



Q2 & H1 2014 Interim Results

Overview

- Processing volumes of ferrochrome continued on a fast pace having both EWW and Mogale Alloys in full operation
- Mining production volumes were negatively effected due to the temporary suspension of the Mecklenburg mine and the lockout at the Turkish mines
- The Group's revenue during this quarter remained strong with an increase of 50.6% when compared with the same period last year
- Ferrochrome prices are improving but have not yet reached the high levels of last year
- The weak US dollar has continued to impact conversion of revenue and results from operations as has the increase in cost of production, increase in raw material costs in the Speciality Alloys segment and an increase in energy cost in the Ferroalloys segment
- Despite a lower EBITDA we managed to achieve positive EBIT for the second consecutive quarter
- Our focus remains on generating cash and increasing profits
- The Group updates its outlook for 2014

Group Financial Performance

- Revenue was positively affected by increase in sales volumes of our processed material in both segments and the growth in our trading operations
- EBITDA reduced during the period mainly due to profit margins remaining low, the increase in production costs and a continuing weak US dollar that led to lower profitability in both segments
- No major extraordinary income was received during this quarter
- The temporary suspension of the Mecklenburg mine and the lockout at the Turkish mines also negatively affected our result during this quarter
- Cash flow from operations was EUR -0.2 (Q2/2013: 4.8) million
- Liquid funds at 30 June were EUR 17 (30 June 2013: 17.7) (31 March 2014: 16.8) million

(EUR millions)	Q2 2014	Q2 2013	H1 2014	H1 2013	FY2013
Revenue	47.3	31.4	90.5	63.0	135.5
EBITDA	3.3	6.2	6.4	10.3	14.0
EBITDA margin	7.1%	19.6%	7.0%	16.4%	10.4%
EBIT	1.4	0.0	2.4	-2.0	-8.0
EBIT margin	3.0%	0.1%	2.6%	-3.2%	-5.9%
Earnings before taxes	1.9	-2.5	3.1	-5.3	-11.2
Earnings margin	4.0%	-8.0%	3.4%	-8.4%	-8.2%
Profit	1.3	-1.8	1.5	-1.9	-4.4

Sales

- The Group's processed material sold, were 22,902 (Q2/2014: 10,689) tonnes, an increase of 114.3% compared to the equivalent period in 2014
- This increase is attributable to more demand in both Speciality Alloys and FerroAlloys segments
- Average sales prices are improving but have not yet reached the high levels of last year.
- The increase in the Ferro Alloy segment volumes in 2014 was due to Mogale Alloys operated at normal levels, during the same period last year sales volumes of the FerroAlloys segment were lower due to the participation in Eskom's electricity buyback program

Processing (tonnes)	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Speciality Alloys	8,913	5,944	15,782	11,606	21,516
FerroAlloys	13,988	4,745	31,804	14,076	41,110
Total	22,902	10,689	47,586	25,682	62,626

Speciality Alloys Performance

- Production increased to 22,349 (21,426) tonnes for the second quarter 2014, compared to the equivalent period in 2013
- EWW operated at normal levels during this quarter as maintenance shutdown was scheduled for July 2014 as opposed to June in 2013
- Mining at TMS stopped in June following the temporary closure of the mines due to the strike notification

Production (tonnes)	Q2 2014	Q2 2013	H1 2014	H1 2013	FY2013
Mining*	14,448	16,808	34,142	33,057	70,988
Processing	7,902	4,618	16,090	11,593	23,242
Total	22,350	21,426	50,232	44,650	94,230

* Mining includes both chromite concentrate and lumpy ore production.

Speciality Alloys Performance

- Revenue increased to EUR 28.9 (18.7) million due to higher sales volumes
- EBITDA decreased to EUR 2.7 (3.1) million
- Decrease in EBITDA was due to lower sales prices, a weaker US Dollar rate on conversion of revenue and increase in raw material costs

(EUR millions)	Q2 2014	Q2 2013	H1 2014	H1 2013	FY2013
Revenue	28.9	18.7	50.9	37.0	74.5
EBITDA	2.7	3.1	3.7	6.0	9.0
EBITDA margin	9.4%	16.4%	7.3%	16.4%	12.1%
EBIT	2.1	-2.1	2.4	-2.7	-6.1
EBIT margin	7.3%	-11.0%	4.8%	-7.2%	-8.2%

FerroAlloys Performance

- Mecklenburg mine was the main driver of reduced mining activity during this quarter as the mine was suspended due to unrest in the local community
- Stellite mine operated at normal levels during this quarter
- Production at Mogale Alloys continued at normal levels up until May. In June the plant was partly shut down due to scheduled maintenance. Production volumes at Mogale Alloys were still higher as compared to the same period last year as during this period the company did not participate in Eskom's electricity buyback program

Production (tonnes)	Q2 2014	Q2 2013	H1 2014	H1 2013	FY2013
Mining*	64,610	134,787	155,177	188,494	425,585
Processing	13,952	7,665	34,586	12,285	42,955
Total	78,562	142,452	189,763	200,779	468,540

*Mining includes both chromite concentrate and lumpy ore production.

