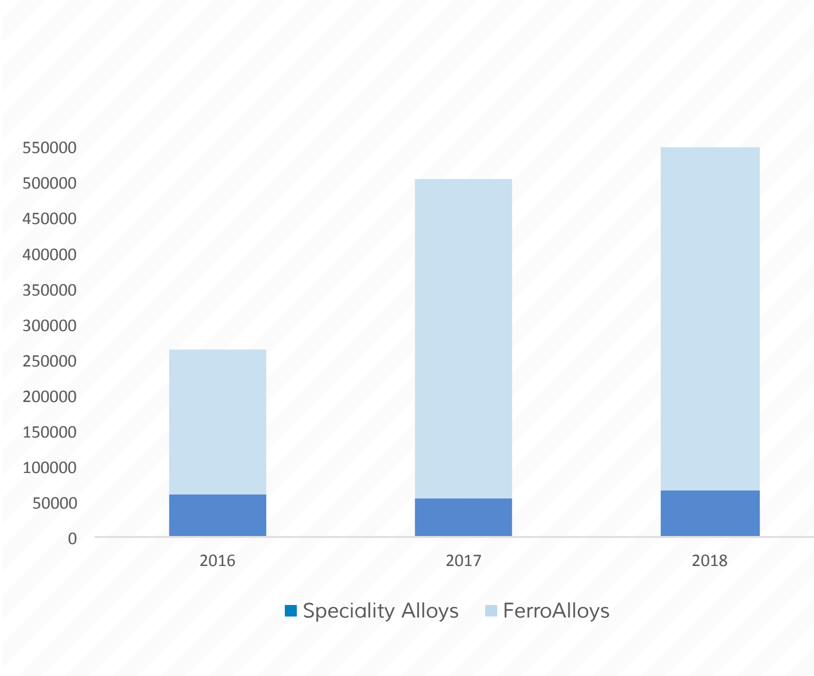
The expansion in sales of the Speciality Alloys segment was more than offset by the contraction in the FerroAlloys Segment. As a result, Group sales of processed goods stood at 100,567 (FY/2017: 101,598) tonnes, down by 1.0% when compared to a year earlier. Sales of Speciality Alloys advanced by 4,127 tonnes on the back of stronger market fundamentals and on the growth in business of the standard grade ferrochrome. On the other hand, the lower benchmark prices for Charge ferrochrome and adverse industry conditions, together with reduced production outputs, led to a contraction of 5,158 tonnes from a year earlier in the FerroAlloys Segment.



GROUP MINING

When compared to a year earlier, Group mining activity increased by 9.0% and stood at 549,410 (503,914) tonnes, with fast growth being registered in the Speciality Alloys segment.

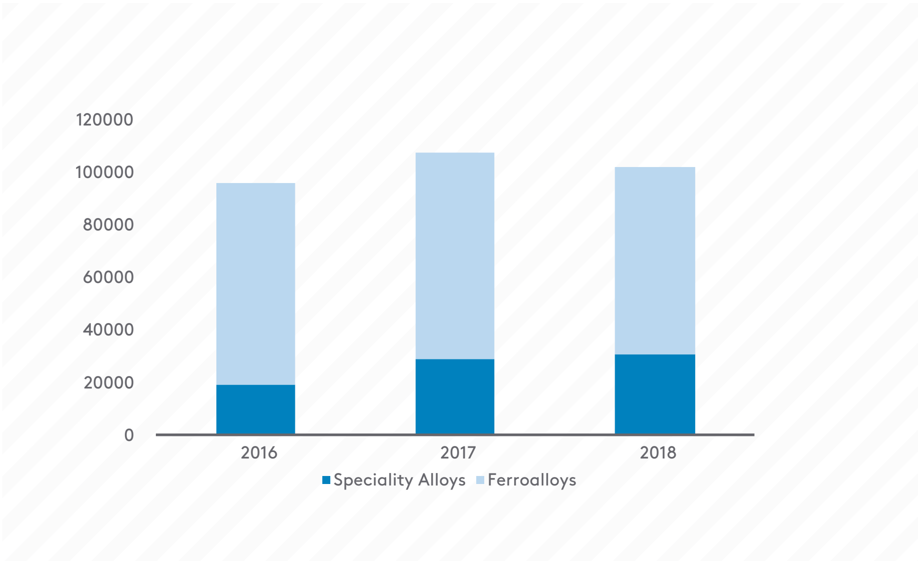
Annual mining levels in the Speciality Alloys segment expanded by more than 20% to 64,461 (53,120) tonnes on account of planned productivity gains in the mines in Turkey. The recommencement of mining activity in Vlakpoort in the first half of 2018 was the main driver for the 7.6% increase in FerroAlloys mining output to 484,949 (450,794) tonnes.



GROUP PROCESSING

Group processing for 2018 contracted by 5.1% to 102,120 (107,630) tonnes as the processing arm of the FerroAlloys segment experienced a challenging year offsetting the Speciality Alloys segment which registered an increase in processing activity.

This reduction was driven by the poor performance of the processing plant of the FerroAlloys segment. During 2018, production levels in the FerroAlloys contracted by 9.3% to 71,193 (78,479) tonnes. The interplay of several operational issues in South Africa led to this decline. Weak geological formations at the Stellite and Mecklenburg mines led to poor quality ore which impacted processing yields and qualities. The forced closure of the P3 furnace in Mogale due to technical issues and emergency repairs led to further losses. This negative performance was partly offset by the gains registered in the Speciality Alloys segment with processing levels increasing to 30,927 (29,151) tonnes. This was mainly driven by the increased demand for speciality low carbon ferrochrome, as well as the increased production of standard 0.10% carbon ferrochrome.



HUMAN RESOURCES

At the end of 2018, Afarak had 942 (928) employees. The average number of employees during 2018 was 932 (838) employees. Employment increased in the Turkish operation due to expanded mining activities during 2017 which continued in 2018.

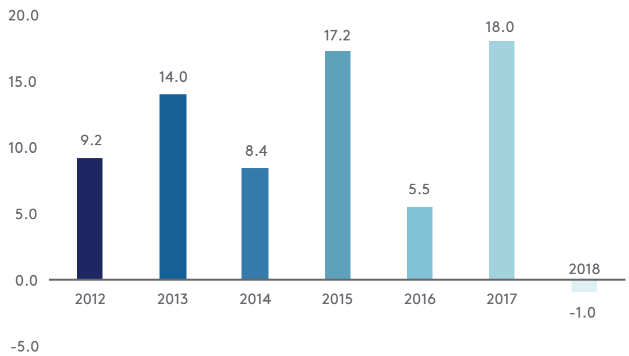
Group Financial Performance

2018 marked a challenging year for Afarak. The unforeseen challenges in the South African assets were exacerbated by the lower average ferrochrome benchmark prices. These factors led to the Group posting substantially weaker results when compared to the record performance for 2017.

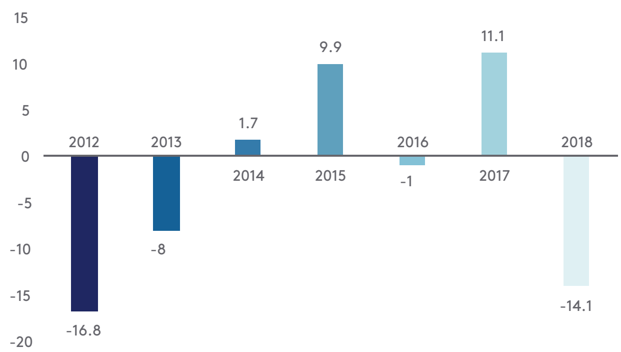
REVENUE	PROFIT	EBIT	EBITDA
€194.0 mln	**€-18.6 mln**	**€-14.1 mln**	**€-1.0 mln**
[€198.8 mln]	[€6.7 mln]	[€11.4 mln]	[€18.0 mln]

The combination of factors such as the lower sales volumes, the higher production costs and the weakening of the US Dollar caused EBITDA to swing into deficit. In addition, an impairment write-down related to Mogale business of EUR 6.5 million in the fourth quarter, also impacted profitability.

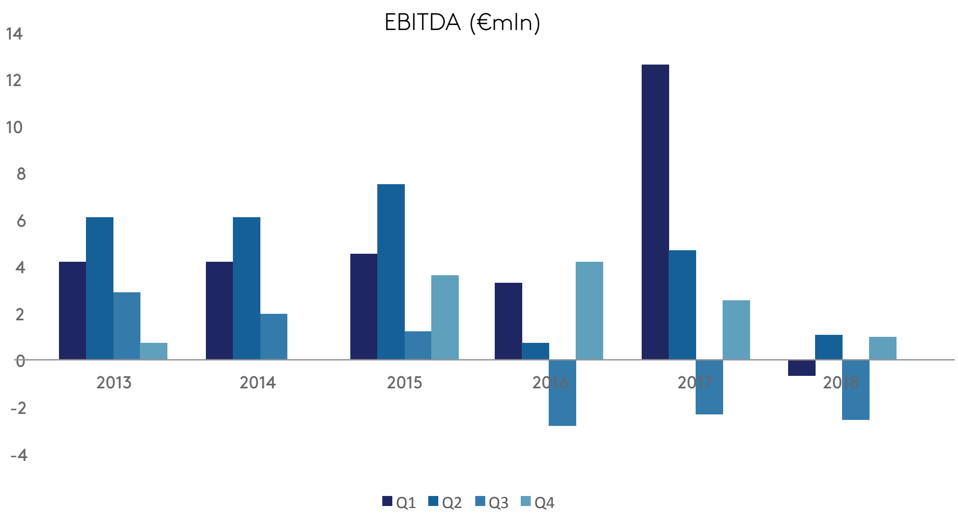
EBITDA (€mln)



EBIT (€mln)

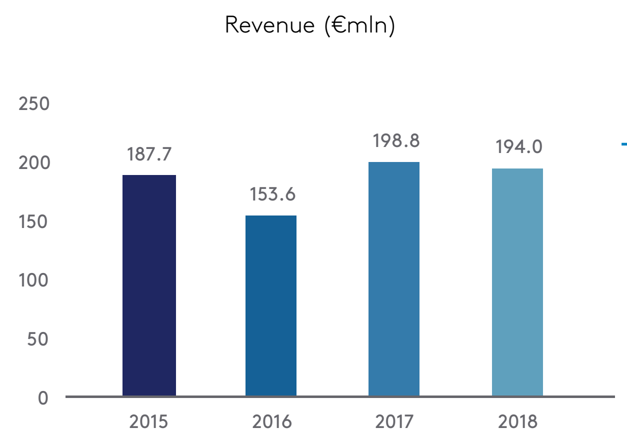


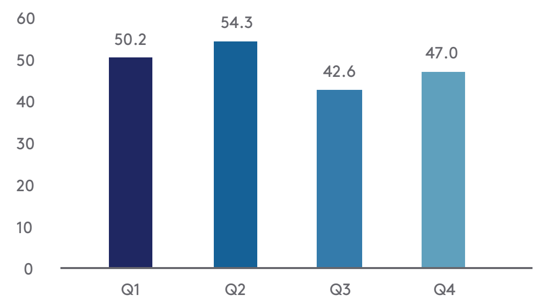
Seasonality remains a key issue that the Company needs to continue adjusting for. In quarter three, the seasonal shutdowns in both Europe and South Africa resulted in unabsorbed overhead costs. In addition, the high winter electricity tariffs in South Africa further contributed to the seasonal effects. In 2018, the poor performance was mainly due to lower ferrochrome benchmark prices, higher production costs and adverse exchange rate movements.



2018 PERFORMANCE

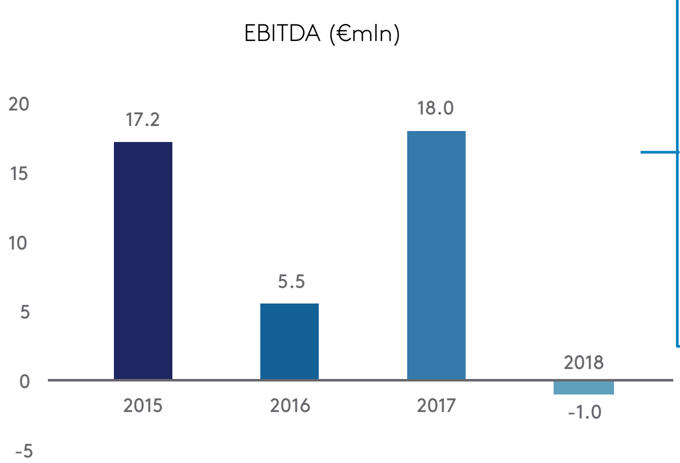
Revenues fell only marginally by 2.4% from the all-time high revenue registered in 2017 and stood at EUR 194.0 (198.8) million. Despite revenues in the Speciality Alloys segment advanced by 7.5%, these were offset by an 8.6% contraction in the revenues of the FerroAlloys segment.

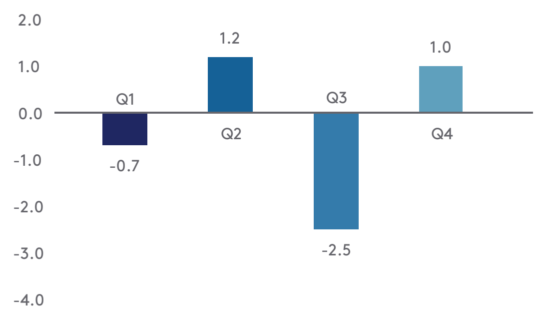




In 2018, revenues in the Speciality Alloys segment increased to EUR 96.1 (89.4) million driven by strong sales volumes of ferrochrome processed material and improved selling prices. The segment continued to boost its performance driven by the strong market fundamentals. However, lower average benchmark prices in 2018 compared to year earlier and a contraction in sales volumes caused revenues of the FerroAlloys segment to decline to EUR 97.0 (106.1) million.

Due to the challenging environment of the FerroAlloys segment in South Africa, profitability for the year was hard-hit when compared to the figures of a year earlier. Lower average Market prices and adverse conditions in our South African subsidiaries, primarily relating to mining conditions and technical faults, led to significant contraction in EBITDA, to EUR -1.0 (18.0) million. On the other hand, the performance of the Speciality Alloys segment remained broadly stable when compared to a year earlier. The increased revenues in this segment did not reflect into higher profitability since the higher revenues were offset by higher production costs and unfavorable exchange rate movements. Group profitability was also negatively impacted by an impairment write-down on goodwill related to the Mogale business of EUR 6.5 million, as well as the result of the joint venture which had a difficult year due to the lower revenue and higher mining costs.





The full year EBITDA from unallocated items was EUR -5.5 (-6.0) million. During 2018, the newly acquired asset Magnohrom posted a negative contribution to EBITDA by of EUR -1.0 (-0.4) million. We expect Magnohrom to become fully operative during 2019.

EUR MILLION	Q1	Q2	Q3	Q4	FY18	FY17
Revenue	50.2	54.3	42.6	47.0	**194.0**	198.8
EBITDA	-0.7	1.2	-2.5	1.0	**-1.0**	18.0
EBITDA margin	-1.4%	2.2%	-5.9%	2.1%	**-0.5%**	9.0%
EBIT	-2.4	-0.4	-4.3	-7.0	**-14.1**	11.4
EBIT margin	-4.7%	-0.8%	-10.0%	-14.9%	**-7.3%**	5.7%
Profit for the period	-1.9	-2.7	-2.8	-11.1	**-18.6**	6.7

BALANCE SHEET, CASH FLOW AND FINANCING

The performance registered during 2018 had an impact on the Group's balance sheet however management remained focused on a prudent and successful cash and working capital management.

ROE	ROCE	Equity ratio	Gearing ratio
-11.5%	**-6.0%**	**58.3%**	**8.2%**
(3.0%)	(8.2%)	(66.3%)	(0.7%)

Inventories	Turnover-on-inventory	Trade receivables	Cash balance
€56.9 mln	**3.4**	**€27.2 mln**	**€12.1 mln**
(€49.9 mln)	(4.0)	(€24.0 mln)	(€10.7 mln)

The Group's total assets on 31 December 2018 stood at EUR 258.6 (259.9) million and net assets totaled EUR 150.8 (172.4) million. During the year the translation differences on conversion of foreign denominated subsidiaries moved by EUR -2.5 (-2.5) million. The Group's cash and cash equivalents, as at 31 December 2018, totalled EUR 12.1 (10.7) million. Cash flow from operations during the year was positive, standing at EUR 3.1 (1.6) million.

The equity ratio was 58.3% (66.3%). Afarak's gearing at the end of 2018 increased to 8.2% (0.7%), driven by the expansion in the interest-bearing debt to EUR 24.4 (11.9) million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Capital expenditure for the full year 2018 totalled EUR 9.8 (7.7) million. Capital expenditure in both the Speciality Alloys and FerroAlloys segment was incurred to sustain Group operations. During 2018, in the Speciality Alloys segment, TMS invested in the fines tailing processing plant at Kavak and in the FerroAlloys segment, the Group finalised its investment in the secondary spirals project, realized its investment in the PGM project and launched the chemical grade project during Q3 2018.

During the third quarter, Afarak concluded the acquisition of Magnohrom, a sinter magnesite refractory material company, with ore mines and production facilities in Serbia, for an acquisition price of EUR 1.0 million.

The Company sold its shareholding in LL Resources for EUR 0.227 million in the third quarter.

TRADING INFORMATION

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

SHARE PERFORMANCE AND TRADING

During the financial year 2018, the price of Afarak Group's share in London Stock Exchange varied between GBP 0.73 (2017: 0.55) and GBP 0.93 (2017: 0.93) and in NASDAQ Helsinki between EUR 0.67 (2017: 0.72) and EUR1.20 (2017: 1.15). Afarak's share closed in London at the end of the financial year at GBP 0.73 (2017: 0.73) and Helsinki at EUR 0.73 (2017: 0.85). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 263,040,695 (2017: 263,040,695) shares of GBP 190.7 (2017: 190.7) million and EUR 191.0 (2017: 222.3) million.

A total of 28,124 (2017: 66,112) Afarak shares were traded in London and 29,237,916 (2017: 64,867,107) shares in Helsinki during the financial year, representing 0.01% (2017: 0.03%) of stock in London and 11.12% (2017: 24.66%) in Helsinki.

SHAREHOLDERS

On 31 December 2018, the Company had a total of 6,266 shareholders (6,525 shareholders on 31 December 2017), of which seven were nominee-registered. The registered number of shares on 31 December 2018 was 263,040,695 (2017: 263,040,695).

LARGEST SHAREHOLDERS ON 31 DECEMBER 2018

	Shareholder	Shares	%
1	Nordea Bank Ab (Publ), Suomen Sivuliike	152,683,870	58.0 %
2	Hino Resources Co. Ltd	36,991,903	14.1 %
3	Joensuun Kauppa ja Kone Oy	12,757,240	4.8 %
4	Hanwa Company Limited	9,000,000	3.4 %
5	Kankaala Markku Olavi	6,797,690	2.6 %
6	Hukkanen Esa Veikko	3,560,272	1.4 %
7	Afarak Group Plc	2,387,494	0.9 %
8	Suokas Petri Kristian	1,380,000	0.5 %
9	OP Life Assurance Company Ltd	1,281,700	0.5 %
10	Clearstream Banking S.A.	1,098,699	0.4 %
	Total	**227,938,868**	**86.7 %**
	Other Shareholders	35,101,827	13.3 %
	Total shares registered	**263,040,695**	**100.0 %**

Afarak Group Plc's Board members and Chief Executive Officer owned in total 800,000 (2017: 325,000) Afarak Group Plc shares on 31 December 2018, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.3% (2017: 0.1%) of the total number of registered shares on 31 December 2018.

SHAREHOLDERS BY CATEGORY 31 DECEMBER 2018

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1-100	1,026	16.37	57,543	0.02
101-1,000	2,644	42.20	1,386,515	0.53
1,001-10,000	2,058	32.84	7,336,456	2.79
10,001-100,000	478	7.63	13,301,475	5.06
100,001-1,000,000	50	0.80	13,019,838	4.95
1,000,001-10,000,000	7	0.11	25,505,855	9.70
in excess of 10,000,000	3	0.05	202,433,013	76.96
Total	**6,266**	**100.00**	**263,040,695**	**100.00**
of which nominee-registered	7	0.11	155,058,607	58.95
Total outstanding			**263,040,695**	**100.00**

SHAREHOLDERS BY SHAREHOLDER TYPE ON 31 DECEMBER 2018

	% of share capital
Finnish shareholders	**26.90%**
of which:	
Companies and business enterprises	10.95%
Banking and insurance companies	0.93%
Non-profit organisations	0.00%
Households	15.02%
Foreign shareholders	73.10%
Total	100.00%
of which nominee-registered	58.95%

Segments Reviews

Speciality Alloys Segment

2018 in Review

The Speciality Alloys segment registered an improved operational performance during 2018, however the increase in revenue did not translate into increased profitability due to higher cost.

REVENUE
€96.1mln
(€89.4mln)

EBITDA
€12.6mln
(€12.6mln)

EBIT
€10.8mln
(€11.1mln)

MINING PRODUCTION
64,461mt
(53,120mt)

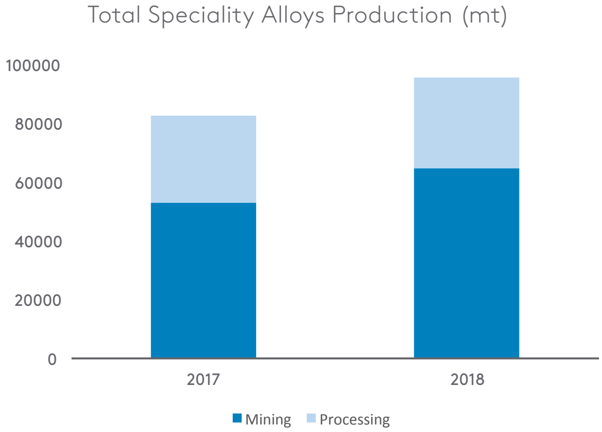
PROCESSING PRODUCTION
30,927mt
(29,151mt)

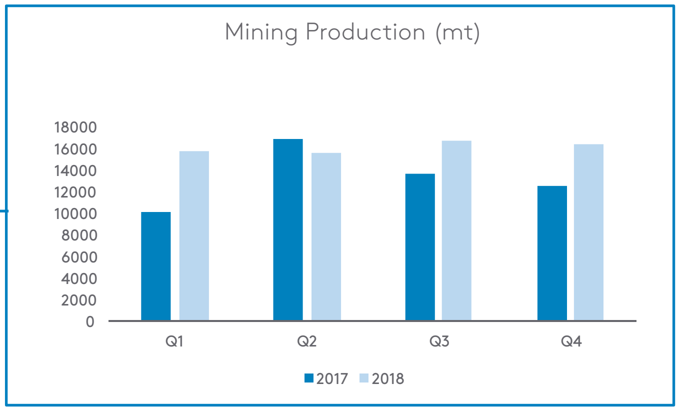
SALES OF PROCESSED MATERIALS
29,467mt
(25,340mt)

PERSONNEL
526
(483)

PRODUCTION

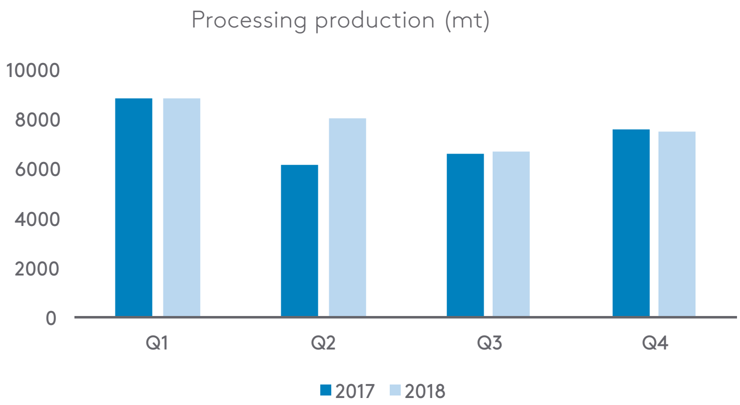
Total production levels during 2018 increased by 15.9% to 95,388 (82,271) tonnes driven by a significant improvement in mining tonnages.





