

# Robit®

## Financial Statements Release 2016

### Growth Company



## **FINANCIAL STATEMENTS RELEASE FOR 1 JANUARY - 31 DECEMBER 2016: NET SALES GREW 40% - PROFIT DOUBLED**

ROBIT PLC FINANCIAL STATEMENTS RELEASE 28 FEBRUARY 2017 AT 11.00 A.M.

*The figures in this financial statements release are based on audited closing accounts.*

In the text H2 refers to the review period 1 July – 31 December 2016

In the text H1 refers to the review period 1 January – 30 June 2016

FY 2016 refers to the full financial year 1 January – 31 December 2016

FY 2015 refers to the full financial year 1 January – 31 December 2015

### **JULY – DECEMBER 2016: NET SALES GREW OVER 80% EMPOWERED MAINLY BY THE ACQUISITIONS**

- H2 net sales increased by 81.2% to EUR 42.9 million (H2/2015: 23.7).
- H2 EBITA was EUR 5.2 million (H2/2015: 1.7) million, increase of 205.6%.
- H2 EBITA as percentage of net sales was 12.2% (H2/2015: 7.2%).
- H2 net income was EUR 3.5 million (H2/2015: 0.8).

### **JANUARY - DECEMBER 2016: NET SALES AND PROFITABILITY INCREASED TO NEW LEVEL**

- Net sales for FY 2016 increased 40.2% to EUR 63.9 million (FY 2015: 45.6)
- FY 2016 EBITA was EUR 6.8 million (FY 2015: 3.4), increase of 96.3%.
- FY 2016 EBITA as percentage of net sales was 10.6% (FY 2015: 7.6%).
- FY 2016 net income was EUR 4.6 million (FY 2015: 2.2), so 7.2% from net sales (FY 2015: 4.9%).
- Equity ratio was 45.3% at the end of the period under review (FY 2015: 71.1%).
- Earnings per share were EUR 0.29 at the end of the period under review (FY 2015: 0.17).

### **2016 – REMARKABLE GROWTH – Mikko Mattila, Group CEO**

Year 2016 was especially a year of structural growth. As a part of strategy Robit acquired first Drilling Tools Australia Pty Ltd (DTA) and a week later UK-based Bulroc (UK) Ltd. Due to acquisitions Robit's competitiveness and offering in DTH markets rose to a new level.

DTA fits in very well with Robit's market strategy, since Robit has had only a limited amount of business in Australia, especially in the mining segment. Robit knew this was a big market for drilling consumables, but the company just lacked a solid presence there, except dealers for the construction segment. At the same time, Robit and DTA complement each other's offering. Robit obtained the DTA hammers and bits it was lacking, and Robit was able to supply the full Top Hammer product range to DTA for its offering.

Bulroc focused mainly on big Down the Hole hammers and bits, which gave products needed to complete Robit Group's global offering.

The market situation at the beginning of 2016 was really challenging. As the result of major efforts in the customer interface and persistent sales personnel, together with an active, professional dealer network, the situation started to improve and net sales levels started to grow during H2/2016. Total net sales in 2016 reached EUR 63.9 million, growth of 40.2 % from the comparative period. Robit's now has a broad product offering, as the company has everything from Top Hammer to Down the Hole consumables. After several years of intensive R&D, Robit's third business unit – Digital Services – has reached the stage that commercialization is starting in full in 2017.

I would like to thank personally all our customers, dealers, employees, partners for their efforts in developing the company and shareholders for their trust to Robit.

## NET SALES BY REGION

Net Sales by Region						
(Million euro)	H2/2016	H2/2015	Change %	2016	2015	Change %
Europe, Africa and Middle East	16,8	12,9	30,2 %	29,0	25,0	16,0 %
North and South America	5,6	4,8	16,7 %	8,5	8,5	0,0 %
Asia and Oceania	19,0	4,3	341,9 %	23,1	9,0	156,7 %
Russia and CIS countries	1,5	1,7	-11,8 %	3,3	3,1	6,5 %
	<b>42,9</b>	<b>23,7</b>	81,0 %	<b>63,9</b>	<b>45,6</b>	40,2 %

Robit Group net sales increased 40.2 % to EUR 63.9 million (FY 2015: 45.6). Group EBITA for the financial year 2016 was EUR 6.8 million (FY 2015: 3.4) and net income was EUR 4.6 million (FY 2015: 2.2). It should be noted that group consolidation includes H2 income statement figures regarding new group companies.