FerroAlloys Performance

- Revenue for the second quarter improved to EUR 18.4 (Q2:2013 12.7) million compared to the equivalent period in 2013, the increase is a reflection of the improvement in demand for processed material
- EBITDA for the second quarter decreased to EUR 1.3 (Q2:2013 3.5) million as a result of not participating in the Eskom electricity buyback program, a weaker USD rate on conversion of revenue, increase in cost of production as a result of higher energy costs and reduction in sales of mining material. EBITDA also includes joint venture share of profits amounting to EUR -0.0 (-0.6) million which were positively affected by unrealised exchange differences

(EUR millions)	Q2 2014	Q2 2013	H1 2014	H1 2013	FY2013
Revenue	18.4	12.7	39.5	26.0	61.0
EBITDA	1.3	3.5	3.7	7.3	8.8
EBITDA margin	7.1%	28.0%	9.2%	27.9%	14.4%
EBIT	0.0	1.8	1.0	3.7	2.0
EBIT margin	0.2%	14.1%	2.4%	14.1%	3.3%

FerroAlloys Performance – Joint Venture share of profit

- Afarak's share of joint ventures revenue for the second quarter decreased to EUR 1.0 (3.4) million compared to the equivalent period in 2013, the decrease in revenue was mainly due to the reduction in sales volumes of the Mecklenburg mine material
- Joint venture EBITDA for the second quarter decrease to EUR -0.2 (0.4) million. Decrease in EBITDA compared to the equivalent period in 2013 was driven by higher overhead cost per ton produced as production volumes decreased during this quarter.

(EUR millions)	Q2 2014	Q2 2013	H1 2014	H1 2013	FY2013
Revenue	1.0	3.4	3.9	4.1	9.5
EBITDA	-0.2	0.4	0.1	0.3	0.9
EBITDA margin	-23.3%	12.8%	2.8%	6.5%	9.8%
EBIT	-0.4	0.2	-0.3	-0.1	-0.2
EBIT margin	-39.4%	6.1%	-8.8%	-3.2%	-1.8%
Financial income and expense	0.3	-0.8	0.1	-2.3	-2.3
Profit for the period	0.0	-0.6	-0.2	-2.4	-2.3

Global Market Review

- Together with the nickel price, the ferrochrome market has also continued to see strong growth in the second quarter of 2014, with increasing demand, and save for China, improved prices compared to the previous quarter especially for the South African Charge Chrome. South African ferrochrome benchmark prices in Europe increased to US\$1.22/lb Cr, from Q1 2014
- When looking into the Super Alloy industry in the USA, Japan and Europe, there has been continued growth in demand primarily from the aerospace, energy, automotive and other manufacturing sectors
- Afarak Group has extended long term agreements further to main customers for the speciality ferrochrome produced at its Elektrowerk Weisweiler GmbH plant in Germany.
- The demand from the nuclear power industry also provides the Company with confidence in the market over the next few years
- All parameters for the specialty ferrochrome are showing very strong and good demand, with stability and increase in volumes
- Steelmakers demand for manganese ferroalloys is expected to fluctuate, but silico manganese remaining alloy of choice, subject to production constraints into the industry

Outlook

- Afarak still expect its financial performance to be better than 2013 but EBITDA will be lower as Q3 2014 is expected to be weaker as compared to Q3 2013
- The global economic outlook continues showing signs of recovery with western industrial nations issuing positive economic indicators
- The ferroalloy market is expected to continue the positive trend of 2013 during which consumption reached record levels
- The Group continues to be prepared for significant price fluctuations and will continue to adapt its production levels accordingly
- At Mogale Alloys, part of the Ferro Alloys division, the Company expects to start production of medium carbon ferrochrome during the fourth quarter of 2014, which is expected to have a positive impact on our profit margins
- In the Speciality Alloys division we are expecting to see an increase in our raw materials cost due to current market conditions
- As a result the full year revenue and EBIT are expected to be higher but EBITDA lower as compared to 2013
- Fluctuations of exchange rates between the Euro, the South African Rand, the Turkish Lira and the US Dollar can significantly impact the Company's financial performance.

Disclaimer

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