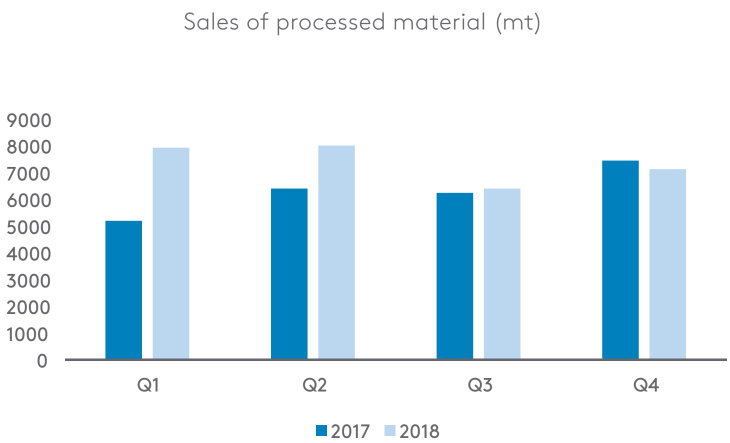
Mining levels were up by over 20% due to the new fine tailings plant at Kavak in Turkey which came on stream during the second half of the year. Quarter one also saw a stronger mining production given that, in February 2017, the Kavak mines in Turkey were subject to planned stoppages due to maintenance.

The production of processed material increased by 6.1% and was driven by higher tonnages in quarter two 2018. Otherwise, production levels remained broadly stable. The relative increase in quarter two was primarily due to lower volumes in 2017, following last year's temporary shut-down at the EWW plant in Germany, due to planned maintenance.



SALES

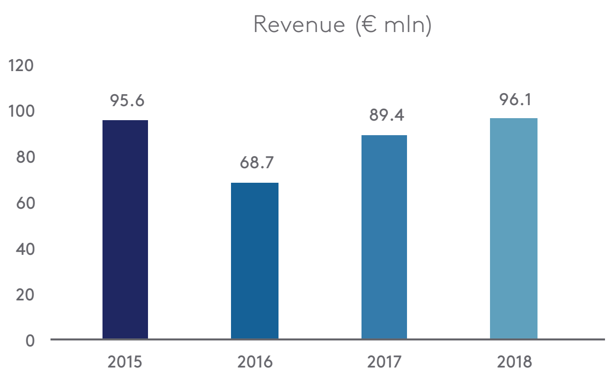
2018 was characterised by buoyant demand for all the Group's Speciality Alloys products on the back of stronger market fundamentals, primarily in the first half of the year.

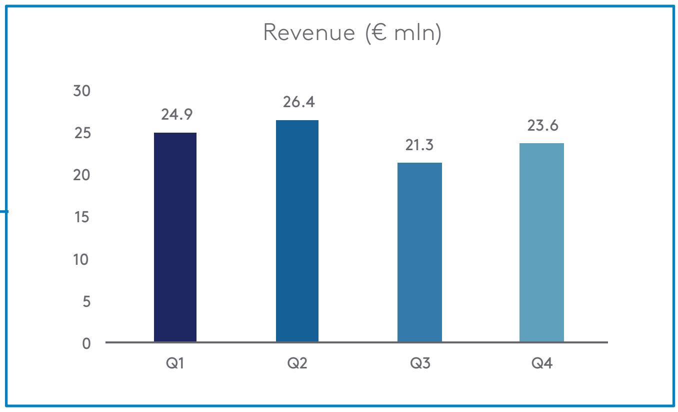


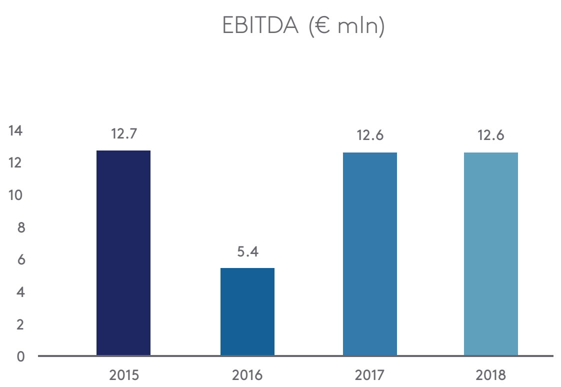
FINANCIAL PERFORMANCE

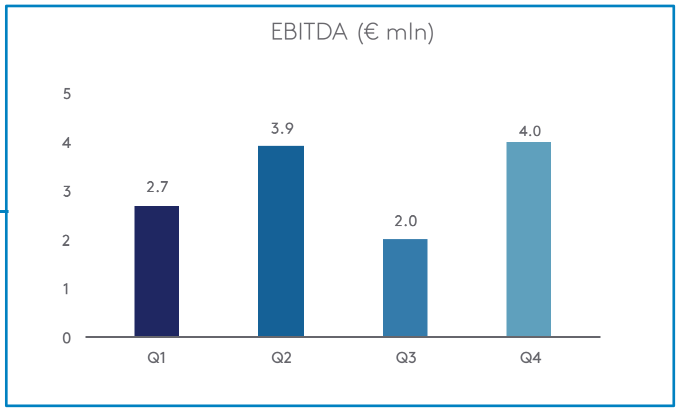
The strong operational performance of the Speciality Alloys segment registered in 2018 did not fully reflect in the financial results. Although the revenue expanded by 7.5% to EUR 96.1 (89.4) million, it did not translate into improved profitability. Revenue increased on the back of higher sales volumes and improved selling prices however this was offset by increased raw material costs and unfavourable exchange rate movements. The combination of these factors led to a stable EBITDA and a marginal decline in EBIT to EUR 10.8 (11.1) million.

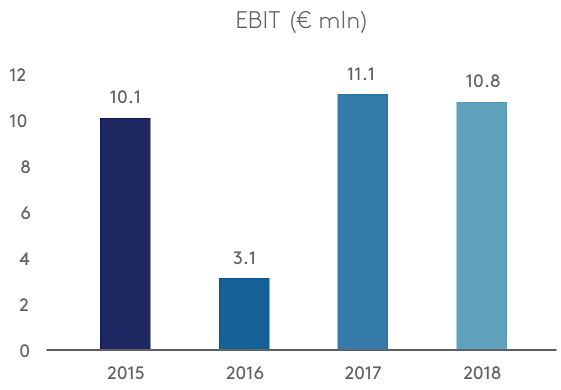
EUR MILLION	Q1	Q2	Q3	Q4	FY18	FY17
Revenue	24.9	26.4	21.3	23.6	96.1	89.4
EBITDA	2.7	3.9	2.0	4.0	12.6	12.6
EBITDA margin	10.8%	14.8%	9.3%	17.1%	13.1%	14.1%
EBIT	2.2	3.5	1.3	3.8	10.8	11.1
EBIT margin	8.9%	13.1%	6.2%	16.0%	11.2%	12.4%

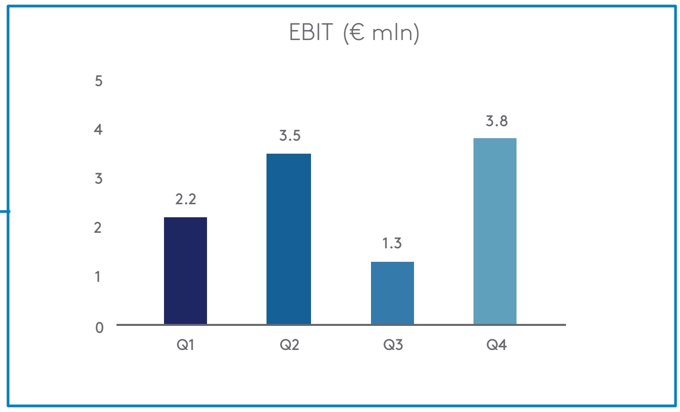












LOOKING AHEAD

Afarak will continue focusing on specialities optimising production costs. Through various initiatives and with the cooperation of its staff, Afarak is seeking to be ever more responsive to market needs and trends.

FerroAlloys Segment

2018 in Review

The lower ferrochrome benchmark prices and a contraction in sales volumes led to a weakened financial performance of the segment compared to the historically high result registered a year earlier.

REVENUE
€97.0mln
(€106.1mln)

EBITDA
€-8.1mln
(€11.4mln)

EBIT
€-19.3mln
(€6.4mln)

MINING PRODUCTION
484,949mt
(450,794mt)

PROCESSING PRODUCTION
71,193mt
(78,479mt)

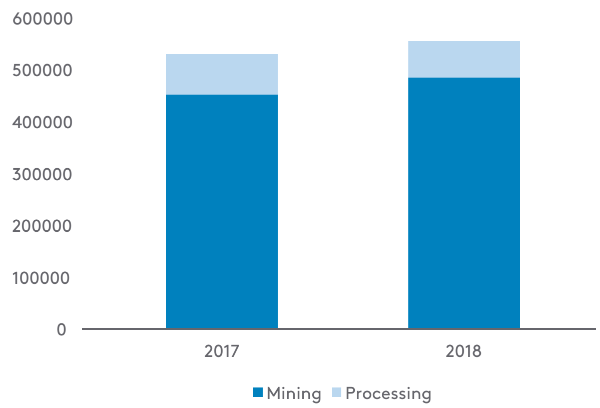
SALES OF PROCESSED MATERIALS
71,100mt
(76,258mt)

PERSONNEL
324
(345)

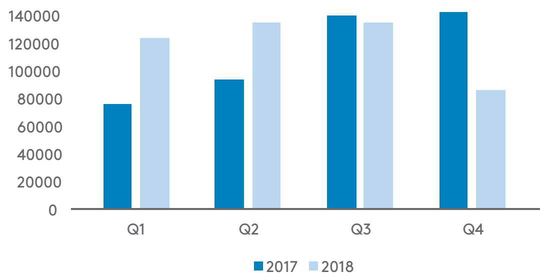
PRODUCTION

Operationally, the segment registered a positive performance with total production increasing by 5.1% to 556,142 (529,273) tonnes.

Total FerroAlloys Production (mt)



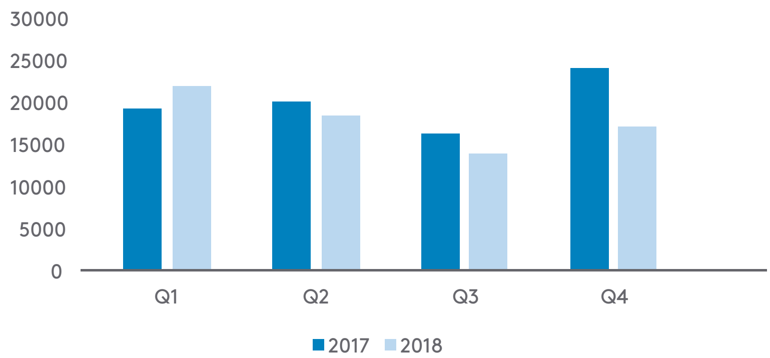
Mining Production (mt)



This increase was driven by the improved output of the mining assets during the first half of the year which managed to offset the subsequent decline in productivity in the second-half. The recommencement of mining activity in Vlakpoort in the first half of 2018 was the main contributing factor to this growth which was partly offset by unsound geological formations that were encountered during the second half, particularly in the fourth quarter at Mecklenburg and Stellite.

Processing levels at Mogale during 2018 were down by a 9.3% contraction and stood at 71,193 (78,479) tonnes. This decline is the result of poor quality ore from the mines and unexpected stoppages at Mogale due to the technical fault at the P3 furnace.

Processing production (mt)



SALES

The sales of processed material from the FerroAlloys segment declined by 5,158 tonnes throughout the year with a significant contraction in quarter one.

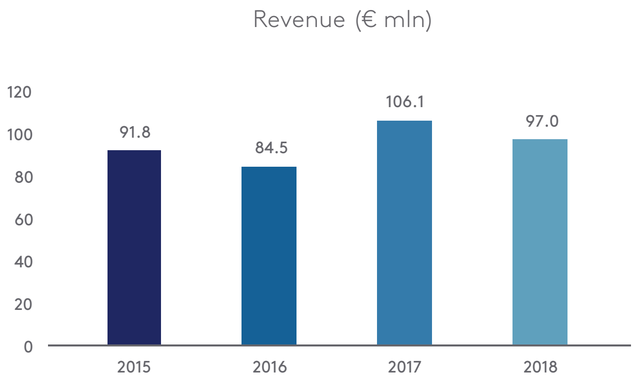
Sales of processed material (mt)

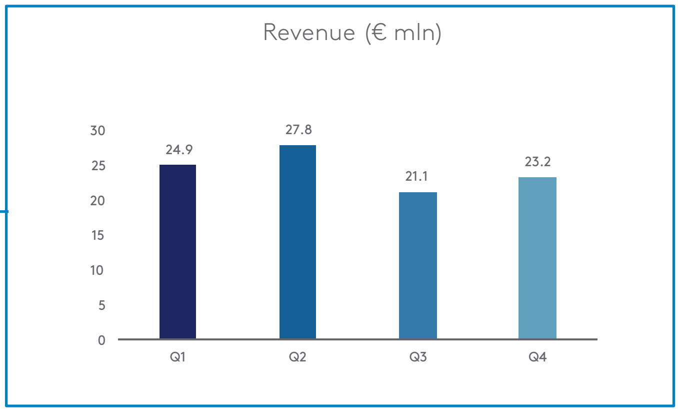
The reduction in sales of processed material is mainly due to the forced shut-down of furnace number 3 which reduced the availability of volumes for sales.

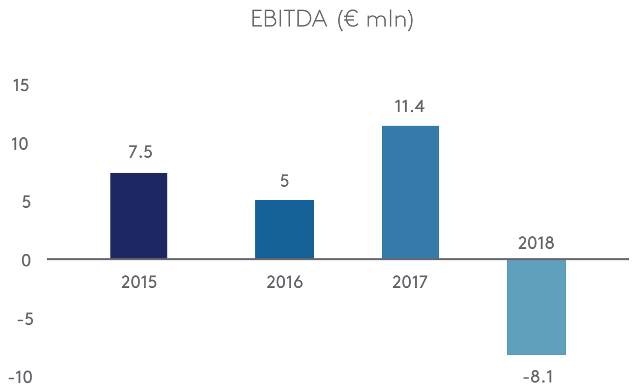
FINANCIAL PERFORMANCE

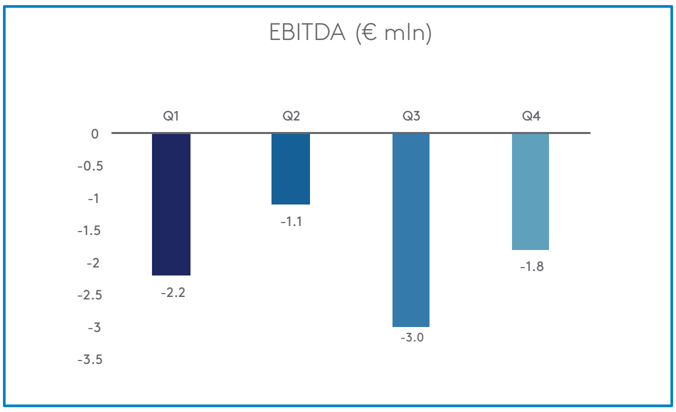
2018 proved to be a very challenging and difficult year for the segment as it registered a poor performance compared to the record-high 2017.

EUR MILLION	Q1	Q2	Q3	Q4	FY18	FY17
Revenue	24.9	27.8	21.1	232.2	97.0	106.1
EBITDA	-2.2	-1.1	-3.0	-1.8	-8.1	11.4
EBITDA margin	-9.7%	-4.1%	-14.4%	-7.7%	-8.4%	10.8%
EBIT	-3.4	-2.3	-4.2	-9.5	-19.3	6.4
EBIT margin	-13.6%	-8.4%	-19.7%	-40.7%	-19.9%	6.0%

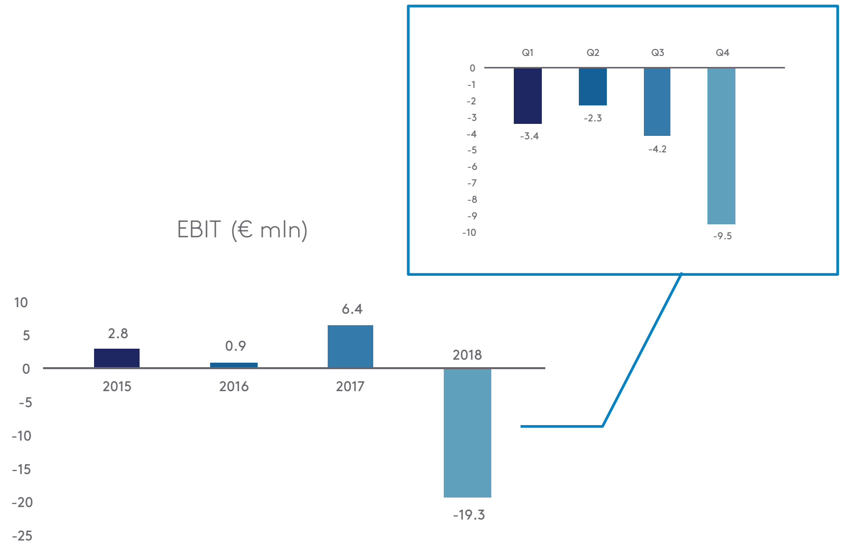








Apart from the seasonal challenges associated with the third quarter, the ferroalloys segment faced a difficult business environment in South Africa, negatively impacting the segment's profitability throughout the year. The lower ferrochrome benchmark prices led to reduced sales volumes and revenues. In addition, cost pressures also weighed on profitability as raw material costs increased significantly. Performance was further impacted by several technical issues. Temporary stoppages as well as weak geological formations in the mines led to the mining of poor quality ore which adversely affected the financial result of Mogale. This was further exacerbated by technical issues and forced stoppages due to the repairs needed on P3 furnace. Finally, the weakening of the US dollar and the strengthening of the South African Rand also influenced profit margins. During the fourth quarter, an impairment on goodwill related to Mogale business of EUR 6.5 million was booked. The negative results of the joint-venture also contributed to the unsatisfactory result.



JOINT-VENTURE

Afarak's share of joint venture revenue for the full year decreased by 11.8%, to EUR 14.8 (16.8) million on account of lower sales volumes. Lower revenues were amplified by higher mining costs negatively impacting profitability which brought Afarak's share of joint venture's total result down to EUR -2.7 (3.1) million.

The results were mainly driven by significantly lower production and sales volumes at the Stellite mine as well as continued operational losses at Mecklenburg. The lower quality raw material mined at Stellite reduced the beneficiation yields affecting the available monthly sales volumes of sellable concentrate. However, this off-spec material will still be utilized, reprocessed and sold going forward with the expectation that it will add to the margins further down the line.

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

EUR MILLION	Q1	Q2	Q3	Q4	FY18	FY17
Revenue	4.5	4.1	2.6	3.6	14.8	16.8
EBITDA	-0.4	0.1	0.0	-0.5	-0.8	4.0
EBITDA margin	-9.3%	2.5%	-0.1%	-14.5%	-5.7%	23.6%
EBIT	-0.7	-0.2	-0.1	-0.7	-1.6	3.0
EBIT margin	-15.5%	-3.9%	-2.1%	-18.4%	-10.6%	17.6%
Profit for the period	-1.0	-0.4	-0.4	-0.9	-2.7	3.1

LOOKING AHEAD

The Group is responding to these challenging circumstances. The Executive Management Team is focused on optimising the performance of the South African assets. The Mogale plant is today under a new experienced management team which is tasked with improving operations and cutting costs. The team has already started to implement a turnaround strategy and production is shifting from charge chrome to high carbon ferrochrome which currently commands higher margins. Mogale is an important part of our South African operations and integral to our policy of vertical integration. In order for us to achieve our growth objectives, it is critical that it performs to its potential and Group management will be carefully monitoring progress under the new local management team. Mining operations are also being re-focused with a resulting reduction in fixed costs and capital expenditure. Several initiatives are currently underway across our units to further strengthen our operations. The Mecklenburg open-pit mining is set to continue in first quarter 2019, enabling us to delay the underground operations. The PGM Plant in Stellite is operating and further improvements are expected to come on stream in the coming quarters. At ZCM, mine beneficiation equipment is currently being repaired, and processing of tailings is expected to start in Q2 2019. Vlakpoort restarted operations during the year and plans are underway to increase the highwalls and the output.

Risk Management

Afarak's prudent approach to risk management is a crucial component of our continued success and is present in managing all aspects of our performance.

By understanding and managing risk, we provide greater certainty and confidence for our shareholders, employees, customers, suppliers and host communities. In fact, we believe that successful risk management can be a source of competitive advantage.

Our risks are viewed and managed on a Group-wide basis. As a truly global operation, managing diversity in our operations, portfolio of products, geographies, economies and currencies is a key characteristic of our risk management approach.

Risk management is one of the key responsibilities of the Board and its Audit and Health & Safety Committees.

2018 DEVELOPMENTS

2018 was a challenging year for Afarak. The Audit Committee played a key role in monitoring the risk management function of the Group.

Due to the lower average ferrochrome benchmark prices, revenues and profitability both fell. As unfavourable exchange rate movements kept presenting a threat of further margin erosion, the Management team took decisions to reduce such exposure. The Audit Committee, together with management, continued improving internal processes and procedures to reduce currency risk. Certain production decisions were also taken in view of the lower benchmark prices. All these activities resulted in positive cash flow effects. A risk mitigation initiative was started by the mining teams in South Africa and further actions are underway to strengthen existing operations. Our exposure to electricity costs in the South African smelter has been somewhat reduced through the commissioning of a 2.8 MW waste gas heat recovery unit which is now producing electric power, saving electricity costs and reducing $CO2$ emissions. Having seen the positive results the Group intends to enlarge this activity.

Management continued to work closely with the Units to provide continuous monitoring and oversight in accordance with the Group's risk management policy.In terms of health & safety, the initiatives introduced in 2017 and 2018 led to an improvement in the Company's performance in this regard. Health & safety and the stated aim of 'Zero-Harm' will continue to be a central pillar of the Company's risk management strategy.

PRINCIPAL RISKS

While a number of different risks may have an effect the results and operations to various degrees,the following describes the key types of risks faced by Afarak in the normal course of business.

EXTERNAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
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
Volatility of energy costs	**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
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

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

FINANCIAL RISKS

RISK	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
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**	• Afarak assesses the likelihood that a borrower will default on the debt obligations • Analyse credit limit
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 Analysis to mitigate the risk that such investment will not be successful

OPERATIONAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Loss of key suppliers	**Adverse effect on operations, which could impact the Group's operating and financial results**	• Afarak carries out continuous financial health checks of key suppliers • Evaluations of key supplier controls in order to minimise the impact associate with disruption • Assess safety and security stock levels • Understand alternate supply options and how long it will take to employ alternatives

Competition & Rivalry	**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 continuously monitors industry trends and adjusts its growth strategy accordingly. Afarak builds its resilience through the development of niche growth areas.
Distribution network risk	**This may have adverse effect on operations which could impact the Group's operating and financial results**	To mitigate this risk Afarak has standard operating procedures in place for most foreseeable circumstances
Technology risk	**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**	Afarak regularly assesses the latest technological equipment and software available on the market
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 • The remuneration commitee is focused on attracting and retaining such talent

COMPLIANCE RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Legal risks	**Legal disputes may relate to contractual or other liabilities or environmental or other regulatory matters**	The Group has legal teams wherever it operates and constantly reviews its contracts to ensure that it is duly safeguarded.
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 abreast 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

SUSTAINABILITY RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
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
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 its operation
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

Sustainability

Afarak understands that sustainability is critical to any business and industry. We want to proceed in the right way at all levels of our business. Our sustainability initiatives are built around four main pillars that are integrated in our decision-making.

Our employees' safety is our top priority. It comes before anything else and we do not take any shortcuts. In this regard, we are constantly focusing on improving the health and well-being of our co-workers and care for the communities around our operation facilities. As a primary sector company, we feel committed to gradually minimising our ecological footprint.

The communities that host our operations are important stakeholders and we are proud of the reputation that we have built in the years of our co-operation.