The general market situation remained stable, but with initial signs of an improvement in the markets at the end of the period. There are positive expectations for a slight increase in the market during 2017. This concerns especially the mining segment as well as construction in certain markets such as the USA. However, these changes in the market are not considered to be significant, especially when taking into account the fact that Robit operates in four market segments: Mining, Construction, Tunnelling, and Geothermal Heating and Cooling.

Robit sales developed positively in three out of the four sales regions. Europe, Africa and Middle-East remained the biggest sales region with 45.4 % of sales. Thanks to the acquisition in Australia, the growth in the Asia and Oceania region was 156.7 %, accounting for 36.2 % of total Group sales. Russia and the CIS countries had a slight increase of 6.5 %, corresponding to 5.2 % of the Group's sales. The Americas region failed to reach its growth targets and sales remained flat.

The EMEA region achieved growth of 16.0 %. The total sales volume was EUR 29.0 million. The recent acquisition of Bulroc (UK) Ltd supplements the offering especially in the Construction market segment. This will open the gate to new, bigger construction projects in Europe. DTARobit's Down the Hole offering gives increasing opportunities in the African mining segment.

The Asia and Oceania region continued to grow both organically and especially structurally. Total sales for this region amounted to EUR 23.1 million. The active sales work in the Korean market and in other Asian countries further increased sales in this region. Through the acquisition in Australia, Robit obtained a firm foothold in the Australian market with three local sales offices. This is expected to ensure a positive opportunity for further growth. In January 2016 the Robit Thailand sales office was opened in Bangkok. This sales office will further reinforce the company's presence in Asia.

Russia and the CIS countries grew slightly, reaching a sales volume of EUR 3.3 million. The exceptional trade situation with western economic sanctions complicated business practice in Russia. Robit however succeeded in maintaining key customer relationships, which resulted in slight growth. The sales office in Moscow, Robit OOO continued its activity among Russian customers, showing again the importance of a local presence and the opportunities that this offers. Robit aims to keep its position in the area long term.

The Americas sales region achieved a sales volume of EUR 8.5 million. The area had zero growth, but the company's prior investments in sales offices in USA and Peru together form the platform for future operations. This together with the fact that Americas region will be the focus area during 2017, is expected to return the region to a growth curve. The forecast increase in economic activity in the USA will hopefully help in reaching the target.

In conclusion, Robit is investing in its sales and marketing activities as stated in the company's strategy. Coupled with the signals of an improving market situation, this gives a positive outlook for 2017.

## NET SALES BY BUSINESS UNIT

Net Sales by Business Unit							
(Million euro)	H2/2016	H1/2016	H2/2015	H1/2015	2016	2015	Change %
Top Hammer	19,0	14,5	15,3	14,6	33,5	29,9	12,0 %
Down-the-Hole	23,9	6,5	8,4	7,3	30,4	15,7	93,6 %
	<b>42,9</b>	<b>21,0</b>	<b>23,7</b>	<b>21,9</b>	<b>63,9</b>	<b>45,6</b>	40,2 %

During 2016, sales for both the Top Hammer (TH) and the Down the Hole (DTH) business developed positively. The increase in sales in the TH business for FY 2016 was 12.0 %. The full package of bits and drill steel products for our dealer network and end users has been and will form the main tool for market penetration to customers. The Korean drill steel production grew positively during the year.

The Down the Hole business doubled its sales volume with an increase of 93.6 %. The main reasons for the growth were of course the acquisitions in Australia and UK, which both strengthened the DTH product line. The growth includes half-year figures for sales by the acquired companies. The new comprehensive offering including the widest range of DTH hammers in the market combined with DTH bits will give totally new opportunities for the DTH business unit. The DTARobit products were especially dedicated to the Mining segment and BulrocRobit's products to the Construction segment, with a bigger hole size of up to 1.2 metres used in piling applications. The strong market position in Scandinavia for the Geothermal Heating and Cooling segment enabled stable sales in the region. The geothermal drilling is more widely used in industrial heating and cooling applications. The environmental-friendly trend is expected to expand to new countries, which will further increase Robit's sales potential.

To summarize, thanks to the strategic acquisitions in Australia and UK, the DTH business unit was strengthened significantly. Robit now has two strong business units of equal size: Top Hammer EUR 33.5 million and Down the Hole EUR 30.4 million. This is estimated to give stability to Robit's future business, as well as growth potential. The third business unit, Digital Services, did not record any real sales yet in 2016. The technology has reached a point that enables active sales and marketing in 2017. The new technology will also most probably support the sales of the other two business units, TH and DTH, by opening new customer contacts for these.

## RESEARCH AND DEVELOPMENT - DEVELOPING THE OFFERING

The Digital Services business achieved the genuine status of a strategic business unit (SBU). The offering obtained a new product in the form of the manual hole deviation instrument "M-Sense". The roadmap for digital services, with related concepts and instruments, was defined more specifically and further developed. The durability of the Sense Systems improved and active sales and marketing is starting in 2017.

The Digital Services business includes new technologies such as IoT, modern sensor technology, wireless transmission, cloud computing, Big Data and imaging. These technologies will form an ecosystem with applications for customers operating with the Top Hammer and Down the Hole drilling methods. The first application is the unique drill hole measurement technology branded as Robit Sense Systems. With this system the straightness of a drill hole can be measured utilizing special technology that is integrated into a standard drill string and rig. The results can be obtained immediately after the hole has been drilled, unlike existing manual systems, where measuring is carried out as a separate operation afterwards. Robit Sense Systems was presented at the international MinExpo 2016 in Las Vegas, where it aroused great interest.

During 2016 Robit launched the Top Hammer drill tube product line for underground and surface drilling. The product technology developed improves hole straightness and drilling efficiency especially in long hole drilling. The drill tubes can be used as a complete drill string or as a single guide tube. The new product range supports Robit's full package Top Hammer offering. In the DTH piling application the Company continued to develop the Robit Flow Control system to prevent flushing air to escape to the ground during drilling. This state of art technology was also combined with the Robit Prime series in large sizes (hole diameter +400mm). Flow Control

system functionality was optimized with advanced computational fluid dynamics (CFD) simulations. This proved successful in piling projects with a sensitive ground formation.

Robit's business concept and company size enable the company to react to market changes and market signals as well as to the wishes of individual customers. The customer-oriented applications together with product development programs form the basis for improvement in product competitiveness and for optimized solutions and services for each market segment, application and customer.

The Company's extensive own service centre network, which it has invested in over the past few years, constitutes a better source for different customer needs and end-user feedback from different parts of the world and different ground conditions. This is essential in this business segment if Robit is to develop the best possible products and offering for customers.

The company has capitalized patent, research and development costs during 2016 totalling EUR 0.7 million (FY 2015: 0.7). Total costs relating to research and development were 2.4 % of net sales (FY 2015: 3.0 %).

## PROFITABILITY AND KEY FINANCIALS

Profitability and key financials							
	H2/2016	H2/2015	Change%	2016	2015	2014	Change%
Net Sales, EUR 1,000	42 901	23 676	81,2 %	63 932	45 588	38 272	40,2 %
Net Sales growth, percent	81,2 %	18,5%		40,2 %	19,1%	12,7%	
Gross profit, EUR 1,000	17 304	7 747	123,4 %	25 152	14 683	11 337	71,3 %
Gross profit margin, % of sales	40,3 %	32,7%		39,3 %	32,2%	29,6%	
EBITDA, EUR 1,000	7 813	2 713	188,0 %	10 328	5 066	4 765	103,9 %
EBITDA, percent of sales	18,2 %	11,5 %		16,2 %	11,1 %	12,5 %	
EBITA, EUR 1,000	5 235	1 713	205,6 %	6 769	3 448	3 819	96,3 %
EBITA, percent of sales	12,2 %	7,2 %		10,6 %	7,6 %	10,0 %	
Operating profit, EUR 1,000	3 537	1 683	110,2 %	5 043	3 389	3 761	48,8 %
Operating profit, percent of sales	8,2 %	7,1 %		7,9 %	7,4 %	9,8 %	
Result for the fiscal period, EUR 1,000	3 456	841	310,9 %	4 618	2 244	2 925	105,8 %
Result for the fiscal period, percent of sales	8,1 %	3,6 %		7,2 %	4,9 %	7,6 %	
EPS, adjusted for share split, EUR	-	-		0,29	0,17	0,29	71,0 %
Return on equity, percent	-	-		9,3 %	7,4 %	25,4 %	
Return on capital employed (ROCE), percent	-	-		10,0 %	9,5 %	21,2 %	
Net interest-bearing debt, EUR 1,000	36 929	-22 070	-267,3 %	36 929	-22 070	6 866	-267,3 %
Equity ratio, percent	45,3 %	71,1 %		45,3 %	71,1 %	47,4 %	
Gearing, percent	71,5 %	-46,1 %		71,5 %	-46,1 %	52,9 %	
Gross investments, EUR 1,000	26 889	3 389	693,4 %	59 598	7 732	1 731	670,8 %
Gross investments, % of sales	62,7 %	14,3 %		93,2 %	17,0 %	4,5 %	
Gross investments, excl. acquisition, EUR 1,000	940	3 389	-72,3 %	2 756	7 732	1 731	-64,4 %
R&D costs, EUR 1,000	963	734	31,2 %	1 505	1 368	804	10,0 %
R&D costs, % of sales	2,2 %	3,1 %		2,4 %	3,0 %	2,1 %	
Average number of employees	239	129	84,9 %	199	124	109	60,1 %
Number of employees at the end of period	263	134	96,3 %	263	134	109	96,3 %