OUR COMMITMENT

Afarak intends to deliver its contribution to environmental and social sustainability through its production processes. We believe that our efforts will support several United Nations' resolutions on sustainability, such as decreasing poverty and hunger, but also increasing gender equality, education and access to clean water.

Our most significant impact on local host communities lies in providing direct and indirect employment. We support local communities in their needs related to education and infrastructure whilst supporting social causes.

SAFETY

Afarak strives to achieve what we call "Zero Harm Policy" at all levels of our operations and to provide its employees and contractors a safe and healthy work environment.

Afarak holds regular Board committees dedicated to health and safety with the aim of integrating the Group operations to address the social, environmental, health and safety position of all stakeholders. The programme focusing on pro-active safety and environmental measurements continued in 2018 aiming to achieve "Zero Harm".

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During 2018, the Group's employees contributed approximately 2,654,736 working hours during which the company suffered 15 (16) accidents that caused loss of time. Lost Time Injury (LTI) is defined as any work-related injury or illness which prevents a person from doing any work the day after the accident. The Total Recordable Injuries also declined and in 2018 47 were registered, down from 52 a year earlier. As a result, further improvements were registered in incidence, frequency and lost time injury frequency rates.

We are proud that no fatalities happened on our sites for the second year running.

Lost Time Injury

15

(16)

Total Recordable Injuries

47

(52)

Incidence Rate

47.5

(52.3)

Frequency Rate

17.7

(23.2)

Lost Time Injury Rate

5.7

(7.1)

Going forward, management remains focused on continuously monitoring and further improving the safety performance at Afarak Group through various initiatives and investments.

HEALTH

We are improving the conditions for our employees by providing a safe working environment as well as tackling important health issues such as HIV/AIDS (especially in South African operations). Along with safety, health is a top priority for Afarak. By providing healthcare to our co-workers, we can actively contribute to their long-term well-being.

In our factories we assess, monitor and control the risks to our workers. In Germany, we have installed a sound abatement system to reduce the noise. We have also invested in de-dusting filter systems, even if already compliant with the law requirements, to minimise dust pollution on site and decrease pollution-related health issues.

We also want our employees' physical capability to be compatible with the requirements of their respective job. To help achieve this goal, we conduct routine health checks on all sites. These checks include drug and alcohol testing. We are also reviewing the role of organising shifts in the mines to minimise any fatigue-related injuries.

To conclude, Afarak remains committed to investing in the health of its workforce and local community.

ENVIRONMENT

We aim to demonstrate our environmental responsibility by minimising our environmental impact. Our environmental intervention rests on four main pillars.

WATER MANAGEMENT

Water is a shared and limited resource. We aim to preserve water sources, manage and recycle our use of water whilst providing access to clean water.

In South Africa, our policy is to reduce, and recycle the use of water. In Mogale, we have improved our efficiency and cut municipal water usage by 20%. We have started to recycle processed water and have finalised works on rain water collection projects. In Turkey, water filters have been installed to start recycling water used in the processing of tailings.

WASTE MANAGEMENT

We intend to minimise the waste our activity produces. The main part of the waste which our activity generates is tailings from mining. Tailings are usually a big concern for mining companies. However, through our beneficiation stages, Afarak is able to recycle and yield more chrome content from mined goods, thus reducing the amount of tailings too. In 2018 we finalised an investment in a new tailings plant in Kavak adding further beneficiation. Additional stages of beneficiation will increase the processing of tailings during 2019.

LAND REHABILITATION

We aim to manage our land responsibly throughout the lifecycle of our assets.

To this end, we are working on projects to rehabilitate the mines we currently work in. We recognise that our activities impact the grounds on which we work. By re-establishing land, managing its biodiversity and considering the needs of locals, we can reduce the level of our environmental impact. We have supported a tree and shrubbery nursery in Mecklenburg which will sell trees and plants to Afarak in due course. This project not only back up the community entrepreneurship but will also support local flora and fauna.

AIR EMISSIONS

Our activity carries an influence on air quality and CO2 emissions. Our dependence on electricity is also a source for CO2 emissions which we would like to decrease by shifting toward alternative sources of energy. In South Africa, we have installed and commissioned a 2.8 MW heat recovery unit in Mogale. This energy saving investment will contribute towards a proportional reduction of our CO2 emissions and a respective increase of our productivity.

COMMUNITIES & HUMAN RIGHTS

We bring economic benefits to the countries we work in by employing people, buying goods and services, paying taxes and royalties, and investing in infrastructure and healthcare. We are firm believers that through our operations we deliver socio-economic benefits to our host communities.

We are committed to building and maintaining constructive, long-lasting relationships with our stakeholders, including our host communities. Speaking openly and transparently with all our stakeholders and maintaining good relationships with the host community is vital for our future.

We uphold values of mutual respect, social cohesion and human rights within our staff, communities and contractors.

Finally, we take pride in creating social value through five main pillars:

EMPLOYMENT

By providing direct and indirect employment, we believe that we are making a tangible contribution to our host communities.

Philisile Msikwa, Metallurgist

"Getting that opportunity to get a permanent job, means a lot because it allows us to become better and more developed people. I look forward to growing in the company and to being exposed to different areas in the operations of the company."

Philisile Msikwa, Metallurgist

INFRASTRUCTURE

Throughout the years, we have helped our local communities with their infrastructural requirements. This year, we have concluded various investments including a road project that will improve connectivity between a local community and a school. This road is also expected to bring additional benefits to the community.

Andrew Nyagawa, Site Manager Paragon Deep, Road Project

"We are currently involved in the road project in the area of Macacala which is being sponsored by Afarak. It is a great satisfaction to see the people from the community so happy with this project that Afarak is supporting."

Andrew Nyagawa, Site Manager Paragon Deep, Road Project

COMMUNITY INITIATIVES

We continue to support local communities with various assistance programs that are of a social and educational nature. Afarak is supporting 9 orphans who are currently residing at Jade House. The House was built as a place of safety for orphans and offers foster care to these children. Afarak has several 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 primary school provides a daily meal to close to 2,000 children including weekends and holiday periods. 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. Afarak supports a Centre in Krugersdorp that provides shelter for abused women and children. The Centre can hold up to 40 families.

Belinda Kotze, House of Jade

"We currently house about 9 children but the house can take approximately 13. Since Afarak Mogale has been involved in our house we have seen an increase in project maintenance, the upkeep of the house has improved drastically. There's been a lot of social interaction between us and the children, there's been a general higher standard that wasn't there before. Thank you so much for your generosity and thanks for being part of this journey with us."

Belinda Kotze, House of Jade

ENTERPRISES

We work closely with local enterprises and support their development. For example, in mining we are coaching local contractors from our host community to develop their business. Also, we have supported a local tree nursery company and we have decided to procure all trees for the land rehabilitation project.

Dr Phindi Thabethe, PGL

"PGL is a 100 per cent black owned mine and we are grateful to Afarak for the opportunity they have given us to learn how to do mining and how to train us. Through this support, we have grown our company."

Dr Phindi Thabethe, PGL

PROCUREMENT

In our procurement, we work closely with local enterprises to support the local economy.

Manasseh Maakhudu – Shuma Plausible

"I am the owner of the company called Shuma Plausible Solutions and Afark have procured our services for erecting a fence around the mining grounds. I am very thankful for the opportunity that was granted by Afarak as it has helped me grow my business and employ more local people."

Manasseh Maakhudu – Shuma Plausible

LOOKING AHEAD

Afarak will remain committed to upholding and raising the value of sustainability in its operations. Health and safety remain a key priority for the Board and the Management and a review of safety policies & procedures is underway, with the goal of improving safety at all plants. Environmental investments are important to Afarak and initiatives will continue throughout 2019 to further minimise the impact of our operations on nature. Also, community investments will be maintained.

Resource Statement

Executive Summary

Aligning with the Afarak Group strategy to increase its measured mineral resource base, the aim of this document is to provide a Mineral Resource and Mineral Reserve Statement at 31 December 2018 for:

(i) **Chromitite** for Mecklenburg, Stellite and Vlakpoort Mines respectively;
(ii) **Platinum Group Metals (PGM)**, specifically Platinum, Palladium and Gold, in the Chromitite seams for Stellite and Vlakpoort Mines. Mecklenburg Mine is excluded due to the fact that the Platinum Group Metals (PGM) rights at Mecklenburg Mine do not belong to Afarak and therefore do not satisfy the all the requirements for reporting.

The **Chromitite Mineral Resources** for Mecklenburg, Stellite and Vlakpoort declared in 31 December 2018 decreased by **1.120 million tonnes** compared to those declared in December 2017, mainly due to depletion.

The **Chromitite** Mineral Resources for Mecklenburg, Stellite and Vlakpoort as 31 December 2018, decreased from that declared in December 2017 from **44.861** to **43.741 million tonnes** mainly due to depletion.

The **Chromitite** exploration results reported at Vlakpoort Mine remained the same at **1.947** million tonnes. Mining at Vlakpoort commenced during the second quarter of 2018 subsequent to the granting of a new-order mining right for Vlakpoort Mine by the Department of Mineral Resources. A Phase 2 exploration program is planned during Q1 of 2019 to extend the mineral resources towards the South-Western side of the exiting mining area.

The combined **PGM Mineral Resources** for Stellite and Vlakpoort declared at 31 December 2018, decreased from that declared in December 2017, by **0.079 million tonnes** from 26.165 to 26.086 million tonnes, which resulted in PGM 2E+Au ounces decreasing by 0.870 million ounces from 1.257 million to 1.256 million ounces.

The decrease in **PGM Mineral Resources** from December 2018 as compared to December 2017 can be ascribed to Vlakpoort LG1-3 and LG6 depletion in the respective open pits.

The baseline summary of Stellite **PGM** Mineral Resources was based on the Venmyn Deloitte (Pty) Ltd Competent Persons report for June 2017. No Mineral Reserves could be declared for Stellite yet as the feasibility study to extract PGM's, are still in progress.

Stellite Mine

Chromitite Mineral Resource for Stellite Mine

The Chromitite Mineral Resource for Stellite declared in 31 December 2018 decreased by **0.865** million tonnes from **29.617** to **28.752** million tonnes compared to those declared in December 2017 mainly due to due to depletion.

Stellite LG6-MG4 tailings mineral reserve and resource decreased from **0.700** to **0.225** million tons whereas the chrome grade and Cr to Fe ratio remained the same at **24.10** % and **1.14** respectively

Mineral Reserves' (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	225	24.1	1.14	LG6-MG4	225	24.1	1.14
Stellite: Open Pit				Stellite: Open Pit			
MG4	1,111	30.39	1.2	MG4	1,306	31.86	1.22
MG3	674	30.64	1.18	MG3	788	31.68	1.19
MG2	346	35.98	1.32	MG2	405	37.20	1.32
MG1	598	37.72	1.4	MG1	700	39.00	1.4
LG6+6A	103	33.68	1.37	LG6+6A	120	38.11	1.46
Stellite: Underground				Stellite: Underground			
MG4				MG4	1,211	33.59	1.24
LG6 + 6A	2,702	34.98	1.36	LG6 + 6A	4,222	37.7	1.41
Total Proved Reserves	**5,759**	**33.48**	**1.30**	**Total Measured Resources**	**8,977**	**35.51**	**1.33**
PROBABLE:				INDICATED:			
Stellite: Open Pit				Stellite: Open Pit			
MG4	3,015	30.75	1.2	MG4	3,526	32.25	1.23
MG3	1,276	30.82	1.16	MG3	1,492	31.68	1.19
MG2	948	36.08	1.28	MG2	1,109	37.30	1.31
MG1	1,914	37.53	1.38	MG1	2,239	38.80	1.41
LG6+6A	239	33.88	1.43	LG6+6A	280	38.54	1.46
Stellite: Underground				Stellite: Underground			
MG4	262	32.69	1.22	MG4	306	33.8	1.25
LG6 + 6A	3,628	34.26	1.38	LG6 + 6A	4,243	37.5	1.41
Total Proved Reserves	**11,282**	**33.60**	**1.30**	**Total Indicated Resources**	**13,195**	**35.58**	**1.33**
Total Proved & Probable Reserves	**17,041**	**33.56**	**1.30**	**Total Measured & Indicted Resources**	**22,172**	**35.55**	**1.33**
				INFERRED			
				Stellite: Open Pit			
				MG4	1,440	33.18	1.24
				MG3	2,110	32.64	1.26
				MG2	1,920	37.10	1.32
				MG1	1,070	38.90	1.41
				LG6+6A	40	37.82	1.44
				Total Inferred Resources	**6,580**	**35.11**	**1.30**
				Total Resources	**28,752**	**35.45**	**1.32**

Table 1: Shows the Chromitite Mineral Reserves and Resources for Stellite Mine as at 31 December 2018.

PGM Mineral Resource

for Stellite Mine

No Mineral Reserves or Measured Mineral resources could be declared for Stellite yet as the feasibility study to extract PGMs, are still in progress.

The **Indicated and Inferred PGM Mineral Resources** for Stellite as declared at 31 December 2018, remained the same as that declared in December 2017, namely **18.642 million tonnes**. The resulting PGM resources declared in 2E+Au ounces are **0.927 million ounces**.

The total declared PGM mineral resource remain the same due to the fact that PGM mineral resources for Stellite are declared in only the **Indicated and Inferred Mineral Resource reporting categories.**

Mineral Reserves (ROM Feed Numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	2E + Au	Ozs		Tonnage (kt)	2E+Au	Ozs
PROVED:				**MEASURED:**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4				MG4	-	-	-
MG3				MG3	-	-	-
MG2				MG2	-	-	-
MG1				MG1	-	-	-
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	-	-	-
MG4				MG3	-	-	-
MG4				MG2	-	-	-
MG4				MG1	-	-	-
Total Proved				**Total Measured Resources**	-	-	-
PROBABLE:				**INDICATED:**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4				MG4	952	1.40	42,855
MG3				MG3	440	1.78	25,183
MG2				MG2	698	1.73	38,828
MG1				MG1	722	0.84	19,501
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	-	-	-
MG4				MG3	-	-	-
MG4				MG2	-	-	-
MG4				MG1	-	-	-
Total Probable				**Total Indicated Resources**	**2,812**	**1.40**	**126,367**
Total Proved & Probable Reserves				**Total Measured & Indicted Resources**	**2,812**	**1.40**	**126,367**
				INFERRED			
				Stellite: Open Pit			
				MG4	5,710	1.38	253,370
				MG3	3,950	2.13	270,531
				MG2	2,740	2.06	181,492
				MG1	3,430	0.86	94,849
				Total Inferred Resources	**15,830**	**1.57**	**800,241**
				Total Resources	**18,642**	**1.55**	**926,608**

Mecklenburg Mine

The Mineral Reserve for Mecklenburg underground declared in 31 December 2018 remained the same at **7.27 million tonnes** compared to those declared in December 2017. No underground mining was conducted during 2017.

The Chromitite Mineral Reserves for Mecklenburg declared for open-Pit (65m high-wall) as at 31 December 2018, decreased from that declared in December 2017 from **0, 25** to **0.074 million tonnes** mainly due to depletion.

Mineral Reserves (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:**			
Mecklenburg: Open Pit				**Mecklenburg: Open Pit**			
LG6+6A	61	40.76	1.58	LG6+6A	73.91	44.10	1.64
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6+6A	2,682	41.85	1.57	LG6+6A	4,190	43.66	1.59
Total Proved Reserves	**2,743**	**41.83**	**1.57**	**Total Measured Resources**	**4,264**	**43.67**	**1.59**
PROBABLE:				**INDICATED:**			
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6+6A	1,924	41.83	1.57	LG6+6A	3,006	43.37	1.59
Total Proved & Probable Reserves	**4,667**	**41.83**	**1.57**	**Total Measured & Indicted Resources**	**7,270**	**43.54**	**1.59**
				INFERRED			
				Mecklenburg: Underground			
				LG6+6A	1,142	43.41	1.59
				Total Resources	**8,412**	**43.53**	**1.59**

Table 2. Shows the Chromitite Mineral Reserves and Resources for Mecklenburg Mine as at 31 December 2018.

The chrome grade and Cr to Fe ratio remained the same at 43.67 % and 1.59 respectively since there was no sampling done in 2018. Underground mining scheduled in 2020 financial year whereas Open-cast life of mine end Dec 2019.

Vlakpoort Mine

Mining at Vlakpoort commenced during the second quarter of 2018 subsequent the granting of a new-order mining right for Vlakpoort Mine by the Department of Mineral Resources. The Chromitite Mineral Resources for Vlakpoort decreased by **0.07** million tonnes from **4.698** to **4.630 million tonnes** from that declared in December 2017 from mainly due to depletion.

The exploration results reported at Vlakpoort Mine remained the same at **1.947 million tonnes**. A Phase 2 exploration program is planned during Q1 of 2019 to extent the mineral resources towards the South-Western side of the exiting mining area.

Mineral Reserves (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:**			
Vlakpoort: Open Pit				**Vlakpoort: Open Pit**			
LG1-3	0	37.30	1.74	LG1-3	0	41.57	1.82
LG5	18	39.12	1.52	LG5	42	38.77	1.55
LG6	55	36.72	1.51	LG6	140	36.85	1.53
MG1-4	52	29.72	1.25	MG1-4	131	30.01	1.29
UG1-2	101	22.40	1.14	UG1 -2	164	21.46	1.12
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6	0			LG6	398	33.32	1.59
UG2	0			UG2	754	19.65	1.06
Total Proved Reserves	**226**	**34.16***	**1.40****	**Total Measured Resources**	**1,629**	**33.73***	**1.52****
PROBABLE:				**INDICATED:**			
Vlakpoort: Open Pit				**Vlakpoort: Open Pit**			
LG1-3	4	37.93	1.78	LG1-3	17	41.57	1.86
LG5	3	35.01	1.45	LG5	10	39.92	1.55
LG6	37	31.25	1.63	LG6	64	33.95	1.58
MG1-4	16	30.52	1.36	MG1-4	75	29.92	1.35
UG1-2	9	27.09	1.22	UG1-UG2	24	27.61	1.25
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6	O			LG6	793	33.92	1.58
UG2	O			UG2	421	19.83	1.06
Total Probable Reserves	**69**	**31.69***	**1.56****	**Total Indicated Resources**	**1,404**	**33.81***	**1.57****
Total Proved & Probable Reserves	**295**	**33.58**	**1.44**	**Total Measured & Indicted Resources**	**3,033**	**33.76**	**1.54**

INFERRED			
Vlakpoort: Open-Pit			
LG1 -3	41	41.55	1.79
LG5	0		
LG6	1	28.61	1.59
MG1 -4	119	33.67	1.30
UG1 -2	0		
Vlakpoort: Underground			
LG6	1,321	33.67	1.59
UG2	115	20.27	1.08
Total Inferred Resources	**1,597**	**33.88***	**1.57****
Total Resources (Excl Exploration Results)	**4,630**	**33.81**	**1.55**
EXPLORATION RESULTS			
Vlakpoort: Open-Pit			
LG1 -3	50	36.86	1.82
LG6	365	33.55	1.60
MG1 & MG3	25	33.60	1.65
MG4 & MG4a	264	29.70	1.23
Vlakpoort; Underground			
LG6	1,243	34.16	1.60
Total exploration Results	**1,947**	**33.50**	**1.56**
Total Resources (Incl Exploration Results)	**6,577**	**33.72***	**1.55****

NOTES:
* Excluding Cr2O3 % of UG1, UG2 and MR
** Excluding Cr:Fe (ratio) of UG1, UG2 and MR

Table 3. Shows the Chromitite Mineral Reserves and Resources for Vlakpoort Mine as at 31 December 2018.

Combined Chromitite Mineral
Resource and Reserve Statemente

Mineral Reserves (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	225	24.1	1.14	LG6 - MG4	225	24.1	1.14
Stellite: Open Pit				**Stellite: Open-Pit**			
MG4	1,111	30.39	1.20	MG4	1,306	31.86	1.22
MG3	674	30.64	1.18	MG3	788	31.68	1.19
MG2	346	35.98	1.32	MG2	405	37.20	1.32
MG1	598	37.72	1.40	MG1	700	39.00	1.40
LG6 + 6A	103	33.68	1.37	LG6 + 6A	120	38.11	1.46
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	1,211	33.59	1.24
LG6 + 6A	2,702	34.98	1.36	LG6 + 6A	4,222	37.7	1.41
Mecklenburg: Open Pit				**Mecklenburg:Open-Pit**			
LG6 + 6A	61	40.76	1.58	LG6 + 6A	73.91	44.10	1.64
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6 + 6A	2,682	41.85	1.57	LG6 + 6A	4,190	43.66	1.59
Vlakpoort: Open Pit				**Vlakpoort: Open-Pit**			
LG1 -3	4	37.93	1.78	LG1 -3	0	41.57	1.82
LG5	3	35.01	1.45	LG5	42	38.77	1.55
LG6	37	31.25	1.63	LG6	140	36.85	1.53
MG1 -4	16	30.52	1.36	MG1 -4	131	30.01	1.29
UG1 -2	9	27.09	1.22	UG1 -2	164	21.46	1.12
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6	0			LG6	398	33.32	1.59
UG2	0			UG2	754	19.65	1.06
Total Proved Reserves	**8,571**	**36.14***	**1.39****	**Total Measured Resources**	**14,870**	**37.92***	**1.41****
PROBABLE:				INDICATED			
Stellite: Open Pit				**Stellite: Open-Pit**			
MG4	3,015	30.75	1.20	MG4	3,526	32.25	1.23
MG3	1,276	30.82	1.16	MG3	1,492	31.68	1.19
MG2	948	36.08	1.28	MG2	1,109	37.30	1.31
MG1	1,914	37.53	1.38	MG1	2,239	38.80	1.41
LG6 + 6A	239	33.88	1.43	LG6 + 6A	280	38.54	1.46
Stellite: Underground				**Stellite: Underground**			
MG4	262	32.69	1.22	MG4	306	33.8	1.25
LG6 + 6A	3,628	34.26	1.38	LG6 + 6A	4,243	37.5	1.41
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6 + 6A	1,924	41.83	1.57	LG6 + 6A	3,006	43.37	1.59

Vlakpoort: Open Pit			
LG1 -3	4	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	0		
UG2	0		
Total Probable Reserves	**13,275**	**34.78***	**1.34****
Total Proved & Probable Reserves	**21,846**	**35.32**	**1.36**

Vlakpoort: Open-Pit			
LG1 -3	17	41.57	1.86
LG5	10	39.92	1.55
LG6	64	33.95	1.58
MG1 -4	75	29.92	1.35
UG1 -2	24	27.61	1.25
Vlakpoort: Underground			
LG6	793	33.92	1.58
UG2	421	19.83	1.06
Total Indicated Resources	**17,605**	**36.81***	**1.38****
Total Measured & Indicated Resources	**32,475**	**37.31**	**1.40**
INFERRED			
Stellite: Open-Pit			
MG4	1,440	33.18	1.24
MG3	2,110	32.64	1.26
MG2	1,920	37.10	1.32
MG1	1,070	38.90	1.41
LG6 + 6A	40	37.82	1.44
Mecklenburg: Underground			
LG6 + 6A	1,142	43.41	1.59
Vlakpoort: Open-Pit			
LG1 -3	41	41.55	1.79
LG5			
LG6	1	28.61	1.59
MG1 -4	119	33.67	1.30
UG1 -2	0		
Vlakpoort: Underground			
LG6	1,321	33.67	1.59
UG2	115	20.27	1.08
Total Inferred Resources	**9,319**	**35.94***	**1.38****
Total Resources (Excl Exploration Results²)	**41,794**	**37.01**	**1.39**
EXPLORATION RESULTS			
Vlakpoort: Open-Pit			
LG1 -3	50	36.86	1.82
LG6	365	33.55	1.60
MG1 & MG3	25	33.60	1.65
MG4 & MG4a	264	29.70	1.23
Vlakpoort: Underground			
LG6	1,243	34.16	1.60
Total Exploration Results	**1,947**	**33.50**	**1.56**
Total Resources (Incl Exploration Results²)	**43,741**	**36.85***	**1.40****

"NOTES:
* Excluding Cr2O3 % of UG1, UG2 and MR
** Excluding Cr:Fe (ratio) of UG1, UG2 and MR"

Combined PGM Mineral

Resource and Reserve Statemente

Mineral Reserves (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:**			
Vlakpoort: Open Pit				**Vlakpoort: Open-Pit**			
LG1 -3	-	-	-	LG1 -3	0	0.18	0
LG5	-	-	-	LG5	42	0.74	999
LG6	-	-	-	LG6	140	0.46	2,066
MG1 -4	-	-	-	MG1 -4	131	1.13	4,760
UG1 -MR	159	1.4	7,158	UG1 -MR	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 Reserves	**159**	**1.40**	**7,158**	**Total Measured Resources**	**2,288**	**2.25**	**165,666**
PROBABLE:				**INDICATED**			
Stellite: Open Pit				**Stellite: Open Pit**			
MG4				MG4	952	1.40	42,855
MG3				MG3	440	1.78	25,183
MG2				MG2	698	1.73	38,828
MG1				MG1	722	0.84	19,501
Vlakpoort: Open Pit				**Vlakpoort: Open-Pit**			
LG1 -3	-	-	-	LG1 -3	17	0.22	120
LG5	-	-	-	LG5	10	0.66	212
LG6	-	-	-	LG6	64	0.40	823
MG1 -4	-	-	-	MG1 -4	75	0.85	2,050
UG1 -MR	9	0.19	55	UG1 -MR	24	0.31	239
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6	-	-	-	LG6	793	0.43	10,964
UG2	-	-	-	UG2	421	4.45	60,240
MR	-	-	-	MR	208	2.96	19,797
Total Probable Reserves	**9**	**0.19**	**55**	**Total Indicated Resources**	**4,424**	**1.55**	**220,813**
Total Proved & Probable Reserves	**168**	**1.34**	**7,213**	**Total Measured & Indicated Resources**	**6,712**	**1.79**	**386,479**
				INFERRED			
				Stellite: Open-Pit			
				MG4	5,710	1.38	253,370
				MG3	3,950	2.13	270,531
				MG2	2,740	2.06	181,492
				MG1	3,430	0.86	94,849

Vlakpoort: Open-Pit			
LG1 -3	41	0.23	303
LG5	0	-	-
LG6	1	0.42	14
MG1-4	119	1.00	3,826
UG1 -MR	0	-	-
Vlakpoort: Underground			
LG6	1,321	0.42	17,840
UG2	115	4.78	17,675
MR	-	-	-
Total Inferred Resources	**17,427**	**1.50**	**839,899**
Total Resources (Excl Exploration Results²)	**24,139**	**1.58**	**1,226,378**
EXPLORATION RESULTS			
Vlakpoort: Open-Pit			
LG1	10	0.30	96
LG2	7	0.17	38
LG3	33	0.27	286
LG6	365	0.42	4,929
MG1	20	0.85	547
MG3	5	1.67	268
MG4 + 4a	264	0.87	7,385
Vlakpoort: Underground			
LG6	1,243	0.41	16,387
Total exploration Results	**1,947**	**0.48**	**29,938**
Total Resources (Incl Exploration Results)	**26,086**	**1.50**	**1,256,316**

Table 5. Shows the Chromitite Mineral Reserves and Resources for Vlakpoort Mine as at 31 December 2018.