Robit continued its growth trend in flat market conditions. Thanks to the increased purchase volumes especially in raw materials, the gross margin for Robit products has improved. This concerns especially the established products, which were in the offering before the two acquisitions. Another factor was that the acquired Down the Hole products have had slightly better profitability than the established products. These two factors have improved the overall profitability of the Group. Robit has not seen any major change in end-user price levels.

For FY 2016 EBITDA was EUR 10.3 million (FY 2015: 5.1). The EBITDA margin increased from 11.1 % to 16.2 %. The main factor contributing to this increase was the increase in the gross margin. The increase in fixed costs is because the fixed costs of the two acquired companies increase total costs, e.g. in personnel expenses (increase of 51.3 %) and other operating expenses (increase of 81.2 %). During 2016 the company's personnel increased by a total of 129 employees, and the total number of employees at the end of December 2016 was 263. The company also recruited new personnel mainly for sales and customer service positions, to safeguard future organic and strategic growth. Investments in sales resources were made in offices in Bangkok, Thailand and in Dubai, UAE.

For FY 2016 EBITA was EUR 6.8 million (FY 2015: 3.4). This change was due to the same reason, namely the two acquisitions. The EBITA percentage improved to 10.6 % (FY 2015: 7.6 %). Depreciation including goodwill amortization (EUR 1.7 million) for FY 2016 was EUR 5.3 million (FY 2015: 1.7). The increase in depreciation was mainly due to normal investments in machinery and equipment, to the two acquisitions and to capitalized expenses in relation to the Robit Sense System.

Total financial income and expenses for FY 2016 were EUR 0.8 million (FY 2015: -0.4). Financial income was EUR 2.9 million (FY 2015: 0.4). Financial expenses increased from EUR 0.9 million to EUR 2.1. Financial expenses included normal loan expenses amounting to EUR 0.6 million. Currencies underwent fairly large changes during the period and some currencies such as the South African rand remained unfavourable against the euro.

For FY 2016 the return on equity was 9.3 % (FY 2015: 7.4 %) and the return on capital employed was 10.0 % (FY 2015: 9.5 %). Both ratios improved since acquired capital has been utilized to improve returns. The company's cash and cash equivalents amounted to EUR 10.5 million (FY 2015: 33.4) and the net interest bearing debt was EUR 36.9 million (FY 2015: -22.1). The equity ratio was 45.3 %. The company used altogether EUR 56.8 million in the two acquisitions and for this purpose took a new bank loan totalling EUR 36.0 million.

Earnings per share were EUR 0.29 (FY 2015: 0.17).