Historical Information

The information in this statement that relates to Exploration Results and Mineral Resources is based on the Mineral reserve and resource report and information compiled by Hermanus Berhardus Swart, a Competent Person who is a Professional Natural Scientist registered with the 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. Hermanus Berhardus Swart, 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.

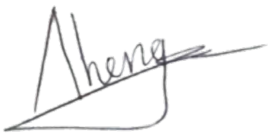
Competent Persons

The information in this statement that relates to Exploration Results and Mineral Resources is based on the Mineral Reserve and Mineral Resource report and information compiled by:

1. Daniel Thenga: Senior Geologist, Afarak SA Mining, Pr.Sci.Nat (reg nr: 114738), BSc Hons (Mining & Geology, Blasting Cert, MGSSA
2. Cuan Berner Kloppers: Chief Consulting Geologist, Afarak SA Mining, Pr.Sci.Nat (reg no:400092/04), EDP (UNISA SBL), NDip (Geology), NHDip, Geotechnology, MTech Research (Industrial Minerals), MGSSA, MSAAG, MSAQS

Both the people named above are Competent Persons who are both Professional Natural Scientists registered with South African Council for Natural Scientific Professions accredited and Members of the Geological Society of South Africa, each of which is a "Recognized Professional Organisation" (RPO) that is included in a list that is posted on the ASX website from time to time.

Both the Competent Persons, listed above, have 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 Persons consent to the inclusion of the matters based on his information in the form and context in which it appears.



Daniel Thenga

Cuan Kloppers

Governance Review

Chairman's Introduction

Dear Shareholders,

In the past year Afarak has navigated a challenging operational environment.

In 2018, we made some encouraging progress in certain areas of our business but overall it was a tough year and our financial performance reflects the challenges. Improved commercial execution, cost discipline and technical excellence are the areas of focus for ensuring the delivery of our strategy.

Throughout 2018, your Board empowered the management and the different units around the world to focus on implementing initiatives that would further strengthen our operations. A turn-around strategy in our South African operations is being implemented led by a new and experienced management team.

Looking ahead, we are confident that the investments that are underway such as additional beneficiation plants and the PGM plant will further build our resilience to volatile markets. Afarak's unique position as a vertically-integrated producer of speciality alloys; acting as a miner, producer and marketer of commodities, enables it to extract value at every stage of the commodity chain. Our ability to be specialist producers as well as volume miners, will further support our resilience and adaptability.

We are also mindful of our commitment to sustainability. Our focus remains on ensuring a "Zero Harm" policy and we are proud and thankful that no fatalities happened in 2018 and improvements in health & safety performance were registered across our unit . Throughout the year, we have invested heavily in ensuring the safety of our employees is prioritised across all our units. We have also supported health promotion.

We face many challenging situations at our operations, as we work to extract resources safely, profitably and responsibly, to mitigate our environmental impact and support our host communities. We recognize the value of multi-stakeholder engagement and we continue to tackle these challenges with Management, our employees, unions and also the host communities.

This year we have participated in a number of such initiatives across a number of areas including our host communities in South Africa and Turkey. Our support has extended beyond charitable donations towards assisting NGOs and educational services. This year, I am satisfied with our efforts to invest in much needed infrastructure that will benefit our host communities.

Afarak's return to growth can only be achieved if it is underpinned by sound corporate governance. Afarak Group follows the Finnish Corporate Governance Code. As a Board, we are committed to our obligations as a publicly listed company and management is focused on strengthening the Company's structure.

Afarak is privileged to have a diverse, skilled and experienced Board. The Board is substantially smaller than in previous years which affords cost savings, improved information flows changes and a stable environment for long-term strategic thinking and active oversight of the business, but also places considerable pressure on members. We will continue to review whether the size of the Board is optimal for both efficiency and effectiveness.

I thank all for their continuing commitment and contribution.

I am also grateful to those Directors who chair and are members of the Committees of the Board, which are set out later in this report. The diligent way in which they carry out their Committee duties enables us to discharge our responsibilities efficiently and effectively.

We are always mindful of the trust shareholders place in us as your elected Directors and of our wider responsibilities to all of Afarak's stakeholders. We seek to apply rigorous governance standards in our work for you and other stakeholders, which you can read about in this Governance Review.

As instructed by the Extraordinary General Meeting held in November 2018, management is currently working on the repurchase of Afarak's own shares and plans are underway to present the proposals and documentation to the shareholders as soon as practicable.

I am confident that we have a leadership team with the resolve and commitment to ensure that Afarak returns to growth. I share our CEO's enthusiasm for the future prospects of Afarak as an innovator of value-added ferrochrome products and its ability to deliver value for customers and shareholders.

As I talk to our employees around the world, I am constantly reminded that our achievements are only made possible by a skilled and talented team. I am grateful for their efforts over the past year and look forward to working with them to deliver a return to growth.

DR JELENA MANOJLOVIC
Chairman

Information Presented by Reference

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

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

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

SECTOR	TOPIC	LOCATION
1	Interest capitalised	1.7. Notes to the statement of financial position, 10. Property, plant and equipment.
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	1.7. Notes to the statement of financial position, 19. Share-based payments
5	Waiver of emoluments by a 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 transactions
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

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

Our People
The Board of Directors

CHAIRMAN

Dr Jelena Manojlovic

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

Jelena Manojlovic has been a member of the Board since July 11, 2008. She has acted as Chairman of the Board during 2009 and 2015 and again since 2017. She is also a member of the Remuneration and Nomination Committee. She is an established university lecturer and organizational consultant and has 35 years' experience in the human resources field and 20 years' in management positions in a diverse range of organisations, including the UK's National Health Service, universities and other companies. Dr Manojlovic is independent of the Company but is dependent on a major shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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 and rejoined the Board in 2015. He was an Audit Partner at PWC for 17 years from 1984 to 2001 where he specialised in the Oil & Gas and Mining sectors. He currently holds a number of non-executive directorships and positions on the audit committees in other companies.

Thorstein Abrahamsen

Independent Non-Executive Director
M.Sc. (Electrochemical Engineering)
Born 1948

Thorstein Abrahamsen is an internationally respected stainless steel and ferro-alloy industry professional. He has served as Chief Executive Officer of various manufacturing companies within stainless steel, ferro-alloy, construction equipment and mining industries. He also served as Vice- President Sales & Distribution of a global stainless steel production company. Throughout his career he has served on over 30 boards including chairmanships of ferro- alloy and steel trading & marketing companies around the world. He is currently chairman of a construction industry company, a board member and partner of a management consultancy company and two investment companies.

EXECUTIVE DIRECTOR

Guy Konsbruck

CEO and Executive Director
BA; MBA (SHU Fairfield)
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on 15 January 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys. Mr Konsbruck was appointed to the Board during the Extraordinary General Meeting held on 5th February 2018.

Our People
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.

Guy Konsbruck
CEO
BA; MBA (SHU Fairfield)
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on 15 January 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys.

Dr Danko Koncar
COO
B.Sc. (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)
Born 1942

Dr Danko Koncar was appointed as Chief Operating Officer on December 9, 2016. He has extensive experience in minerals processing and trading, more than 20 years in ferrochrome industry with six years of experience in application of direct current technology to ferrochrome processing. Before joining Afarak, he served in different management positions in chrome industry and was the Chairman of Samancor Chrome from 2005 - 2009.

Our People
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
ACCA, MIA, CPA
Born 1982

Melvin Grima joined Afarak in 2013 as Group Finance Manager. He was responsible of the relocation of the Group's corporate finance function to Malta and its setup. He was promoted to Finance Director in 2015 and appointed to the role of Chief Financial Officer on January 11, 2019. 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.

Bertus van der Merwe
CEO Afarak South Africa
B Eng (Metallurgy), MBA (Heriot Watt Scotland)
Born 1972

Bertus van der Merwe is a metallurgical engineer with extensive industry experience. He was a Gold Fields bursar and worked at Billiton's Samancor Manganese from 1996-2001 and then joined Samancor Cr in 2001 as manager of the low carbon production and eventually became the COO of Samancor Cr. In 2012 he left to do consulting in the Ferroalloy and steel industry. He also gained extensive experience with reductant technology in Portnex. In June 2017 he joined Afarak SA.

Seyda Caglayan
Managing Director, Afarak TMS
MSc Mining Engineering
Born 1958

Seyda Caglayan joined Afarak TMS in December 2007. Prior to joining Afarak, she held a number of senior management and directorate positions in the mining and chrome industry including the Istanbul Mineral Exporters' Association and the International Chromium Development Association (ICDA). Seyda currently serves as Member of the Board of Turkish Miners Association, Member of Chrome Committee of ICDA and Member of the Board of Trustees of the Turkish Mining Development Foundation.

Christoph Schneider

Managing Director, Afarak EWW
MA Economics
Born 1964

Christoph Schneider is currently the Managing Director of Afarak EWW. He joined EWW in 1992 as Sales Manager and was appointed as Managing Director in December 2003.

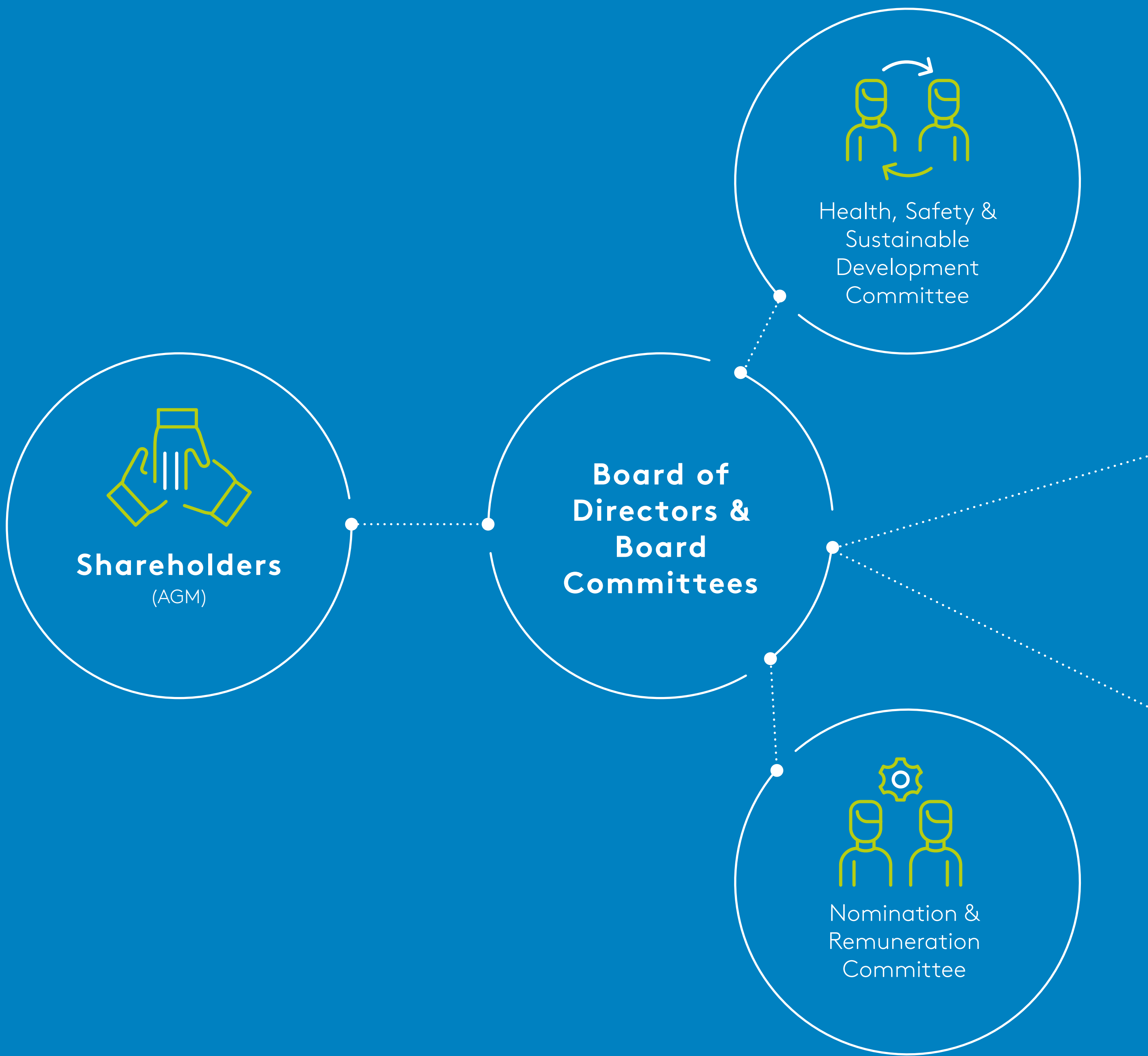
Dr Kurt Maske

Managing Director, Afarak SA Mining
PhD (Minerals Engineering)
Born 1955

Kurt Maske is the acting General Manager for the SA Mining Operations and manages the South African marketing and logistics processes. Prior to joining Afarak in 2011, Kurt was with BHP Billiton for nearly 25 years where he started his career as a Process Engineer responsible for developing the DC arc furnace technology for FeCr production at what is now Mogale Alloys. After serving as Works Manager he was transferred to Samancor's marketing team to globally manage the sale of the group's low and medium carbon ferrochrome products.

Governance Structure

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



Executive
Management Team
Audit & Risk
Management
Committee
Corporate
Management Team
Chief Executive
Officer
(CEO)

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 and at the Group's office in Helsinki at least three weeks before the meeting. The resolutions passed by the General Meeting will be published as a stock exchange release without undue delay and will be available on the Group's website, along with the minutes of the General Meeting, no later than two weeks after the meeting.

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

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

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

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

- Approving the year's financial statements;
- Confirming the financial year's profit or loss, the dividend distribution or other distribution, such as capital redemption;
- Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
- Electing the auditor or auditors and approving their fees.

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

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

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

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

GENERAL MEETINGS IN 2018

The Annual General Meeting was held on May 29, 2018 at Union Square Auditorium, Helsinki, Finland.

All the resolutions of the above-mentioned General Meeting can be found at:
http://www.afarak.com/en/investors/shareholder-meetings/2018/

EXTRAORDINARY GENERAL MEETINGS

An Extraordinary General Meeting was held on February 5, 2018 at Union Square Auditorium, Helsinki, Finland.

Another Extraordinary General Meeting was also held on November 12, 2018 at Union Square Auditorium, Helsinki, Finland.

All the resolutions of the above-mentioned General Meeting can be found at:
http://www.afarak.com/en/investors/shareholder-meetings/2018/

The Board of Directors

TASKS AND RESPONSIBILITIES

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

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

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

- Formulating the Group's business strategy and overseeing its implementation;
- Deciding on the Group's capital structure;
- Making decisions on significant investments, divestments, credits and collaterals, guarantees and other commitments;
- Approving the quarterly interim reports, the Board of Directors Report, the annual financial results and future forecasts and/or outlook;
- Deciding on the Group's organisational structure;
- Appointing the CEO and approving his or her service agreement and remuneration; and
- Convening and submitting proposals to the shareholders' General Meeting.

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

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

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

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

The 2018 Annual General Meeting elected five members to the Board. Dr Jelena Manojlovic, Mr Barry Rourke, Mr Ivan Jakovcic and Mr Thorstein Abrahamsen were re-elected. Mr Ivan Jakovcic resigned from the Board in July 2018.

DIVERSITY OF THE BOARD OF DIRECTORS - SKILLS, EXPERIENCE AND ATTRIBUTES

The Board considers that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is required to effectively govern the business. The Board and its Nomination and Remuneration Committee work to ensure that the Board continues to have the right balance of skills, experience, independence and Group knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

To govern the Group effectively, Non-Executive Directors must have a clear understanding of the Group's overall strategy, together with knowledge about the Group and the industries in which it operates. Non-Executive Directors must be sufficiently familiar with the Group's core business to be effective contributors to the development of strategy and to monitor performance.

The Board requires that Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and are free to question or challenge the opinions of others. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of the Company.

Current Board profile
The Board considers that each of the Non-Executive Directors has the following attributes:
time to undertake the responsibilities of the role;

- unquestioned honesty and integrity;
- a willingness to understand and commit to the highest standards of governance;
- knowledge of commodity markets and mining
- an ability to think strategically
- a preparedness to question, challenge and critique
- experience of managing in the context of uncertainty, and an
- understanding of the risk environment of the Group, including the potential for risk to impact our health and safety, environment, community, reputation, regulatory, market and financial performance;
- knowledge of world capital markets.

SENIOR INDEPENDENT DIRECTOR

During the year under review, Barry Rourke held the role of Senior Independent Director of Afarak Group in accordance with the UK Corporate Governance Code. He acted independently in the best interests of the Group. His expertise and broad international experience materially enhanced the skills and experience profile of the Board. He is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO. As Senior Independent Director, he also provides a sounding board for the Chairman and serves as an intermediary for other Directors if necessary.

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 and Mr Thorstein Abrahamsen are independent of the Company and significant shareholders whilst Dr Jelena Manojlovic is independent of the Company.

	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination & Remuneration Committee	Health & Safety Committee
Jelena Manojlovic	Chairman	11 July 2008	Dependent	-	Chair	
Barry Rourke	NED	08 May 2015	Independent	Chair	Member	
Thorstein Abrahamsen	NED	23 May 2017	Independent	Member	Member	Chair
Guy Konsbruck	ED	05 February 2018	N/A			

The Board in 2018

The new Board of Directors made it a priority to review various elements relating to the operation and corporate governance of Afarak. Highlights of the main discussions and decisions are presented below. A strategic workshop was held by the Board soon after election and various elements relating to Afarak's core business were reviewed.

COMPANY PERFORMANCE

The Board supported various initiatives to make the Company more resilient and responsive to the market. Throughout the year, the Board agreed on various projects, especially in South Africa, Germany and Serbia, which made the units able to respond to changing market conditions. The Board also supported various capital investments and restructuring processes especially in South Africa.

RISK MANAGEMENT

The Board continued enhancing the Group's risk management function across the Group. Key factors were identified and various mitigating measures were applied, including reducing the exposure to currency fluctuations. In addition, the Board has overseen measures to improve liquidity and in particular to manage its working capital effectively.

SUSTAINABILITY

The Board highlighted Health & Safety as a key priority. The Board is working closely with the respective units to strengthen the health & safety culture within the Company. The Board remains committed to continue investing in training, equipment and reporting to ensure that its policy of 'Zero Harm' is practiced throughout the Company. In addition, the Board supported further environmental initiatives and investments within the Group including the investment and installation of a heat recovery pump at Mogale. The Board continued the Company's support towards host communities in South Africa.

A total of 9 meetings of the Board were held during the reporting period and the attendance of the directors is tabled below.

Meetings attended	
Jelena Manojlovic	9/9
Barry Rourke	9/9
Thorstein Abrahamsen	9/9
Guy Konsbruck	9/9
Ivan Jakovcic	5/5

A total of 9 meetings were held during the reporting period.

The differences in the meetings attended, related to the changes in Board composition.

REMUNERATION

The AGM resolved the Chairman of the Board shall be paid EUR 4,500 per month,
the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550
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 committee work.

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

During the financial year 2018, the Board members received a total of EUR257,000 and Committee membership fees.

Board Committees

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is composed of two members: Barry Rourke (Chairman), and Thorstein Abrahamsen.

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 oversees risk management procedures and internal controls, maintaining constant contact with auditors and evaluating their reports. The Committee reports regularly to the Board.

In 2018, the Committee continued to oversee the Group's financial performance and reporting. The Committee also worked with management to improve the reporting function of the Group, both internally and externally. Regular scrutiny of the Group's compliance with laws, regulations and best practice continued being an area of focus during the year.

The Committee assessed various growth options, strategies and investments. It worked with Management on finalising the acquisition of the Zeerust Chrome Mine and concluding the purchase agreement of the Magnohrom plant in Serbia. The Committee also assessed various external financing facilities. Throughout the year, the Committee worked on improving the internal budgeting and forecasting models and processes.

The Committee also reviewed each quarterly report before release and recommended changes where necessary, before recommending the reports to the Board.

NOMINATION AND REMUNERATION COMMITTEE

The combined Nomination and Remuneration Committee of the Company currently has three members: Ivan Jakovcic (Committee Chairman), Dr Jelena Manojlovic and Barry Rourke. Mr Ivan Jakovcic resigned from the Board in July 2018.

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 FOR HEALTH, SAFETY AND SUSTAINABLE DEVELOPMENT

The Committee is currently led by Thorstein Abrahamsen and includes management members from the respective Units.

The Committee's stated mission is to ensure that Afarak conducts its business in a responsible and ethical manner for the benefit of all its stakeholders. Throughout 2018, the Committee continued to monitor safety improvement progress and initiatives across various Units of the Company

Afarak is continuously investing in environmental initiatives and projects. It supported investments that will allow the Group to rehabilitate its mines and to invest in alternative energy sources. It continued supporting the business units in their efforts to improve water management and dust reduction. The Committee also continued to monitor Afarak's work and social investment programmes with local communities, particularly in South Africa.

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 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 2018 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 2015 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 oversee the day-to-day business management and administrative control in their respective responsibility areas.

MAIN PRINCIPLES OF RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

THE STRUCTURE OF INTERNAL CONTROL SYSTEMS

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

- The risk management and internal control policies and principles defined by the Board;
- Implementation of the policies and principles under the supervision of Group management;
- Supervision of the efficiency and functionality of the business operations by Group management;
- 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, monitor and reassess them on a regular basis as part of the Group's strategy and goal-setting process. The Board reports to the shareholders of the Company.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is responsible for the following internal control related activities:

- Monitoring the reporting process of the financial statements;
- Supervising the financial reporting process;
- Monitoring the efficiency of the Group's internal control, internal audit and risk management systems; and
- Monitoring the statutory audit of the financial statements and consolidated financial statements.

GROUP MANAGEMENT

The Group's management is oversees 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.

During Afarak's General Meeting held in May 2018, Authorised Public Accountant Ernst & Young Oy ("EY") was elected 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 2018, the Company paid EUR 504,000 for audit fees (348,000) and EUR 36,000 for non-audit services (4,000) to EY.

Insider Administration

The Company complies with the legal provisions applying to the management of insiders as defined by the Market Abuse Regulations (EU) No. 596/2014, the Guidelines for Insiders issued by the NASDAQ Helsinki Stock Exchange and the stipulations and guidelines of the Finnish Financial Supervision Authority.

PUBLIC INSIDER REGISTER

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

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

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

COMPANY-SPECIFIC INSIDER REGISTER

In addition to the public insider register, the Company holds a company-specific insider register of persons who regularly receive information that can have material impact on the value of its securities. These persons include all Afarak Group Plc employees, 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 2018

	Title	Shares	Related Party Shares	Options
Members of the Board				
Jelena Manojlovic	Chairman	150,000		0
Guy Konsbruck*	Chief Executive Officer, Executive Director	500,000		
Barry Rourke	Non-Executive Director	150,000		
Thorstein Abrahamsen	Non-Executive Director	0		
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar**	Executive	0		
Pedrag Kovacevic	Chief financial Officer	0		

** The CEO received an additional 500,000 shares in January 2019 after completing his second year of service.*
*** Dr Koncar has sold his shareholding in LNS (formerly Kermas Ltd) on January 20,2018.*

Resolutions of the Annual General Meeting

The Company's Annual General Meeting ("AGM') was held on May 29, 2018. The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2017.

The AGM resolved that no dividend would be paid for 2017. The AGM resolved that the Board would decide in quarter four 2018 whether a capital redemption of a maximum of EUR 0.02 per share would be paid.

The AGM resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 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 committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership.

The AGM resolved that the Board of Directors would comprise of five (5) members: Dr Jelena Manojlovic (UK citizen), Mr Barry Rourke (UK citizen), Mr Ivan Jakovcic (Croatian citizen), Mr Thorstein Abrahamsen (Norwegian citizen) and Mr Guy Konsbruck (Luxembourg citizen) were re-elected. Mr Jakovcic resigned from the Board in July 2018. The Board appointed from among its members the following members to the Committees:

AUDIT AND RISK MANAGEMENT COMMITTEE

Barry Rourke, (Chair), Thorstein Abrahamsen

NOMINATION AND REMUNERATION COMMITTEE

Ivan Jakovcic (Chair), Dr Jelena Manojlovic and Barry Rourke. Mr Jakovcic resigned in July 2018 and Dr Manojlovic took over the Chairmanship of the Committee and Thorstein Abrahamsen joined too.

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE
Thorstein Abrahamsen (Chair) and members of management

The AGM resolved that authorised public accountant firm Ernst & Young Oy was re-elected as the Auditor of the Group for the year 2018.

The AGM authorised the Board of Directors to resolve upon acquiring a maximum of 25,000,000 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.

2018 ANNUAL GENERAL MEETING

Afarak's 2018 Annual General Meeting will be held on June 25, 2019.

Additional Information

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 2018, the registered number of Afarak Group Plc shares was 263,040,695 (263,040,695) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2018, the Company had 2,387,494 (3,354,161) own shares in treasury, which was equivalent to 0.91% (1.28%) of the issued share capital. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2018, was 260,653,201 (259,686,534).

At the beginning of the period under review, the Company's share price was EUR 0.86 on NASDAQ Helsinki and GBP 0.87 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.73 and GBP 0.73 respectively. During the fourth quarter of 2018, the Company's share price on NASDAQ Helsinki ranged from EUR 0.67 to 0.92 per share and the market capitalisation, as at 31 December 2018, was EUR 191.0 (1 January 2018: 222.3) million. For the same period on the London Stock Exchange, the share ranged from GBP 0.73 to 0.78 per share and the market capitalisation was GBP 190.7 (1 January 2018: 190.7) million, as at 31 December 2018.

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

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

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 2018.

REMUNERATION POLICY

Afarak operates in a very competitive sector in terms of human capital with a shortage of highly qualified and 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 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 2018 were Mr Ivan Jakovcic (Chairman), Dr Jelena Manojlovic and Mr Barry Rourke. Mr Jakovcic resigned on July 31, 2018, and Mr Thorstein Abrahamsen assumed the vacant position in the committee.

CEO SERVICE AGREEMENT

The Board appoints the Chief Executive Officer (CEO) to manage, develop, guide and supervise the Group's activities and leads the EMT. The Board decides upon the CEO's remuneration based on the recommendations made by the 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 CEO. Mr Guy Konsbruck received two share transfers since his appointment.

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

NON-EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Non-executive directors do not have service contracts with the company.

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 May 29, 2018 resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 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 committee work.

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

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

RELATED PARTY TRANSACTIONS WITH PERSONS BELONGING TO THE GROUP'S BOARD AND MANAGEMENT

EUR '000		2018			2017		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Ruiters Alistair	Board member 8.5.2015 - 23.5.2017, CEO 21.5.2015 - 15.1.2017	0		0	14		145
Konsbruck Guy	Board member 05.2.2018 onwards, CEO 15.1.2017 onwards		360	219		415	583
BOARD MEMBERS							
Abrahamsen Thorstein	Board member 23.5.2017 onwards		60			36	
Djakov Milan	Board member 12.5.2016 - 23.5.2017		0			24	
Hoyer Thomas	Board member 23.5.2017 - 05.2.2018		6			36	
Jakovcic Ivan	Board member 8.5.2015 - 31.07.2018, Chairman 12.5.2016 - 23.05.2017		34			65	
Kankaala Markku	Board member 30.6.2003 -17.3.2017		0			15	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairman 23.5.2017 onwards		72			67	
Rourke Barry	Board member 8.5.2015 onwards		85			85	
Total		**0**	**617**	**219**	**14**	**743**	**728**

OTHER EMT MEMBERS' SERVICE CONTRACTS

As Afarak operates within 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 based incentives, fringe benefits include liability insurance, traveller's insurance and telephony services.

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 otherwise agreed.

The table below includes the EMT but excludes the CEO since the compensation for Board members and CEO 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	2018	2017
Fixed salaries and fees	564	482
Provision for variable performance related compensation	-14	195
Total	**550**	**677**

SHARE-BASED COMPENSATION

SHARE OPTIONS

As part of the remuneration package of its CEO, Afarak pays a share-based compensation of 500,000 shares for every completed year. As at December 2018, Alistair Ruiters had received a total of 1,466,667 shares over his span as both CEO and Consultant.

Guy Konsbruck has received in total 1,000,000 shares after completing his second year as CEO in January 2019. These shares have a lock-up period of two years from subscription date.

DIRECTORS' AND EMT MEMBERS' SHAREHOLDINGS AND OPTIONS AT 31 DECEMBER 2018

	Title	Shares	Related Party Shares	Options
Members of the Board				
Guy Konsbruck	Chief Executive Officer, Executive Director	500,000	0	0
Barry Rourke	Non-Executive Director	150,000	0	0
Jelena Manojlovic	Chairperson & Dependent Non-Executive Director	150,000	0	0
Thorstein Abrahamsen	Non-Executive Director	0	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar**	Chief Operating Officer	0	0	0
Predrag Kovacevic	Chief financial Officer	0	0	0
		800,000	**0**	**0**

** The CEO received an additional 500,000 shares in January 2019 after completing his second year of service.*
*** Dr Koncar has sold his shareholding in LNS (formerly Kermas Ltd) on January 20,2018.*

Financial Statements

Key Figures

FINANCIAL INDICATORS

CONTINUING OPERATIONS		2018	2017	2016
Revenue	EUR'000	194,013	198,814	153,570
EBITDA	EUR'000	-1,017	17,970	5,478
% of revenue		-0.5 %	9.0 %	3.6 %
Operating profit / loss (EBIT)	EUR'000	-14,092	11,399	-1,010
% of revenue		-7.3 %	5.7 %	-0.7 %
Profit / loss before taxes	EUR'000	-18,541	4,241	-3,137
% of revenue		-9.6 %	2.1 %	-2.0 %
Return on equity	%	-11.5 %	3.0 %	-1.6 %
Return on capital employed	%	-6.0 %	8.2 %	0.9 %
Equity ratio	%	-58.3 %	66.3 %	67.7 %
Gearing	%	8.2 %	0.7 %	-3.3 %
Personnel at the end of the accounting period		942	928	813

Key Figures

SHARE-RELATED KEY INDICATORS

		2018		2017		2016	
		Group	Continuing Operations	Group	Continuing Operations	Group	Continuing Operations
Earnings per share, basic	EUR	-0.07	-0.07	0.02	0.02	0.00	-0.01
Earnings per share, diluted	EUR	-0.07	-0.07	0.02	0.02	0.00	-0.01
Equity per share	EUR	0.58	0.58	0.66	0.66	0.66	0.66
Distribution*	EUR'000	0		5,186		5,176	
Distribution per share*	EUR	0		0.02		0.02	
Price to earnings	EUR	neg.		35.2		neg.	
Average number of shares	1000	260,080		259,329		258,945	
Average number of shares, diluted	1000	260,702		260,718		259,796	
Number of shares at the end of the period	1000	263,040		263,040		263,040	
Share price information (NASDAQ Helsinki)							
Average share price	EUR	0.94		0.91		0.51	
Lowest share price	EUR	0.67		0.72		0.39	
Highest share price	EUR	1.20		1.15		0.90	
Market capitalisation	EUR'000	190,968		222,269		203,857	
Share turnover	EUR'000	27,594		58,773		18,315	
Share turnover	%	11.1%		24.7 %		13.7 %	
Share price information (London Stock Exchange)							
Average share price	EUR	1.00		0.84		0.37	
	GBP	0.89		0.74		0.30	
Lowest share price	EUR	0.82		0.63		0.34	
	GBP	0.73		0.55		0.28	
Highest share price	EUR	1.05		1.06		0.46	
	GBP	0.93		0.93		0.38	
Market capitalisation	EUR'000	213,190		214,944		115,210	
	GBP'000	190,705		190,705		98,640	
Share turnover	EUR'000	28		56		902	
	GBP'000	25		49		739	
Share turnover	%	0.0 %		0.0 %		0.9 %	

* In 2016 the Company distributed a capital redemption of EUR 0.02 per share out of the paid-up unrestricted equity fund which were paid in two trenches of EUR 0.01 per share in May 2016 and August 2016. In 2017 the company distributed a capital redemption of EUR 0.02 per share out of the paid-up unrestricted equity fund. In 2018 the company did not distribute capital redemption. In 2019 the Board of Directors proposes to the Annual General Meeting which will be held on 21 May 2019 that no distribution would be paid in 2019.

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.

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CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.-31.12.2018	1.1.-31.12.2017
Revenue	1	**194,013**	**198,814**
Other operating income	2	4,624	4,343
Materials and supplies		-157,718	-153,172
Employee benefits expense	3	-25,589	-23,908
Depreciation and amortisation	4	-6,532	-6,017
Impairment	4	-6,543	-554
Other operating expenses	5	-13,654	-11,175
Share of profit from joint ventures	13	-2,693	3,068
Operating (loss) / profit		**-14,092**	**11,399**
Finance Income	6	3,275	3,728
Finance Expense	6	-7,724	-10,886
(Loss) / profit before taxes		**-18,541**	**4,241**
Income taxes	7	-42	951
(Loss) / profit for the year from continuing operations		**-18,583**	**5,192**
Discontinued operations			
Profit for the year from discontinued operations	8	0	1,519
(Loss) / profit for the year		**-18,583**	**6,711**
(Loss) / profit attributable to:			
Owners of the parent		-18,056	6,261
Non-controlling interests		-527	450
		-18,583	**6,711**
Earnings per share (counted from (loss) / profit attributable to owners of the parent):	9		
basic (EUR), Group total		-0.07	0.02
diluted (EUR), Group total		-0.07	0.02
basic (EUR), continuing operations		-0.07	0.02
diluted (EUR), continuing operations		-0.07	0.02

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME (CONT.)

EUR '000	1.1.-31.12.2018	1.1.-31.12.2017
(Loss) / profit for the year	**-18,583**	**6,711**
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurements of defined benefit pension plans	-577	-196
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations - Group	-2,208	-2,028
Exchange differences on translation of foreign operations – Associate and Joint Ventures	-340	-608
Other comprehensive income, net of tax	**-3,125**	**-2,832**
Total comprehensive income for the year	**-21,708**	**3,879**
Total comprehensive income attributable to:		
Owners of the parent	-21,111	3,518
Non-controlling interests	-597	361
	-21,708	**3,879**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	10	44,984	45,806
Goodwill	11	56,245	62,409
Other intangible assets	11	13,475	16,205
Other financial assets	14	511	734
Receivables	14	22,192	21,066
Deferred tax assets	20	3,935	3,641
		141,342	**149,861**
Current assets			
Inventories	15	56,965	49,944
Trade and other receivables	16	48,175	49,434
Cash and cash equivalents	17	12,132	10,702
		117,272	**110,080**
Total assets		**258,614**	**259,941**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

EUR '000	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	23,642	23,642
Share premium reserve		25,740	25,740
Legal Reserve		98	131
Paid-up unrestricted equity reserve		231,292	230,835
Translation reserve		-21,811	-19,334
Retained earnings		-108,485	-89,618
		150,476	**171,396**
Non-controlling interests		372	969
Total equity		**150,848**	**172,365**
Non-current liabilities			
Deferred tax liabilities	20	3,435	4,460
Interest-bearing debt	14	2,103	2,548
Share of joint ventures' losses	13	16,871	13,778
Pension liabilities	22	20,106	19,936
Other non-current debt	23	2,679	3,168
Provisions	21	8,876	9,180
		54,070	**53,070**
Current liabilities			
Trade and other payables	23	27,028	22,070
Provisions	21	105	109
Tax liabilities	23	4,232	2,934
Interest-bearing debt	14	22,331	9,393
		53,696	**34,506**
Total liabilities		**107,766**	**87,576**
Total equity and liabilities		**258,614**	**259,941**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	1.1.-31.12.2018	1.1.-31.12.2017
Operating activities		
(Loss) / profit for the year	-18,583	6,711
Adjustments for:		
Non-cash items		
Depreciation and impairment	13,075	6,571
Finance income and expense	4,449	7,158
Income from joint ventures	2,693	-3,068
Income taxes	42	-951
Share-based payments	-227	785
Proceeds from non-current assets	-56	-114
Working capital changes:		
Change in trade receivables and other receivables	5,795	-14,625
Change in inventories	-7,860	-4,035
Change in trade payables and other debt	4,669	3,805
Change in provisions	-107	-1,942
Interest paid	-1,088	-1,728
Interest received	590	5,448
Other financing items	340	-1,951
Income taxes paid	-663	-1,321
Discontinued operations	0	809
Net cash from operating activities	**3,069**	**1,552**
Investing activities		
Acquisitions of subsidiaries, net of cash acquired	-1,003	0
Acquisition of non-controlling interest	-457	-727
Capital expenditure on non-current assets, net	-7,497	-7,601
Other investments, net	141	-591
Repayments of loan receivables and loans given, net	-1,139	8,851
Net cash used in investing activities	**-9,955**	**-68**
Financing activities		
Capital redemption	0	-5,186
Proceeds from borrowings	7,787	3,063
Repayments of borrowings	-6,088	-3,818
Repayments of finance leases	-239	-249
Movement in short term financing activities	6,518	6,412
Net cash from financing activities	**7,978**	**222**
Change in cash and cash equivalents	**1,092**	**1,706**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT.)

EUR '000	1.1.-31.12.2018	1.1.-31.12.2017
Cash at beginning of period	10,702	9,651
Exchange rate differences	338	-655
Cash at end of period	12,132	10,702
Change in the consolidated statement of financial position	**1,092**	**1,706**

The cash flow from operating activities in 2017 includes discontinued operations relating to cash received during 2017 of EUR 900 thousand less the storage costs of the saw mill equipment of Eur 1 thousand and commissions of Eur 90 thousand.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000

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

	ATTRIBUTABLE TO OWNERS OF THE PARENT								
EUR '000	A	B	C	D	E	F	G	H	I
Equity at 31.12.2016	**23,642**	**25,740**	**235,242**	**-16,787**	**-95,963**	**160**	**172,034**	**4,151**	**176,185**
Impact of the adoption of IFRS 15	0	0	0	0	0	0	0	0	0
Total impact of the adoption of new IFRS standards	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Profit for the period 1-12/2017					6,261		6,261	450	6,711
Other comprehensive income				-2,547	-196		-2,743	-89	-2,832
Total comprehensive income				**-2,547**	**6,065**		**3,518**	**361**	**3,879**
Share-based payments			779		6		785		785
Capital redemption			-5,186				-5,186		-5,186
Acquisition of non-controlling interest					271		271	-3,543	-3,272
Other changes in equity					3	-29	-26		-26
Equity at 31.12.2017	**23,642**	**25,740**	**230,835**	**-19,334**	**-89,618**	**131**	**171,396**	**969**	**172,365**
Impact of the adoption of IFRS 9	0	0	0	0	0	0	0	0	0
Total impact of the adoption of new IFRS standards	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loss for the period 1-12/2018					-18,056		-18,056	-527	-18,583
Other comprehensive income				-2,477	-577		-3,054	-70	-3,124
Total comprehensive income				-2,477	-18,633		-21,110	-597	-21,707
Share-based payments			457		- 234		223		223
Other changes in equity						- 33	- 33		- 33
Equity at 31.12.2018	**23,642**	**25,740**	**231,292**	**- 21,811**	**- 108,485**	**98**	**150,476**	**372**	**150,848**

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 Kaisaniemenkatu 4, 00100 Helsinki, Finland. Copies of the consolidated financial statements are available at Afarak Group Plc's head office or at the Company's website: www.afarak.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 2018. 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 29 March 2019 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.

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. The Group's share of net assets or liabilities in the Joint venture is recorded on one line in the statement of financial position. 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. In accordance with IAS 21, any foreign exchange difference arising from Intra-group loans for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. This is recognised in the group's other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

The Group applies IFRS 15 Revenue from Contracts with customers standard. Income from the sale of goods is recognised once the control of goods have been transferred to the buyer. Control is transferred either over time or at a point in time. The transfer of control depends on terms of delivery (Incoterms), and some of which have transfer of risk to the customer before material is delivered to the final customer. The freight in conjunction with these delivery terms may be regarded as a separate performance obligation, however as they are limited in number, the Group does not consider the freight as being separate from the sale.

The most often used term are FCA, CIF 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.

Generally, the Group receives short-term advances or cash against documents (CAD) from its customers. The payment terms are usually up to 60 days from end of month or after consignment report for customers with consignment agreement. The transaction price is based on official publications with premiums or discounts, while spot business is done based on negotiations. Performance obligations are satisfied at delivery of the goods and revenue is recognised based on the incoterms transfer of risk.

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 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).

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTIONS

The purpose of South African Broad Based Black Economic Empowerment (BBBEE) 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 BBBEE. Where the Group disposes of a portion of a South African based subsidiary or operation to a BBBEE 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 Broad Based Black Economic Empowerment (BBBEE) transactions). The discount provided or value given is calculated in accordance with IFRS 2 and recognised as an expense. Where the BBBEE 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 2018 financial year, testing took place on 31 December 2018. 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 a dividend. Consequently the effective tax rate is 5%. The tax refund is recognised when the dividend is declared. Taxes arising from items recognised directly in 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 an 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

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss in accordance with IFRS 9: Financial Instruments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15: Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortised cost (debt instruments);
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
4. Financial assets at fair value through profit or loss.

1. Financial assets at amortised cost (debt instruments)

This category financial assets are measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group held loans receivable which were classified as being financial assets at amortised cost.

2. Financial assets at fair value through OCI (debt instruments)

This category of debt instruments are measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group did not hold any debt instruments classified as being financial assets at fair value through OCI.

3. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

4. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group did not hold any debt instruments classified as being financial assets at fair value through profit or loss.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions
- Debt instruments at fair value through OCI
- Trade receivables, including contract assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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 end of reporting period, 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.

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The Group applied, for the first time, certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Several other amendments apply for the first time in 2018. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group and, hence, have not been disclosed.

The nature and the effect of these changes are disclosed below. Although the new standards and amendments applied for the first time in 2018, they did not have a material impact on the annual consolidated financial statements of the Group. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRS 9: FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. IFRS 9 introduced a model for the classification and valuation of financial instruments, an expected credit loss model, and a revised approach to hedge accounting. Classification and valuation under IFRS 9 are based on the business model that a company applies for its financial assets and on the contractual cash flows from the financial assets. Applying IFRS 9 did not have significant impact on the classification or valuation of financial asset in the group.

Afarak has performed an analysis based on historical data and also assessed the trade receivable individually for credit risk. Based on this analysis management has concluded that a loss reserve shall not be reported for trade receivables as historically the Group did not have material recoverability issues. With respect to other financial assets Afarak applies the general approach. This general approach requires that the company determines the probability, default rate and assesses if there is an increase in credit risk at reporting date. IFRS 9 has no material effect on the provision and the classification of Afarak's financial instruments.

IFRS 9 requires the Group to now use an expected credit loss model for its trade receivables measured at amortised cost. The Group applies the simplified approach and record lifetime expected losses on all trade receivables measured at amortised cost. Given the short term nature of these receivables, these changes will not have a significant impact.

The changes in IFRS 9 relating to hedge accounting will have no impact as the Group does not currently apply hedge accounting.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a new five-step model that will apply to revenue arising from contracts with customers.

IFRS 15 Revenues from Contracts with Customers replaces existing standard regarding revenues. The standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Afarak adopted the new standard as from 1st January 2018 using the full retrospective method. Afarak has conducted an assessment of contracts with customers to determine the effects on revenue recognition. Revenue is recognised when the Group transfers the control to customer either over time or at the point of time. The transfer of control depends on terms of delivery (incoterms), and some of which have transfer of risk to the customer before material is delivered to the final destination. In these cases, Afarak concluded that the freight in conjunction with these delivery terms may be regarded as a separate performance obligation but as they are limited in number, such freight will not be recognised separately from the sale. The conclusion of the assessment is that the adoption of IFRS 15 had no material impact on the timing of the revenue recognition.

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date.

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the Group, they have not been listed.

IFRS 16 LEASES

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS

17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group assessed the impact of IFRS 16 and plans to adopt the new standard on the required effective date. The expected impact on assets and liabilities is of EUR 300 thousand.

Due to the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

1.3 BUSINESS COMBINATIONS AND ACQUISTION OF NON-CONTROLLING INTERESTS

1.3.1 FINANCIAL YEAR 2018

During the third quarter, Afarak has concluded the acquisition of Magnohrom, a sinter magnesite refractory material company, with ore mines and production facilities in Kraljevo, Serbia, for an acquisition price of EUR 1.0 million. The acquisition of Magnohrom was accounted for in accordance with IAS 16 Property, Pland and Equipment and IAS 38 Intangible Assets.

1.3.2 FINANCIAL YEAR 2017

During 2017, Afarak Mogale (Pty) Ltd concluded an agreement to acquire 10% of its' own shares from the Mogale Alloys workers trust for an agreed consideration of ZAR 64.9 million to be paid over a period of 8 years. This acquisition of non-controlling interest led to a reduction in equity of EUR 3.3 million as a result of the Group consolidating 100% of Afarak Mogale (Pty) Ltd, and recognising the present value of future obligation as liability.

1.4 IMPAIRMENT TESTINGS

GENERAL PRINCIPLES OF IMPAIRMENT TESTING

Afarak Group has carried out impairment testing on goodwill and other assets as of 31 December 2018. 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. At the end of 2018, no impairment was recognised at the Speciality Alloys business, while an impairment of EUR 6.5 million was recognised at the South African minerals processing business.

At the end of 2018, 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 2018

During the financial year 2018, the total goodwill of the Group decreased by EUR 6.2 million to a total of EUR 56.2 million. The decrease was attributable mainly to the impairment write-down related to Mogale Business of EUR6.5 million and an exchange rate movement of EUR 0.4 million. In 2014, the synergy goodwill identified in the Mogale acquisition, related to Afarak Trading acting as a global sales entity for the whole Group, was initially allocated to Speciality Alloys segment. Afarak Trading contribution is divided to both segments to reflect the nature of serving the whole Group. It is allocated to both segments based on their relative revenue, reflecting the volume of Afarak Trading related benefits enjoyed by the CGU. The changes are described below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2018	41,895	20,514	62,409
Impairment	0	-6,543	-6,543
Exchange rate movement	2,969	-2,590	379
Goodwill 31.12.2018	**44,864**	**11,381**	**56,245**

The changes in goodwill during 2017 are presented below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2017	42,771	21,009	63,780
Exchange rate movement	-876	-495	-1,371
Goodwill 31.12.2017	**41,895**	**20,514**	**62,409**

Goodwill as a ratio of the Group's equity on 31 December 2018 and 31 December 2017 was as follows:

EUR '000	31.12.2018	31.12.2017
Goodwill	56,245	62,409
Equity	150,848	172,365
Goodwill/Equity, %	**37%**	**36%**

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: 5.5%, and for electicity 8%). 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 assets being tested, 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 2018.

The information used in the 31 December 2018 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 for the Speciality Alloys segment; while for the FerroAlloys segment, due to high volatility of the benchmark prices ranging between US$0.69/lb and US$1.65/lb over the last 10 years, an average benchmark price of $1.26/lb was used to determine prices in the model. The cash flow models have been prepared at constant foreign exchange rates. The management's approach in preparing cash flow forecasts has not changed significantly from the previous impairment testing.

These pre-tax discount rates applied in 2018 impairment testing were the following:

CASH GENERATING UNIT	PRE-TAX DISCOUNT RATE	
	2018	2017
Speciality Alloys	16.8%	13.2%
South African minerals processing	24.2%	25.5%

The key reasons for the changes in the discount rates compared to 2017 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 2018

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	42.6	42.6	61.1	Clearly above
South African minerals processing	18.5	12.2	46.6	Impairment

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: 30,000 t/a Cr ore: 6,000 t/a	LC/ULC ferrochrome with average Cr content of 70 %, based on external experts (Roskill) price forecasts	Raw material costs generally change in line with sales price; other costs growing at inflation rate
South African minerals processing	Metal alloys: 102,000 t/a Foundry sand: 23,000 t/a Recoveredmetal 6,000 t/a	Forecast based on 10 year price average adjusted for inflation	Raw material costs generally change in line with sales price; Electrictiy cost was assumed to be higher than inflation, while other costs growing at inflation rate

Moreover, the USD/ZAR foreign exchange rate affects significantly the testing of the South African minerals business. The foreign exchange rate used in the test was 14.5.

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 2018 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	4.6% - points	-23.1%	-2.6% - points
South African minerals processing	-% - points	-%	-% - 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, 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 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 2018

Year ended 31.12.2018 EUR '000	Speciality Alloys	Ferroalloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	843	843	375	0	1,218
Sale of goods	96,148	96,202	192,350	445	0	192,795
Total external revenue	96,148	97,046	193,193	819	0	194,013
Inter-segment revenue	634	0	634	2,499	-3,133 [1]	0
Total revenue	**96,782**	**97,046**	**193,827**	**3,318**	**-3,133**	**194,013**
Items related to joint ventures (core)	0	-2,693	-2,693	0	0	-2,693
Segment EBITDA	**12,605**	**-8,114**	**4,491**	**-5,508**	**0**	**-1,017**
Depreciation and amortisation	-1,834	-4,666	-6,500	-32		-6,532
Impairment	0	-6,543	-6,543	0	0	-6,543
Segment operating profit / (loss)	**10,771**	**-19,323**	**-8,552**	**-5,540**	**0**	**-14,092**

Finance income						3,275
Finance cost						-7,724
Income taxes						-42
Loss for the period from continuing operations						**-18,583**
Profit for the period from discontinued operations						0
Loss for the period						**-18,583**
Segment's assets [2]	**156,874**	**118,706**	**275,580**	**16,480**	**-33,446**	**258,614**
Segment's liabilities [2]	**69,731**	**65,832**	**135,563**	**5,853**	**-33,650**	**107,766**
Other disclosures						
Capital expenditure [3]	4,539	3,777	8,316	1,430	0	9,746
Investment in joint ventures [4]		-16,871	-16,871	0	0	-16,871
Provisions [4]	1,523	7,448	8,971	0	9	8,981

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. Investments consist of increases in tangible and intangible assets whose life is longer than one financial year.
4. Balance sheet values.

OPERATING SEGMENT INFORMATION 2017

Year ended 31.12.2017 **EUR '000**	**Speciality Alloys**	**Ferro-alloys**	**Segments total**	**Unallocated items**	**Eliminations**	**Consolidated Group**
External revenue						
Rendering of services	0	1,015	1,015	76	0	1,091
Sale of goods	89,419	105,079	194,498	3,225	0	197,723
Total external revenue	89,419	106,094	195,513	3,301	0	198,814
Inter-segment revenue	621	0	621	2,037	-2,658 [1]	0
Total revenue	**90,040**	**106,094**	**196,134**	**5,338**	**-2,658**	**198,814**
Items related to joint ventures (core)	0	3,068	3,068	0	0	3,068
Segment EBITDA	**12,572**	**11,423**	**23,995**	**-6,025**	**0**	**17,970**
Depreciation and amortisation	-1,518	-4,491	-6,009	-8	0	-6,017
Impairment	0	-554	-554	0	0	-554
Segment operating profit / (loss)	**11,054**	**6,378**	**17,432**	**-6,033**	**0**	**11,399**

Finance income						3,728
Finance cost						-10,886
Income taxes						951
Profit for the period from continuing operations						**5,192**
Profit for the period from discontinued operations						1,519
Profit for the period						**6,711**
Segment's assets [2]	**143,349**	**135,109**	**278,458**	**13,692**	**-32,209**	**259,941**
Segment's liabilities [2]	**60,610**	**44,881**	**105,491**	**2,867**	**-20,782**	**87,576**
Other disclosures						
Capital expenditure [3]	2,219	4,645	6,864	0	0	**6,864**
Investment in joint ventures [4]	0	-13,778	-13,778	0	0	**-13,778**
Provisions [4]	1,848	7,441	9,289	0	0	**9,289**

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	2018	2017
Other EU countries	91,463	97,174
United States	44,167	34,793
China	124	316
Africa	17,082	12,491
Finland	5,934	6,368
Other countries	35,243	47,672
Total revenue	**194,013**	**198,814**

Revenue figures are based on the location of the customers.

The largest customer of the Group is in the FerroAlloys business segment and represents approximately 4.9% (7.1%) of the Group's revenue in 2018. In the Speciality Alloys business segment the largest customer represents 3.5% (3.9%) of the Group's revenue in 2018.

Non-current assets

EUR '000	2018	2017
Africa	42,756	48,724
Other EU countries	7,515	6,582
Finland	0	0
Other countries	8,187	6,705
Total	**58,459**	**62,011**

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 CONSOLIDATED INCOME STATEMENT

1. REVENUE

EUR '000	2018	2017
Sale of goods	192,659	197,723
Rendering of services	1,354	1,091
Total	**194,013**	**198,814**

2. OTHER OPERATING INCOME

EUR '000	2018	2017
Gain on disposal of tangible and intangible assets	126	12
Rental income	251	275
Other	4,247	4,056
Total	**4,624**	**4,343**

3. EMPLOYEE BENEFITS

EUR '000	2018	2017
Salaries and wages	-22,936	-20,705
Share-based payments	-231	-785
Pensions costs	-750	-130
Other employee related costs	-1,672	-2,288
Total	**-25,589**	**-23,908**

During 2017 the Company introduced a bonus incentive scheme for senior management. A provision of EUR 0.7 million has been provided for in 2017 and paid in 2018. For 2018, senior management decided not to pay an incentive bonus and no provision was made.

AVERAGE PERSONNEL DURING THE ACCOUNTING PERIOD

	2018	2017
Speciality Alloys business	511	444
FerroAlloys business	340	316
Group Management	11	11
Other operations*	70	67
Total	**932**	**838**

PERSONNEL AT THE END OF THE ACCOUNTING PERIOD

	2018	2017
Speciality Alloys business	526	483
FerroAlloys business	324	345
Group Management	11	11
Other operations*	81	89
Total	**942**	**928**

* Other operations mainly relate to the project in Serbia.

Employees in joint venture are disclosed in Note 13.

EUR '000	2018	2017
Depreciation / amortisation by asset category		
Intangible assets		
Clientele and technology	-1,579	-1,640
Other intangible assets	-232	-90
Total	**-1,811**	**-1,730**
Property, plant and equipment		
Buildings and constructions	-514	-592
Machinery and equipment	-3,181	-2,984
Other tangible assets	-1,025	-711
Total	**-4,720**	**-4,287**
Impairment by asset category		
Machinery and equipment	0	-554
Impairment write-down on goodwill	-6,543	0
Total	**-6,543**	**-554**

5. OTHER OPERATING EXPENSES

EUR '000	2018	2017
Salaries and wages	-364	-401
Share-based payments	-4,165	-2,975
Pensions costs	-1,101	-962
Other employee related costs	-8,024	-6,837
Total	**-13,654**	**-11,175**

1. Audit fees paid to EY totalled EUR 504 (2017: 348) thousand in the financial year. The fees for non-audit services totalled EUR 36 (2017: 4) thousand.
2. Other operating expenses include costs incurred during shutdown period of EUR 2,827 (2017: 3,031) thousand in the financial year.

6. FINANCIAL INCOME AND EXPENSE

EUR '000	2018	2017
Finance income		
Interest income on loans and trade receivables	1,080	1,018
Foreign exchange gains	2,482	2,656
Other finance income	-287	54
Total	**3,275**	**3,728**

Finance expense		
Interest expense on financial liabilities measured at amortised cost	-1,158	-1,680
Foreign exchange losses	-5,731	-8,507
Unwinding of discount, provisions	-600	-677
Other finance expenses	-235	-22
Total	**-7,724**	**-10,886**
Net finance expense	**-4,449**	**-7,158**

7. INCOME TAXES

EUR '000	2018	2017
Income tax for the period	-1,045	368
Deferred taxes	1,003	583
Total	**-42**	**951**

EUR '000	2018	2017
Profit / (loss) before taxes	**-18,541**	**5,760**
Income tax calculated at parent company income tax rate	**3,708**	**-1,152**
Difference between domestic and foreign tax rates	-1,880	-2,207
Tax credit	3,584	3,089
Items recognised only for taxation purposes	2,744	3,635
Income from JV and associates	-539	614
Impairment losses	-1,309	
Tax losses not recognised as deferred tax assets	-3,196	-52
Non-tax deductible expenses	-3,256	-3,195
Previously unrecognised tax losses now recognised	102	219
Total adjustments	**-3,750**	**2,103**
Income tax recognised	**-42**	**951**

On 31 December 2018 the Group companies had unused tax losses totalling EUR 44.1 (2017: 35.3) million for which the Group has not recognised deferred tax assets.

8. DISCONTINUED OPERATIONS

The discontinued operation items in 2017 relate to income and expenses in connection with the sawmill machinery and environmental cleaning costs. The Group sold part of the saw mill equipment which positively affected 2017 profit by EUR 1.5 million that includes a release of EUR 0.6 million from the provision in relation to the discontinued wood business.

EUR '000	2018	2017
Other operating income	0	620
Other operating expenses	0	-1
Gain on disposal from discontinued operations	0	900
Profit for the period	**0**	**1,519**

9. EARNINGS PER SHARE

	2018			2017		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
(Loss) / profit attributable to owners of the parent company (EUR '000)	-18,056	0.00	-18,056	4,742	1,519	6,261
Weighted average number of shares, basic (1,000)	260,080	260,080	260,080	259,329	259,329	259,329
Basic earnings per share (EUR) total	**-0.07**	**0.00**	**-0.07**	**0.02**	**0.01**	**0.02**
(Loss) / profit attributable to owners of the parent company (EUR '000)	-18,056	0.00	-18,056	4,742	1,519	6,261
Weighted average number of shares, basic (1,000)	260,080	260,080	260,080	259,329	259,329	259,329
Effect of share based payments on issue (1,000)	622	622	622	1,388	1,388	1,388
Weighted average number of shares, diluted (1,000)	260,702	260,702	260,702	260,718	260,718	260,718
Diluted earnings per share (EUR) total	**-0.07**	**0.00**	**-0.07**	**0.02**	**0.01**	**0.02**

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

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

1.7 NOTES TO THE CONSOLIDATED 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 1.1.2018	2,251	7,868	60,796	8,997	4,308	84,220
Additions		460	7,509	1,200	178	9,347
Business combinations	134	382	86			602
Disposals			-2,262			-2,262
Reclass between items			195		446	641
Effect of movements in exchange rates	-166	-1,041	-6,318	-2,184	-283	-9,992
Balance at 31.12.2018	**2,219**	**7,669**	**60,006**	**8,013**	**4,649**	**82,556**

Accumulated depreciation and impairment 1.1.2018		-3,969	-25,701	-6,525	-2,219	-38,414
Depreciation		-514	-3,181	-772	-254	-4,721
Disposals			252			252
Effect of movements in exchange rates		542	2,860	1,673	236	5,311
Accumulated depreciation and impairment at 31.12.2018	**0**	**-3,941**	**-25,770**	**-5,624**	**-2,237**	**-37,572**
Carrying amount at 1.1.2018	**2,251**	**3,899**	**35,095**	**2,472**	**2,089**	**45,806**
Carrying amount at 31.12.2018	**2,219**	**3,728**	**34,236**	**2,389**	**2,412**	**44,984**
Balance at 1.1.2017	2,292	8,083	57,173	9,725	4,149	81,422
Additions		421	5,616	998	377	7,412
Disposals			-197			-197
Reclass between items			139		-157	-18
Effect of movements in exchange rates	-41	-636	-1,935	-1,726	-61	-4,399
Balance at 31.12.2017	**2,251**	**7,868**	**60,796**	**8,997**	**4,308**	**84,220**
Accumulated depreciation and impairment 1.1.2017		-3,682	-23,106	-7,509	-1,994	-36,291
Depreciation		-592	-2,984	-444	-267	-4,287
Impairment			-563			-563
Disposals			72			72
Reclass between items					1	1
Effect of movements in exchange rates		305	880	1,428	42	2,655
Accumulated depreciation and impairment at 31.12.2017	**0**	**-3,969**	**-25,701**	**-6,525**	**-2,219**	**-38,414**
Carrying amount at 1.1.2017	**2,292**	**4,401**	**34,067**	**2,216**	**2,155**	**45,131**
Carrying amount at 31.12.2017	**2,251**	**3,899**	**35,095**	**2,472**	**2,089**	**45,806**

Machinery and equipment include the prepayments made for them.

11. INTANGIBLE ASSETS

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2018	107,625	107,316	4,213	1,690	220,844
Additions			380	62	442
Disposals			-1		-1
Business combinations			398		398
Effect of movements in exchange rates	-4,009	-3,731	-582	-193	-8,515
Balance at 31.12.2018	**103,616**	**103,585**	**4,407**	**1,561**	**213,169**

Accumulated amortisation and impairment at 1.1.2018	-45,216	-95,245	-1,735	-34	-142,230
Amortisation		-1,579	-173	-56	-1,808
Impairment	-6,543				-6,543
Reclass between items			-195		-195
Effect of movements in exchange rates	4,388	2,599	338	2	7,327
Accumulated amortisation and impairment at 31.12.2018	**-47,371**	**-94,225**	**-1,765**	**-88**	**-143,449**
Carrying amount at 1.1.2018	**62,409**	**12,071**	**2,478**	**1,656**	**78,614**
Carrying amount at 31.12.2018	**56,245**	**9,360**	**2,642**	**1,473**	**69,720**
Balance at 1.1.2017	109,968	108,158	4,569	1,642	224,337
Additions			145	115	260
Disposals			-2		-2
Reclass between items			-139		-139
Effect of movements in exchange rates	-2,343	-842	-360	-67	-3,612
Balance at 31.12.2017	**107,625**	**107,316**	**4,213**	**1,690**	**220,844**
Accumulated amortisation and impairment at 1.1.2017	-46,188	-94,090	-1,944	-24	-142,246
Amortisation		-1,640	-80	-10	-1,730
Effect of movements in exchange rates	972	485	289	0	1,746
Accumulated amortisation and impairment at 31.12.2017	**-45,216**	**-95,245**	**-1,735**	**-34**	**-142,230**
Carrying amount at 1.1.2017	**63,780**	**14,068**	**2,625**	**1,618**	**82,091**
Carrying amount at 31.12.2017	**62,409**	**12,071**	**2,478**	**1,656**	**78,614**

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
2018								
Non-core associates								
Valtimo Components Oyj *	Finland	0	8.99					
		0						

EUR '000	Domicile	Value at reporting date	Ownership (%)	Reporting date	Assets	Liabilities	Revenue	Profit
2017								
Non-core associates								
Valtimo Components Oyj *	Finland	0	8.99					
		0						

** Valtimo Components Oyj are in a corporate restructuring process.*

During 2018 Valtimo has made a share issue which as a result diluted Afarak share holding to 8.99% (2017: 8.99%).

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 2018, Afarak did not acquire or dispose holdings in associates.

MOVEMENTS IN 2018

EUR '000	1.1.2018	0
Share of profit		0
Exchange rate differences		0
Proceeds from disposal		0
	31.12.2018	**0**

During the financial year 2017, Afarak did not acquire or dispose holdings in associates.

MOVEMENTS IN 2017

EUR '000	1.1.2017	0
Share of profit		0
Exchange rate differences		0
Proceeds from disposal		0
	31.12.2017	**0**

13. INVESTMENTS IN JOINT VENTURES

At the end of the financial year 2018, 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	2018	2017
Revenue	**29,000**	**32,881**
Other operating income	711	361
Materials and supplies	-19,134	-18,544
Employee benefits expense	-2,451	-1,998
Depreciation and amortisation	-1,440	-1,978
Other operating expenses	-9,772	-4,929
Operating (loss) / profit	**-3,086**	**5,793**
Finance income	38	2,903
Finance expense	-2,223	-2,523
(Loss) / profit before taxes	**-5,271**	**6,173**
Income taxes	-10	-158
(Loss) / profit for the year	**-5,281**	**6,015**
Group's share of (loss)/profit for the year	**-2,693**	**3,068**
(Loss) / profit attributable to:		
Joint venture owners	-2,148	2,638
Non-controlling interests	-545	430
	-2,693	**3,068**

EUR '000	2018	2017
Assets and liabilities		
Non-current assets		
Intangible assets	2,375	2,065
Mines and mineral assets	25,530	29,015
Property, plant and equipment	5,461	5,951
Deferred tax asset	566	629
Non-current assets total	**33,932**	**37,660**

Current assets		
Inventories	1,728	1,944
Trade and other receivables	973	1,053
Trade and other receivables from JV owners	1,105	3,518
Cash and cash equivalents	670	529
Current assets total	**4,476**	**7,044**
Total assets	**38,408**	**44,704**
Non-current liabilities		
Interest-bearing debt	19,348	19,472
Interest-bearing debt to JV owners	18,990	26,252
Provisions	6,431	5,194
Deferred tax liability	7,904	9,128
Other non-current liabilities to JV owners	2,177	1,742
Non-current liabilities total	**54,850**	**61,788**
Current liabilities		
Trade and other payables	4,362	4,832
Trade and other payables to JV owners	12,276	5,099
Current liabilities total	**16,638**	**9,931**
Total liabilities	**71,488**	**71,719**
Net Liability	**-33,080**	**-27,015**
Proportion of Group's Ownership	51 %	51 %
Carrying amount of Joint venture	**-16,871**	**-13,777**

At the end of 2018, Synergy Africa Group had 119 (2017: 89) employees. The average number of employees in full year 2018 was 104 (2017: 87).

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 2018.

The statement of financial position of Synergy Africa has been assessed to determine 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 2018. Similarly to 2017, Synergy Group assessed whether there is any indication of impairment and consequently the assets of the business were tested for impairment.

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 5.5% 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 2018.

The information used in the 31 December 2018 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 3 year average price adjusted for inflation. 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 2018 impairment testing was 26.39% for Mecklenburg mine and 27.58% 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 includes both opencast and underground operation. The Stellite mine model has a life of mine of 11 years and the Mecklenburg model has a life of mine of 10 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 2018

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 14.5.

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 averaging 436,000t/a as from 2019 till 2030 Lumpy: Average of 73,000 t/a from 2019 till 2029 ROM: Average of 36,000 t/a from 2019 to 2030	SA Concentrate & SA Lumpy prices are based on 3 year average price adjusted for inflation	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 better benefication. 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 772 per saleable ton of chrome.
Mecklenburg mine	ROM: Opencast mining of 60,000t in 2019; Underground of 53,000t in 2020; 254,000t in 2021; and is planned to increase to an average of 555,000t/a as from 2022 till 2028	SA Concentrate & SA Lumpy prices are based on 3 year average price adjusted for inflation	The costs for underground are based on past experiences of our mining team in underground operations adjusted for inflation rate. The cost over the life of mine excluding inflation is estimated to be ZAR 793 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 2018 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	25.1% - points	-58.9%	6.9%	-18.8%
Mecklenburg Mine	12.9% - points	-65.4%	5.1%	-27.0%

14. FINANCIAL ASSETS AND LIABILITIES

31.12.2018, EUR '000	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Carrying value	Fair value
Non-current financial assets					
Non-current interest-bearing receivables			19,198	19,198	19,198
Trade and other receivables *			1,025	1,025	1,025
Current financial assets					
Current interest-bearing receivables			15,890	15,890	15,890
Trade and other receivables *			34,774	34,774	34,774
Other Financial Assets			909	909	909
Cash and cash equivalents			12,132	12,132	12,132
Total financial assets			**83,928**	**83,928**	**83,928**
Non-current financial liabilities					
Non-current interest-bearing liabilities			2,103	2,103	2,103
Other non-current liabilities			2,680	2,680	2,680
Current financial liabilities					
Current interest-bearing liabilities			22,331	22,331	22,331
Trade and other payables *			21,198	21,198	21,198
Total financial liabilities			**48,312**	**48,312**	**48,312**

31.12.2017, EUR '000	At fair value through profit and loss	At fair value through other comprehensive income	At amortised cost	Carrying value	Fair value
Non-current financial assets					
Non-current interest-bearing receivables			18,855	18,855	18,855
Trade and other receivables *			637	637	637
Current financial assets					
Current interest-bearing receivables			11,437	11,437	11,437
Trade and other receivables *			28,186	28,186	28,186
Other Financial Assets			476	476	476
Cash and cash equivalents			10,702	10,702	10,702
Total financial assets			**70,293**	**70,293**	**70,293**
Non-current financial liabilities					
Non-current interest-bearing liabilities			2,548	2,548	2,548
Other non-current liabilities			3,168	3,168	3,168
Current financial assets					
Current interest-bearing receivables			9,393	9,393	9,393
Trade and other receivables *			17,416	17,416	17,416
Total financial liabilities			**32,525**	**32,525**	**32,525**

The table below sets out the classification and carrying amounts of the Group's financial assets and liabilities as well as changes thereto as at the date of initial application IFRS 9, 1 January 2018:

Carrying amount as at January 1, 2018

	IAS 39 classifciation	IFRS 9 classifciation	IAS 39	IFRS 9	Change
Non-current financial assets					
Non-current interest-bearing receivables					
Assets held-to maturity	Assets held-to maturity	At amortised cost	168	0	168
Loans and other receivables	Loans and other receivables	At amortised cost	18,687	18,855	-168
Trade and other receivables *	Loans and other receivables	At amortised cost	637	637	0
Non-current financial assets					
Current interest-bearing receivables	Loans and other receivables	At amortised cost	11,437	11,437	0
Trade and other receivables *	Loans and other receivables	At amortised cost	28,186	28,186	0
Other financial assets	Loans and other receivables	At amortised cost	476	476	0
Cash and cash equivalents	Loans and other receivables	At amortised cost	10,702	10,702	0
Total financial assets			**70,293**	**70,293**	**0**
Non-current financial liabilities					
Non-current interest-bearing liabilities	measured at amortised cost	At amortised cost	2,548	2,548	0
Other non-current liabilities	measured at amortised cost	At amortised cost	3,168	3,168	0
Current financial liabilities					
Current interest-bearing liabilities	measured at amortised cost	At amortised cost	9,393	9,393	0
Trade and other payables *	measured at amortised cost	At amortised cost	17,416	17,416	0
Total financial liabilities			**32,525**	**32,525**	**0**

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

FAIR VALUE HIERARCHY

31.12.2018, 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			
Total			

31.12.2017, 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			
Total			

31.12.2018, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2018	**40**
Acquisition cost at 31.12.2018	**40**
Accumulated impairment losses at 1.1.2018	-40
Accumulated impairment losses at 31.12.2018	-40
Carrying amount at 31.12.2018	**0**

31.12.2017, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2017	**40**
Acquisition cost at 31.12.2017	**40**
Accumulated impairment losses at 1.1.2017	-40
Accumulated impairment losses at 31.12.2017	-40
Carrying amount at 31.12.2017	**0**

Interest-bearing debt

EUR '000	2018	2017
Non-current		
Acquisition of NCI liability	2,027	2,517
Finance lease liabilities	75	31
Total	**2,102**	**2,548**
Current		
Bank loans	7,526	1,895
Finance lease liabilities	196	109
Cheque account with overdraft facility	9,128	7,389
Other interest-bearing liabilities	5,481	0
Total	**22,331**	**9,393**

EUR '000	2018	2017
Finance lease liabilities, minimum lease payments		
No later than 1 year	196	109
Later than 1 year and not later than 5 years	75	31
	271	**140**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	196	109
Later than 1 year and not later than 5 years	75	31
	271	**140**

Changes in liabilities arising from financing activities

EUR '000	1 January 2018	Cash flows	Acquisition	Foreign exchange movement	Other	31 December 2018
Non-current borrowings	2,517	-457	-	-230	197	**2,027**
Current borrowings	9,284	8,674	-	-1,304	5,481	**22,135**
Lease liabilities	140	-239	416	-46	-	**271**
Total liabilities from financing activities	**11,941**	**7,978**	**416**	**-1,580**	**5,678**	**24,433**

EUR '000	1 January 2017	Cash flows	Acquisition	Foreign exchange movement	Other	31 December 2017
Non-current borrowings	-	-727	3,334	- 90	-	**2,517**
Current borrowings	3,688	6,384	-	- 788	-	**9,284**
Lease liabilities	105	-249	309	- 25	-	**140**
Total liabilities from financing activities	**3,793**	**5,408**	**3,643**	**- 903**	**-**	**11,941**

The 'Other' column includes the effect on unwinding interest on the acquisition of non-controlling interest in non-current borrowings, and current borrowings include a sale and buy back transaction that happened in December which was classified as financing liability.

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 OF FINANCIAL ASSETS AND LOAN ARRANGEMENTS

Financial assets 31 December 2018

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 2018 closing date:

The Group's financial assets at the end of the reporting period increased when compared to the comparative period primarily due to advances received from financial and other institutions to the various entities forming part of the Group.

On 31 December 2018, the cash and cash equivalents were invested mainly in interest-bearing EUR, ZAR and USD denominated bank accounts. Other financial assets comprise interest-bearing loans and other receivables.

One of the Group's South African subsidiaries has increased its primary lending facility from ZAR 100 million as at the end of 2016 to ZAR 150 million as at the end of 2017. The South African subsidiary utilised ZAR 135.4 (2017: 106.0) million as at the end of the reporting period and the Group has given a corporate guarantee amounting to ZAR 75.0 (2017: 75.0) million as collateral.

One of the Group's Maltese subsidiaries has been granted a trade finance loan facility amounting to US$ 5.0 million during 2016. In 2017, the trade finance loan facaility remained active and a new factoring line of US$ 5.0 million was granted. The Maltese subsidiary utilized US$ 4.7 (0.6) million as at the end of the reporting period and has given a corporate guarantee amounting to US$ 10.0 (5.0) million, and receivables and inventory up to the value outstanding as collateral.

One of the Group's Turkish subsidiaries has been granted various short term loans in 2018. The loans amount as at end of 2018 was of EUR 2.6 (0.7) million.

Interest-bearing debt 31 December 2018

- Floating rate loans from financial institutions total EUR 15.8 (2017: 8.7) million. Fixed rate loans total EUR 0.9 (2017: 0.6) million.
- The interest rate of the South African loans is tied to the market rate of JIBAR. The interest rate on 31 December 2018, based on market interest rates at that date, was 7.15% (2017: 6.11%). The interest rate margin for floating rate notes was 2.25% (2017: 2.25%) p.a.
- The interest rate of the Maltese trade finance loan facility is tied to the market rate of 3 month LIBOR. The interest rate on 31 December 2018, based on market interest rates at that date, was 2.81% (2017: 1.69%). The interest rate margin for floating rate notes was 3.5% (2017: 3.5%) p.a.
- The interest rate of the Maltese factoring facility is tied to the market rate of 1 month LIBOR. The interest rate on 31 December 2018, based on market interest rates at that date, was 2.50% (2017: N/A). The interest rate margin for floating rate notes was 3.3% (2017: N/A) 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 2018, based on market interest rates at that date, was 1.57% (2017: 1.47%). The interest rate marginfor the fixed rate notes was 0.40% (2017: 0.40%) 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 58.3% (2017: 66.3%).

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.

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:

31.12.2018, 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	13,007	-13,381	-13,254	-42	-85	0	0
Finance lease liabilities	271	-271	-98	-98	-75	0	0
Trade and other payables	23,879	-23,879	-21,199	0	-2,680	0	0
Bank overdraft	9,128	-9,128	-9,128	0	0	0	0
Acquisition of NCI liability	2,027	-2,027	-145	-144	-290	-869	-579
Total	**48,312**	**-48,686**	**-43,823**	**-285**	**-3,130**	**-869**	**-579**

31.12.2017, 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	1,895	-1,939	-1,753	-106	-80	0	0
Finance lease liabilities	140	-140	-55	-55	-30	0	0
Trade and other payables	20,585	-20,585	-17,416	0	-3,168	0	0
Bank overdraft	7,389	-7,389	-7,389	0	0	0	0
Acquisition of NCI liability	2,517	-2,517	0	-360	-360	-1,079	-719
Total	**32,526**	**-32,570**	**-26,613**	**-521**	**-3,638**	**-1,079**	**-719**

(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 have been recognised in the translation reserve 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.

31.12.2018, EUR '000	EUR exchange rate	1	1.1450	0.8945	6.0588	16.4594	117.8360
		EUR	USD	GBP	TRY	ZAR	RSD
Cash and cash equivalents (EUR)		1,831	8,796	14	894	576	21
Trade and other receivables (EUR)		4,980	20,867		71	2,663	16
Loans and other financial assets (EUR)		20	0	21,167	237	975	
Trade and other current payables (EUR)		-2,901	-4,371		-803	-11,854	-163
Loans and other liabilities (EUR)		-1,958	-9,222	0	-2,849	-13,084	0
Currency exposure, net (EUR)		1,971	16,070	21,181	-2,449	-20,724	-126
Currency exposure, net in currency ('000)		**1,971**	**18,400**	**18,947**	**-14,841**	**-341,107**	**-14,813**

31.12.2017, EUR '000	EUR exchange rate	1	1.1993	0.8872	4.5464	14.8054
		EUR	USD	GBP	TRY	ZAR
Cash and cash equivalents (EUR)		965	8,517	101	53	1,066
Trade and other receivables (EUR)		4,956	21,585		113	1,149
Loans and other financial assets (EUR)				20,429	198	607
Trade and other current payables (EUR)		-2,249	-3,313		-861	-10,337
Loans and other liabilities (EUR)		-554	-517		-895	-13,144
Currency exposure, net (EUR)		3,118	26,272	20,530	-1,392	-20,659
Currency exposure, net in currency ('000)		**3,118**	**31,508**	**18,215**	**-6,330**	**-305,862**

The effect on the 31 December 2018 currency denominated net assets which would be caused 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 2018					
	USD	GBP	TRY	ZAR	RSD
20% strengthening	4,017	5,295	-612	-5,181	-31
15% strengthening	2,836	3,738	-432	-3,657	-22
10% strengthening	1,786	2,353	-272	-2,303	-14
5 % strengthening	846	1,115	-129	-1,091	-7

0% no change	0	0	0	0	0
-5% weakening	-765	-1,009	117	987	6
-10% weakening	-1,461	-1,926	223	1,884	11
-15% weakening	-2,096	-2,763	319	2,703	16
-20% weakening	-2,678	-3,530	408	3,454	21

31 December 2017

	USD	GBP	TRY	ZAR
20% strengthening	6,723	5,132	-348	-5,156
15% strengthening	4,746	3,623	-246	-3,640
10% strengthening	2,988	2,281	-155	-2,292
5 % strengthening	1,415	1,081	-73	-1,086
0% no change	0	0	0	0
-5% weakening	-1,281	-978	66	982
-10% weakening	-2,445	-1,866	127	1,875
-15% weakening	-3,508	-2,678	182	2,690
-20% weakening	-4,482	-3,422	232	3,438

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.

(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 2018, 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 2018 and 31 December 2017 was as follows:

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

Fixed rate instruments	31.12.2018	31.12.2017
Financial assets	3,500	3,500
Financial liabilities	-9,128	-7,389
Fixed rate instruments, net	**-5,628**	**-3,889**
Variable rate instruments		
Financial assets	31,588	26,792
Financial liabilities	-13,202	-2,004
Variable rate instruments, net	**18,385**	**24,788**
Interest-bearing net debt	**12,757**	**20,899**

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 2018, and if there were no changes in exchange rates.

31 December 2018

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-632	264	-368
-1.50%	-474	198	-276
-1.00%	-316	132	-184
-0.50%	-158	66	-92
0.00%	0	0	0
0.50%	158	-66	92
1.00%	316	-132	184
1.50%	474	-198	276
2.00%	632	-264	368

31 December 2017

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-536	40	-496
-1.50%	-402	30	-372
-1.00%	-268	20	-248
-0.50%	-134	10	-124
0.00%	0	0	0
0.50%	134	-10	124
1.00%	268	-20	248
1.50%	402	-30	372
2.00%	536	-40	496

(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.

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. In order to mitigate credit risk, the Group started to credit insure its trade receivables during the period under review.

In 2018, the Group recognised a provision of EUR 0.5 million on other receivables, however, no provision was recognised for trade receivables as historically the Group did not have material recoverability issues and due to the credit insurance.

Other financial assets are mainly loans receivable from the joint venture, these loans are not yet due and Afarak expects that these loans will be repaid over time when funds become available after Mecklenburg mine goes under ground. The discounted cash flows done in connection to the joint venture assets confirm that the joint venture will be able to repay it loans and there is no increase in credit risk, hence a provision was not provided.

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 EUR 0.2 (2017: 0.7) million. 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 31.12.2018	EUR '000 31.12.2017
Interest-bearing		
Cash and cash equivalents	12,132	10,702
Receivables from related parties	22,490	22,187
Trade and other receivables from associates	12,382	7,929
Other interest bearing receivables	216	176
Interest-bearing, total	**47,220**	**40,995**
Interest-free		
Trade receivables	22,335	22,193
Other short-term receivables	2,753	2,102
Trade and other receivable from associates	10,594	4,367
Long-term receivables	3,410	2,547
Interest-free, total	**39,092**	**31,209**
Total	**86,312**	**72,203**

(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 2018.

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 2018 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 is of 36,000 t/a, and for simulation purposes is set at 2018 production of 30,927 t/a. 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 move 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 2018

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR '000	EUR '000
2.50	20%	17,340	16,473
2.39	15%	13,005	12,355
2.29	10%	8,670	8,237
2.18	5%	4,335	4,118
2.08	0%	0	0
1.98	-5%	-4,335	-4,118
1.87	-10%	-8,670	-8,237
1.77	-15%	-13,005	-12,355
1.66	-20%	-17,340	-16,473

Financial year 2017

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR '000	EUR '000
2.82	20%	17,630	16,749
2.70	15%	13,223	12,561
2.59	10%	8,815	8,374
2.47	5%	4,408	4,187
2.35	0%	0	0
2.23	-5%	-4,408	-4,187
2.12	-10%	-8,815	-8,374
2.00	-15%	-13,223	-12,561
1.88	-20%	-17,630	-16,749

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, Mogale production in 2018 of 71,193 metric t/a, and the average 2018 sales price 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, chrome ore prices, 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.

Chrome ore is the main raw material used in the charge chrome production, and the purchase prices typically move 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.

Financial year 2018

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
1.26	20%	14,650	10,548
1.20	15%	10,987	7,911
1.15	10%	7,325	5,274
1.10	5%	3,662	2,637
1.05	0%	0	0
1.00	-5%	-3,662	-2,637
0.94	-10%	-7,325	-5,274
0.89	-15%	-10,987	-7,911
0.84	-20%	-14,650	-10,548

Financial Year 2017

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
1.22	20%	14,938	10,756
1.17	15%	11,204	8,067
1.12	10%	7,469	5,378
1.07	5%	3,735	2,689
1.02	0%	0	0
0.96	-5%	-3,735	-2,689
0.91	-10%	-7,469	-5,378
0.86	-15%	-11,204	8,067
0.81	-20%	-14,938	-10,756

15. INVENTORIES

EUR '000	2018	2017
Goods and supplies	16,602	14,252
Unfinished products	586	151
Finished products	39,777	35,541
Total	**56,965**	**49,944**

16. TRADE AND OTHER CURRENT RECEIVABLES

EUR '000	2018	2017
Trade receivables	22,335	22,193
Loan receivables	909	476
Interest-bearing receivables	3,508	11,437
Prepaid expenses and accrued income	3,644	6,502
Income tax receivables	3,552	2,833
Other receivables	14,227	5,993
Total	**48,175**	**49,434**

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 ageing of trade receivables at the end of the reporting period

EUR '000	2018	2017
Not past due	13,753	16,469
Past due 0-30 days	7,836	5,629
Past due 31-60 days	588	-298
Past due 61-90 days	2	43
Past due more than 90 days	156	350
Total	**22,335**	**22,193**

17. CASH AND CASH EQUIVALENTS

EUR '000	2018	2017
Cash and bank balances	**12,008**	**10,500**
Pledged deposits	0	3

Cash and cash equivalents in the consolidated cash flow statement:

EUR '000	2018	2017
Cash and bank balances	12,008	10,500
Short-term money market investments	124	202
Total	**12,132**	**10,702**

18. NOTES TO EQUITY

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2016	**263,040,695**	**259,295,978**	**23,642**
Subscriptions based on share based payment	0	390,556	0
31.12.2017	**263,040,695**	**259,686,534**	**23,642**
Subscriptions based on share based payment	0	966,667	0
31.12.2018	**263,040,695**	**260,653,201**	**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 2017 the Company had altogether 2,387,494 (2017: 3,354,161) of its own shares, which was equivalent to 0.91 (2017: 1.27) % of all registered shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2018 was 260,653,201 (2017: 259,686,534).

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

SHARE ISSUE AUTHORISATIONS GIVEN TO THE BOARD OF DIRECTORS

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.

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

19. SHARE-BASED PAYMENTS

The Company had an incentive-related option scheme, I/2011 which expired on 1 August 2017 and no options were exercised. The scheme was granted to the key personnel of the Company, as recommended by the Board. The scheme entitled the option holders to subscribe for a maximum of 6,900,000 shares in the Company. The vesting period was from 1 July 2014 to 1 August 2017 for various option series denoted with different letters and years. The share subscription price was calculated by a formula based on the Volume Weighted Average Price of the Company's share and varied between the option series. All options have been treated according to the principles set forth in IFRS 2 Share-based Payments standard. The main terms of the option arrangements are detailed in the table below.

In May 2015 the Group granted the outgoing CEO, Alistair Ruiters 1,000,000 shares in the Company. The agreement provided that these would be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares have effectively been received on 14 September 2016. The second 500,000 Company shares had to be received by the employee on 22 May 2017 after completing his second year as CEO. As the full term was not completed the second 500,000 were given in December 2017 prorate over the second year which resulted to 335,000 shares. These shares have a lock-up period of two years from 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.

In December 2016 the Group granted the new CEO, Guy Konsbruck 1,000,000 shares in the Company. These have been awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares have effectively been received on 11 May 2018. The second 500,000 Company shares were received by the employee on 12 February 2019. These shares have a lock-up period of two years from 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 0.81 per share. The value at year end was EUR 219,143.84 (2017: EUR 582,534.25).

In the fourth quarter of 2018, the Group extended for another two years the CEO contract and granted another 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 15 January 2020. The second 500,000 Company shares shall be received by the employee on 15 January 2021. 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 0.83 per share. The value at year end was EUR 0 as the effective date of service is 15 January 2019.

In July 2017 the Group has granted Alistair Ruiters 400,000 Incentive shares in the company pa on each completed year of service commencing on the effective date. In December 2018, 466,667 company shares have effectively been received on 20 December 2018. The value at year end was EUR 237,919.91 (2017: EUR 170,586.30). Following a revision in the contract, no additional share transfers to Alistair Ruiters are envisaged.

Share option plan	Share options granted to employees in 2012
Nature of the plan	Share options issued
Grant date	1.4.2012
Number of options	6 191 998
Options series	I/2011
Exercise period	1.7.2014-1.8.2017
Dividend adjustment	yes
Exercise price (with dividend and capital redemption adjustment)	0.00 - 0.86
Share price at grant date	0.90
Conditions	Employment until the vesting date and target share price
Execution	In shares
Expected volatility	45 %
Expected option life at grant date (years)	5.3 years
Risk free rate, Euribor 12 months	2.24%
Expected dividend yield	0.00%
Expected personnel reductions	0
Fair value at grant date (EUR)	0.14 - 0.46
Valuation model	Up and in Call

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 2017	0.26	6,191,998
Forfeited options	0.26	-6,191,998
At the end of 2017	**0.00**	**0**
At the beginning of 2018		
Forfeited options		
At the end of 2018		
Exercisable at the end of 2018		

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

Year of forfeiting	Exercise price (EUR)	Number of shares
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 2017 AGM.

20. DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred taxes in 2018

EUR '000	31.12.2017	Exchange rate differences	Recognised in income statement	31.12.2018
Deferred tax assets:				
Unrealised expenses	2,421	-32	625	3,014
Pension liabilities	677		-219	459
From translation difference	-69			-69
Group eliminations	612	-26	-54	532
Total	**3,641**	**-58**	**352**	**3,935**
Deferred tax liabilities:				
Assets at fair value in acquisitions	4,034	-372	-648	3,014
Other timing differences	426	-2	-3	421
Total	**4,460**	**-374**	**-651**	**3,435**

Movements in deferred taxes in 2017

EUR '000	31.12.2016	Exchange rate differences	Recognised in income statement	31.12.2017
Deferred tax assets:				
Unrealised expenses	1,530	-6	897	2,421
Pension liabilities	821		-144	677
From translation difference	1,124	-68	-1,125	-69
Group eliminations	964	-66	-286	612
Total	**4,439**	**-140**	**-658**	**3,641**
Deferred tax liabilities:				
Assets at fair value in acquisitions	4,846	-126	-686	4,034
Other timing differences	1,011	-30	-555	426
Total	**5,857**	**-156**	**-1,241**	**4,460**

21. PROVISIONS

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2018	8,308	981	9,289
Additions	380	379	759
Releases and reversals	-148	-326	-474
Unwinding of discount	520	0	520
Exchange differences	-963	-150	-1,113
Balance at 31.12.2018	**8,097**	**884**	**8,981**

EUR ‘000	2018	2017
Long-term provisions	8,876	9,180
Short-term provisions	105	109
Total	**8,981**	**9,289**

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 0.7 (2017: 0.7) million has been recognised on the 2018 statement of comprehensive income. In addition, the Group’s German subsidiary has defined benefit plans. The amount of defined benefit obligations of the plan is based on actuarial calculations made by authorized actuaries. The pension scheme is arranged by recognising a provision on the statement of financial position. The present value of the obligation less fair value of plan assets totalled EUR 20.1 (2017: 19.9) million on 31 December 2018. 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 assets of the pension plans are kept separate from the Group’s assets.

RETIREMENT BENEFIT OBLIGATION

EUR '000	2018	2017
Present value of funded obligation	26,569	26,007
Fair value of plan assets	-6,463	-6,071
Net liability	**20,106**	**19,936**

MOVEMENTS IN DEFINED BENEFIT OBLIGATION

EUR '000	2018	2017
Defined benefit obligations at 1.1.	26,007	25,896
Benefits paid	-915	-836
Current service costs	362	389
Interest expense	452	446
Actuarial losses / (gains)	663	112
Closing balance at 31.12.	**26,569**	**26,007**

MOVEMENTS IN THE FAIR VALUE OF THE PLAN ASSETS

EUR '000	2018	2017
Fair value of the plan assets at 1.1.	6,071	5,799
Interest income on plan assets	109	103
Benefits paid by the plan	-185	-154
Return on plan assets greater/(less) than discount rate	86	-83
Contributions paid into the plan	383	406
Closing balance at 31.12.	**6,464**	**6,071**

The benefits of the defined benefit plan are insured with an insurance company. The corresponding assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution in categories is not possible to provide.

EXPENSE RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

EUR '000	2018	2017
Current service cost	-362	-389
Net interest on net defined benefit liability/(asset)	-343	-342
	-705	**-731**

EXPENSE RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI) EUR '000

	2018	2017
Actuarial (gains)/losses due to liability experience	576	198
Return on plan assets (greater)/less than discount rate	-85	83
Actuarial (gains)/losses – demographic assumptions	86	0
Actuarial (gains)/losses – financial assumptions	0	-85
	577	**196**

Actual return on plan assets totalled EUR 0.09 (2017: -0.08) million in 2018.

PRINCIPAL ACTUARIAL ASSUMPTIONS

	2018	2017
Discount rate	1.77%	1.77 %
Expected retirement age	65	65
Expected rate of salary increase	3.00%	3.00%
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.

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 2018, the employee severance indemnity recognised in accordance with IAS 19 totalled EUR 0.8 (2017: 0.6) million.

23. TRADE PAYABLES AND OTHER INTEREST-FREE LIABILITIES

EUR '000	2018	2017
Non-current		
Other liabilities	4,708	3,168
Total non-current	**4,708**	**3,168**
Current		
Current liabilities to related parties	6	5
Trade payables	19,420	16,402
Payables to associated companies	1,105	655
Accrued expenses and deferred income	5,830	4,652
Income tax liability	4,232	2,934
Other liabilities	667	356
Total current	**31,260**	**25,004**

1.8 RELATED PARTY DISCLOSURES

1.8.1 GROUP STRUCTURE ON 31 DECEMBER 2017

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group Plc's direct ownership and share of votes (%)
Afarak Commodities Ltd	Malta	100.00	0.00
Afarak doo Belgrade	Serbia	100.00	0.00
Afarak Holdings 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 Mogale (Pty) Ltd	South Africa	93.40	0.00

Afarak Services Sagl	Switzerland	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Afarak Participations Ltd	Malta	100.00	0.00
Magnohrom doo Kraljevo	Serbia	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	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
Rekylator Oy	Finland	100.00	100.00
Rekylator Yhtiöt Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75
ZCM Holdco One (Pty) Ltd	South Africa	51.00	0.00
Zeerust Chrome Mine Ltd	South Africa	51.00	0.00

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
Afarak Processing Technologies (Pty) Ltd	South Africa	51.00	0.00
Afarak Processing Technologies 2 (Pty) Ltd	South Africa	51.00	0.00
Afarak Platiunum (Pty) Ltd	South Africa	51.00	0.00

Afarak Mogale (Pty) Ltd entered into an agreement to buy back 100 ordinary shares currently held by the trustees as part of the Mogale Alloys Trust. These shares constitute an effective 10% of the issued share capital of the company and will be bought back in a series of buy backs over a period of 8 years. During the current year Afarak Mogale (Pty) Ltd repurchased 11 (23) ordinary shares held by the Mogale Alloys Trust. However, in Afarak Group, 100% of Afarak Mogale (Pty) Ltd is being consolidated.

Rekyaltor Invest Oy and Rekylator Wood Oy were merged with Rekylator Yhtiöt Oy during the year 2017.

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		2018			2017		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Ruiters Alistair	Board member 8.5.2015 - 23.5.2017, CEO 21.5.2015 - 15.1.2017	0		0	14		145
Konsbruck Guy	Board member 05.2.2018 onwards, CEO 15.1.2017 onwards		360	219		415	583
Board Members							
Abrahamsen Thorstein	Board member 23.5.2017 onwards		60			36	
Djakov Milan	Board member 12.5.2016 - 23.5.2017		0			24	
Hoyer Thomas	Board member 23.5.2017 - 05.2.2018		6			36	
Jakovcic Ivan	Board member 8.5.2015 - 31.07.2018, Chairman 12.5.2016 - 05.2.2018		34			65	
Kankaala Markku	Board member 30.6.2003 -17.3.2017		0			15	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairman 23.5.2017 onwards		72			67	
Rourke Barry	Board member 8.5.2015 onwards		85			85	
Total		**0**	**617**	**219**	**14**	**743**	**728**

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.

During 2018, the Company paid the CEO EUR 360,000 for his service. On 11 May 2018 he received 500,000 Company Shares as an incentive for the first year of service acting as the Chief Executive Officer. The second 500,000 Company shares received on 12 February 2019.

In the fourth quarter of 2018, the Group extended for another two years the CEO contract and granted another 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 15 January 2020. The second 500,000 Company shares shall be received by the employee on 15 January 2021.

In December 2017 the outgoing CEO received 335,000 Company Shares prorate over the second year of service acting as the Chief Executive Officer. He is not entitled to any bonus plans or severance pay in addition to the salary for the notice period. In July 2017 the Group has granted Alistair Ruiters 400,000 Incentive shares in the company pa on each completed year of service commencing on the effective date. Following a revision in the contract, 466,667 company shares have effectively been received on 20 December 2018. No additional share transfers to Alistair Ruiters are envisaged.

Management remuneration

EUR '000	2018	2017
Fixed salaries and fees	564	482
Provision for variable performance related compensation	0	195
Total	**564**	**677**

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

During 2017 the Company introduced a bonus incentive scheme for the CFO and COO who will each potentially receive an annual bonus equal to 0.5% of the Company's reported full year EBITDA, calculated before the effects of the Company Bonus Incentive Scheme deductions as an incentive for each completed year of service. The bonus will become effective if the Group's EBITDA, before the bonus incentive scheme, will improve by at least 15% over the average of the preceding two years.

FINANCING ARRANGEMENT WITH RELATED PARTIES

The Group has a EUR 26.2 (2017: 18.7) million loan receivable and EUR 7.3 (2017: 14.0) 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 1.1 (2017: 0.7) million. Interest income from a joint venture company totalled EUR 1.0 (2017: 0.9) million during the financial year 2018.

The Group had on 31 December 2018 a EUR 3.5 (2017: 3.5) million receivable from LNS Resources Ltd.

OTHER RELATED PARTY TRANSACTIONS

The Group has rendered services to joint ventures for a total value of EUR 1.3 (2017: 1.1) million and to other related parties for the value of EUR 0.3 (0.5) million. The Group has also made raw material purchases from a joint venture amounting to EUR 18.3 (2017: 19.2) million.

Dividends received from associated companies totalled EUR 0.0 (2017: 0.0) million.

On 31 December 2018 the Group's parent company had short-term loan receivables from the members of the Board amounting to EUR 0.0 (2017: 0.0) million.

During 2017, a subsidiary of the Company, signed a Share Purchase Agreement with Mr Guy Konsbruck, Afarak's CEO to purchase his 15% shareholding for a purchase price of EUR 0.2 million. Given that LL Resources is a business partner of Afarak and the share ownership of the CEO could have created a conflict of interest, Afarak bought the shareholding with an option to sell back the said shares at the same price if, and when, Mr Konsbruck's term as Group CEO ends. The company sold its shareholding in business partner LL Resouces during Q3 2018 and it is therefore no longer a related party.

1.9 COMMITMENTS AND CONTINGENT LIABILITIES

1.9.1 MORTGAGES AND GUARANTEES PLEDGED AS SECURITY

On 31 December 2018 the Group had loans from financial institutions totalling EUR 16.7 (2017: 9.3) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 6.2 (2017: 1.8) million. Moreover, the Group companies have given cash deposits totalling EUR 0.4 (2017: 0.3) million as security for their commitments. The value of other collaterals totalled EUR 17.1 (2017: 9.2) million as at 31 December 2018.

1.9.2 COVENANTS INCLUDED IN THE GROUP'S FINANCING AGREEMENTS

One of the Group's Maltese subsidiaries, Afarak Trading Ltd, was granted a loan facility from a Maltese bank in 2013 and the Group's South African subsidiary, Mogale Alloys also had bank facilities with local banks. The Group's loans from financial institutions included financial covenants that if breached might have a negative effect on the financial positon of the Group. The loan which was granted to Afarak Trading Limited was repaid during February 2017, while the loan which was granted to Mogale Alloys was repaid during December 2017. Thus, the Group is no longer exposed to such financial covenants.

1.9.3 RENTAL AGREEMENTS

Liabilities associated with rental and operating lease agreements totalled some EUR 0.3 (2017: 0.4) 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 2018.

1.9.4 COLLATERALS GIVEN BY AFARAK GROUP PLC TO THIRD PARTIES

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. 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.The indebtedness subject to these guarantees was fully paid on 15 April 2018.

1.10 EVENTS AFTER THE REPORTING PERIOD

On 11 January 2019, the Board of Directors announced that Mr Pedrag Kovacevic, Chief Financial Official resigned on January 10th 2019, and that Mr Melvin Grima was appointed as the Group's Chief Financial Officer.

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

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

On 1 March 2019, the Company announced that decision from the administrative court of Helsinki was received on the matter that is related to the decision rendered by FIN-FSA on October 7, 2018. This decision was related to Mr. Danko Koncar and according to the decision he was obliged to make a public tender on all shares of Afarak Group Plc.

The Administrative Court took the view that Koncar was the party that needs to make the offer. Consequently, the Financial Supervisory Authority has been authorised to oblige the appellant to fulfill the obligations imposed by the threat of fines.

In addition, by its judgment delivered today, the Administrative Court rejected Koncar's request to annul the Financial Supervisory Authority's subsequent decision to order Koncar to pay a fine of EUR 40,000,000 as the principal obligation imposed by the imposition of a penalty payment was not respected. However, the Administrative Court held that the additional amount of the fine of EUR 10,000,000 had not yet accrued at the time of the contested decision and annulled the FSA's decision on the additional tranche.

The Company is not a party to the proceedings and/or the judgement. The Company was also informed that Dr Koncar will immediately appeal against the decision of the Helsinki Administrative Court in front of the Supreme Administrative Court of Finland. The Company will provide the full decision(s) and translations thereto at later stage

On 28 March 2019, the Company announced an update on the repurchase of Afarak's own shares. Since the EGM the Board and management of Afarak have been working on these issues. Afarak has received a legally valid preliminary ruling from tax authorities. The preparations of funding are in the final stages. The Board anticipates that the Financial Supervisory body will approve the offer document in due course.

After the buy-back, the Company will be looking at options to execute these steps.

- any actions in relation to the potential changes in domicile; and
- potentially a delisting from Nasdaq Helsinki stock exchange.

In practice, this would mean that the offer period could start approximately in late May 2019 (after the result for the first quarter of 2019 is published and the offer documentation is accepted by FIN-FSA). This would mean that the offer period would end mid-June 2019 if the minimum offer time of three weeks (allowed by Securities Markets Act) is followed. The timings should be regarded as approximate only. The Board of Afarak has decided, that the Annual General Meeting will be held on June 25, 2019. At that point of time it is expected that the Takeover bid is fully executed.

Parent Company's Financial Statements (FAS)

NCOME STATEMENT (FAS)

EUR '000	Note	1.1.2018 - 31.12.2018	1.1.2017 - 31.12.2017
Revenue	1	**2,881**	**2,116**
Personnel expenses			
Salaries and wages		-1.247	-1,922
Pension expenses		-4	1
Other social security expenses		-2	-1
Social security expenses total		**-6**	**0**
Personnel expenses total		**-1.253**	**-1,922**
Depreciation and amortisation	2		
Depreciation and amortisation according to plan		0	-1
Depreciation and amortisation total		**0**	**-1**
Other operating expenses	3	-2,870	-2,011
Operating Loss		**-1,242**	**-1,818**
Financial income and expenses:	4		
Dividend from subsidiaries		0	800
Other financial income			
From Group companies		798	1,123
From others		64	50
Interests and other financial expenses			
To Group companies		-51	-51
To others		-39	-59
Impairment of intra-group receivable		-900	-5,111
Financial income and expenses total		**128**	**-3,248**
Loss before taxes		**-1,370**	**-5,066**
Income taxes	5		
Income taxes		0	0
Loss for the year		**-1,370**	**-5,066**

STATEMENT OF FINANCIAL POSITION (FAS)

EUR '000	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	6		
Machinery and equipment		0	0
Total property, plant and equipment		**0**	**0**
Investments	7		
Shares in Group companies		250,931	215,931
Receivables from Group companies		2,004	2,904
Total investments		**252,935**	**218,835**
Total non-current assets		**252,935**	**218,835**
Current assets			
Receivables	8		
Non-current receivables			
Receivables from Group companies		1,785	38,782
Total non-current receivables		**1,785**	**38,782**
Current receivables			
Trade receivables		1	1
Receivables from Group companies		12,826	11,212
Receivables from Holding companies		851	477
Other interest-bearing receivables		8	8
Other non interest-bearing receivables		58	13
Prepaid expenses and accrued income		165	17
Total current receivables		**13,909**	**11,728**
Cash and cash equivalents		**184**	**40**
Total current assets		**15,878**	**50,550**
Total assets		**268,813**	**269,385**

STATEMENT OF FINANCIAL POSITION (FAS) (CONT.)

EUR '000	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Shareholders' Equity	9		
Share capital		23,642	23,642
Share premium reserve		25,223	25,223
Paid-up unrestricted equity reserve		236,071	241,257
Retained earnings		-19,206	-14,140
Loss for the period		-1,370	-5,066
Total shareholders' equity		**264,360**	**265,730**
Liabilities	10		
Non-current liabilities			
Liabilities to Group companies		1,248	1,248
Total non-current liabilities		**1,248**	**1,248**
Current liabilities			
Liabilities to Group companies		1,262	1,212
Accounts payable		410	35
Accounts payable to Group companies		1,359	155
Other liabilities		25	38
Accrued expenses and deferred income		149	967
Total current liabilities		**3,205**	**2,407**
Total liabilities		**4,453**	**3,655**
Total equity and liabilities		**268,813**	**269,385**

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.-31.12.2018	1.1.-31.12.2017
Operating activities		
Loss for the year	-1,370	-5,066
Adjustments for:		
Depreciation and amortisation	0	1
Impairment, net	900	5,111
Unrealised foreign exchange gains and losses	-24	17
Finance income and expense	-748	-1,081
Cash flow before working capital changes	-1,242	-1,018
Working capital changes:		
Change in current trade receivables	-2,168	-835
Change in current non interest-bearing debt	704	358
Cash flow before financing items and taxes	-2,706	-1,495
Interests received from Group companies	1,470	443
Interests received and other financing items	85	53
Interests paid and other financing items	-17	-60
Income taxes paid	0	0
Net cash operating activities	**-1,168**	**-1,059**
Investing activities		
Proceeds from sale of tangible and intangible assets	0	0
Net cash from investing activities	**0**	**0**
Financing activities		
Repayments of non-current loans to group companies	1,320	5,000
Repayments of current loans given to Group companies	0	-11
Non-current loans to group companies	-8	1,000
Repayments of current loan receivables	0	5
Capital redemption	0	-5,186
Net cash from financing activities	**1,312**	**808**
Change in cash and cash equivalents	**144**	**-251**
Cash at beginning of period	40	291
Cash at end of period	184	40
Change in the statement of financial position	**144**	**-251**

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 value of property, plant and equipment in the statement of financial position is stated at acquisition cost, less accumulated depreciation. Other assets have been stated in the statement of financial position 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

Items in the statement of financial position denominated in foreign currency are translated into functional currency using the exchange rates as at the end of the reporting year. 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 and statement of 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	2018	2017
By business line:		
Services	2,881	2,116
Total	**2,881**	**2,116**
By geography:		
Finland	7	3
EU countries	1,209	1,147
Other countries	1,665	966
Total	**2,881**	**2,116**

2. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR '000	2018	2017
Depreciation and amortisation according to plan		
Machinery and equipment	0	-1
Total	**0**	**-1**

3. OTHER OPERATING EXPENSES

EUR '000	2018	2017
Voluntary employee benefits	0	0
Premise expenses	-11	-11
Machinery and equipment expenses	-28	-33
Travelling expenses	-291	-175
Administration expenses	-2,477	-1,727
Other operating expenses	-61	-63
Total	**-2,870**	**-2,011**

4. FINANCIAL INCOME AND EXPENSE

EUR '000	2018	2017
Dividend from Group companies	0	800
Other financial income		
From Group companies	798	1,123
From others	64	50
Other financial expense		
To Group companies	-51	-51

To others	-39	-59
Impairment of intra-group receivables	-900	-5,111
Total	**-128**	**-3,248**

5. INCOME TAXES

EUR '000	2018	2017
Loss for the period	-1,370	-5,066
Adjustments for tax calculation	0	4,316
Taxable income	**-1,370**	**-750**
Tax advances paid	0	0
Tax deferral based on taxable income	0	0
Income tax of the period	**0**	**0**
Tax loss carryforward used	0	0
Net income taxes	**0**	**0**
Income tax receivable	0	0

2.3 NOTES TO ASSET

6. NON-CURRENT ASSETS

EUR '000	2018	2017
Machinery and equipment		
Acquisition cost 1.1.	275	275
Disposals	0	0
Acquisition cost 31.12.	275	275
Accumulated depreciation 1.1.	275	274
Depreciation for the period	0	1
Accumulated depreciation 31.12.	275	275
Book value 31.12.	**0**	**0**

7. INVESTMENTS

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2018	285,979	8,153	19,618	313,750
Additions in investment	35,000	0	0	35,000
Acquisition cost 31.12.2018	320,979	8,153	19,618	348,750
Accumulated depreciation and impairment 1.1.2018	-70,048	-8,153	-16,714	-94,915
Impairment charge	0	0	-900	-900
Accumulated depreciation and impairment 31.12.2018	-70,048	-8,153	-17,614	-95,815
Book value 31.12.2018	**250,931**	**0**	**2,004**	**252,935**

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 Commodities Ltd	Malta	100.00	0.00
Afarak doo Belgrade	Serbia	100.00	0.00
Afarak Holdings 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 Mogale (Pty) Ltd	South Africa	93.40	0.00
Afarak Services Sagl	Switzerland	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Afarak Participations Ltd	Malta	100.00	0.00
Magnohrom doo Kraljevo	Serbia	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	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
Rekylator Oy	Finland	100.00	100.00
Rekylator Yhtiöt Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75
ZCM Holdco One (Pty) Ltd	South Africa	51.00	0.00
Zeerust Chrome Mine Ltd	South Africa	51.00	0.00

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	United Kingdom	51.00	0.00
Afarak Processing Technologies (Pty) Ltd	South Africa	37.74	0.00
Afarak Processing Technologies 2 (Pty) Ltd	South Africa	41.05	0.00
Afarak Platiunum (Pty) Ltd	South Africa	51.00	0.00

Afarak Mogale (Pty) Ltd entered into an agreement to buy back 100 ordinary shares currently held by the trustees as part of the Mogale Alloys Trust. These shares constitute an effective 10% of the issued share capital of the company and will be bought back in a series of buy backs over a period of 8 years. During the current year Afarak Mogale (Pty) Ltd repurchased 11 (23) ordinary shares held by the Mogale Alloys Trust. However, in Afarak Group, 100% of Afarak Mogale (Pty) Ltd is being consolidated.

Rekyaltor Invest Oy and Rekylator Wood Oy were merged with Rekylator Yhtiöt Oy during the year 2017.

8. RECEIVABLES

EUR '000	2018	2017
Receivables from group companies		
Non-current		
Loan and other receivables	1,785	38,782
Total	**1,785**	**38,782**
Current		
Loan receivables	7,304	7,304
Trade receivables	4,675	3,073
Interest receivables	13	8
Prepayments and accrued income	834	827
Total	**12,826**	**11,212**

Other interest-bearing receivables

EUR '000	2018	2017
Current		
Loan receivables	8	8
VAT receivable	30	10
Total	**38**	**18**

Other interest-free receivables

EUR '000	2018	2017
Current		
Trade receivables	1	1
Receivables from associated companies	851	477
Other receivables	27	3
Total	**879**	**481**

Prepaid expenses and accrued income

EUR '000	2018	2017
Accrued interest income	1	1
Other prepaid expenses and accrued income	164	16
Total	**165**	**17**

2.4 NOTES TO EQUITY AND LIABILITIES

9. SHAREHOLDERS' EQUITY

EUR '000	2018	2017
Share capital		
Share capital 1.1.	23,643	23,642
Share capital 31.12.	**23,642**	**23,642**
Share premium reserve	**2017**	**2016**
Share premium reserve 1.1.	25,223	25,223
Share premium reserve 31.12.	**25,223**	**25,223**
Paid-up unrestricted equity reserve	**2018**	**2017**
Paid-up unrestricted equity reserve 1.1.	236,071	241,257
Capital redemption to the shareholders	0	-5,186
Paid-up unrestricted equity reserve 31.12	**236,071**	**236,071**
Retained earnings	**2018**	**2017**
Retained earnings 1.1.	-14,140	-13,954
Loss for the previous financial year	-5,066	-186
Retained earnings 31.12.	**-19,206**	**-14,140**

Loss for the financial year	**-1,370**	**-5,066**
Total shareholders' equity	**264,360**	**265,730**

Distributable funds	**2018**	**2017**
Retained earnings 1.1.	-19,206	-14,140
Loss for the financial year	-470	-5,066
Retained earnings 31.12.	**-19,676**	**-19,206**
Paid-up unrestricted equity reserve	236,071	236,071
Distributable funds 31.12.	**216,395**	**216,865**

10. LIABILITIES

Non-current liabilities

EUR '000

Non-current interest bearing debt	**2018**	**2017**
Loans from Group companies	1,248	1,248
Total	**1,248**	**1,248**

Current Liabilities

EUR '000

Current interest bearing debt	**2018**	**2017**
Other debt to Group companies	50	50
Total	**50**	**50**

Current interest-free debt	**2018**	**2017**
Accounts payable	410	35
Payables to Group companies	1,359	155
Other debt	25	38
Other debt to Group companies	1,212	1,162
Accrued expenses and deferred income	148	967
Total	**3,154**	**2,357**

OPTION RIGHTS

The Company's option schemes are presented in the notes to the consolidated financial statements. The Company had an option scheme I/2011 (maximum 6,900,000 shares) which expired on 1 August 2017.

2.5 PLEDGES AND CONTINGENT LIABILITIES

EUR million	31.12.2018	31.12.2017
Commitments on behalf of subsidiaries		
Guarantees	17.1	9.2
Commitments on behalf of others		
Guarantees	0.0	0.2
Commitments and contingent liabilities total	**17.1**	**9.2**

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 8 (13) thousand.

Information on the personnel

Personnel, annual average (all employees)	2018	2017
Employees	5	5

Management remuneration	2018	2017
Chief Executive Officer	360	429
Board members	257	328

During 2018, the Company paid the CEO EUR 360,000 for his service. On 11 May 2018 he received 500,000 Company Shares as an incentive for the first year of service acting as the Chief Executive Officer. The second 500,000 Company shares have effectively been received on 12 February 2019.

In December 2017 the outgoing CEO received 335,000 Company Shares prorate over the second year of service acting as the Chief Executive Officer. He is not entitled to any bonus plans or severance pay in addition to the salary for the notice period. In July 2017 the Group has granted Alistair Ruiters 400,000 Incentive shares in the company pa on each completed year of service commencing on the effective date. Following a revision in the contract, 466,667 company shares have effectively been received on 20 December 2018. No additional share transfers to Alistair Ruiters are envisaged.

In the fourth quarter of 2018, the Group extended for another two years the CEO contract and granted another 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 15 January 2020. The second 500,000 Company shares shall be received by the employee on 15 January 2021.

INFORMATION ON SHARES AND SHAREHOLDERS

Changes in the number of shares and share capital

On 31 December 2018, the registered number of Afarak Group Plc shares was 263,040,695 (2017: 263,040,695) and the share capital was EUR 23,642,049.60 (2017: 23,642,049.60).

On 31 December 2018, the Company had 2,387,494 (2017: 3,354,161) own shares in treasury, which was equivalent to 0.91% (2017: 1.28%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2018, was 260,653,201 (2017: 259,686,534).

In December 2017, Afarak transfered 335,000 ordinary shares (the "Shares") from the treasury to the outgoing CEO, Dr Alistair Ruiters. The Shares were issued under the authorization given by the Company's Annual General Meeting in May 2017 and form a part of the CEOs service based remuneration package.

On 15 January 2018, the company transferred 500,000 Company Shares from the treasury to Guy Konsbruck, CEO. In December 2018, 466,667 company shares have effectively been received on 20 December 2018. Following a revision in the contract, no additional share transfers to Alistair Ruiters are envisaged.

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

Information obligated to a Group company

Afarak Group Plc, domicile Helsinki (address: Unioninkatu 20-22, 00130 Helsinki).

BOARD MEMBERS' AND CHIEF EXECUTIVE OFFICER'S OWNERSHIP

Afarak Group Plc's Board members and Chief Executive Officer owned in total 800,000 (2017: 325,000) Afarak Group Plc shares on 31 December 2018 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.3% (2017: 0.1%) of all outstanding shares that were registered in the Trade Register on 31 December 2018.

31.12.2018

Board and CEO total:		**Shares**	**Options**
Barry Rourke	Non-Executive Director	150,000	0
Jelena Manojlovic	Chairman & Dependent Non-Executive Director	150,000	0
Thorstein Abrahamsen	Non-Executive Director	0	0
Guy Konsbruck	Chief Executive Officer & Executive Director	500,000	0
Board and CEO total		**800,000**	**0**
All shares outstanding		263,040,695	263,040,695
Proportion of all shares		0.3 %	0.0 %

On 31 December 2018 the total number of registered shares was 263,040,695 and the Board and CEO's ownership corresponded to 0.3% of the total number of registered shares.

Auditor's fees

EUR '000	2018	2017
Ernst & Young Oy		
Audit	185	184
Other services	36	4
Total	**221**	**188**

BOARD'S DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting which will be held on 21 May 2019 that no distribution would be paid in 2019.

Signatures to the Board of Directors and the Financial Statements

HELSINKI 29 MARCH 2019

JELENA MANOJLOVIC
Chairman

GUY KONSBRUCK
CEO

BARRY ROURKE
Member of the Board

THORSTEIN ABRAHAMSEN
Member of the Board

The Auditor's Note

Our auditor's report has been issued today.

HELSINKI 29 MARCH 2019
ERNST & YOUNG OY

ERKKA TALVINKO
Authorised Public Accountant


AFARAK
GROUP