## **SIGNIFICANT EVENTS DURING THE PERIOD UNDER REVIEW**

During the period company continued activities targeting further growth:

- Company opened a sales office in Bangkok, Thailand in January 2016.
- Three new strategic business units (SBU) were established in January: Top Hammer, Down the Hole (DTH) and Digital Services.
- Robit won the 1st Award in the competition for "Best Investor Websites" of 2016 in the category of companies listed on Nasdaq Helsinki Ltd First North Finland.
- In June, the company acquired Drilling Tools Australia (DTA), a specialist in the Australian drilling consumables market offering Down the Hole and Top Hammer drilling equipment with corresponding engineered solutions to the mining and construction industry.
- In July, the company acquired Bulroc (UK) Ltd, a leading supplier in the business of big Down the Hole hammer and related accessories.
- Robit received 3rd prize in the European Small and Mid-Cap Award 2016 in the International Star category.
- Company announced the renewal of its operating model, switching from a structure of eight regions to four regions in sales operations.
- Sales company in Dubai, United Arab Emirates was opened in December.
- Robit was selected as one of the "First North 25" companies as a result of Nasdaq's semi-annual review based on the First North 25 Index.
- Company announced that Harri Sjöholm, Chairman of Robit Plc, would take on the duties of Group CEO on 1 January 2017 until the appointment of a new Group CEO. Mikko Mattila will take charge of operations in the North and South America region and will move to the area.
- Company defined the Robit 3.0 Growth Concept and had started the renewal project at the end of the period.

## **GROUP STRUCTURE**

The parent company Robit Oyj has the following subsidiaries: Robit Finland Oy, Robit Korea Ltd, Robit Inc, Robit OOO, Robit SA Pty Ltd, Robit S.A.C., Drilling Tools Australia Pty Ltd, Robit Australia Holdings Pty Ltd, Bulroc (UK) Ltd, Robit Rocktools Sweden AB (dormant) and Robit Africa Holding (Pty) Ltd (dormant).

## **RISKS AND UNCERTAINTIES**

The risks and uncertainties to which the company is exposed relate to the company's business environment, to any changes in this, and to global economic developments. Prospects especially in the euro zone, in Russia and in South American countries are uncertain. During H2 there were no significant changes in Robit's risks and uncertainties.

Additional uncertainty factors are developments in currency exchange rates, the introduction of new information systems and their smooth operation, risks relating to delivery reliability and logistics, IPR risks, hacking and uncertainties relating to the company's operations and corporate governance issues. Changes in the tax and customs regulations in export countries may also complicate the company's export activities or affect their profitability.

The risks can mainly have a negative impact on the company's growth, on its financial position and result, and on its corporate image. Company management does not consider these risks and uncertainties to be significant at the end of the period under review.

## **NET WORKING CAPITAL AND INVESTMENTS**

Net working capital at the end of review period was EUR 36.6 million (FY 2015: 14.6).

According to the calculation method company uses, net working capital consists of following items: inventory, accounts receivable, accounts payable, advances received and other debts (net trading capital). By monitoring and controlling these balance sheet items, company is able to optimize capital use.

The company's cash flow from operations during FY 2016 was EUR 0.6 million (FY 2015: 2.9).

Gross investments totalled EUR 59.6 million (FY 2015: 7.7). The company's main investments for FY 2016 were the two acquisitions totalling EUR 56.8 million. Other investments were mainly in the capitalized costs in R&D (EUR 0.7 million) and machinery and equipment (EUR 1.3 million). At year end 2016 EUR 18.2 million was tied up in trade receivables (FY 2015: EUR 9.2). Trade receivables grew at the end of the year due to the two acquisitions and the increased sales volumes. It should be noted that November 2016 had the highest sales for any month in the history of Robit.

Inventories amounted to EUR 29.2 million (FY 2015: 11.7). Inventories increased by EUR 17.5 million from the comparative period due to the fairly high volume of stocks in the acquired companies. The units are monitoring inventory contents continuously and obsolete or slow moving items are expensed.

Interest-bearing debts at the end of review period were EUR 47.5 million (FY 2015: 11.3), an increase of EUR 36.2 million. New loans were utilized for the acquisitions in Australia and the UK. The Company's net debt at the end of the year was 36,9 million (2015: -22,1).

## **SHARES AND SHARE TURNOVER**

On 31 December 2016 the company had 15,883,900 shares. On 31 December 2016 the company had 1,069 shareholders. On 31 December 2016 the company held 94,674 own shares (0.6 % of the shares).

The subscription price in the Initial Public Offering (IPO) was EUR 5.70. At the end of December 2016, the closing price was EUR 7.90 per share and Robit had a market capitalization of EUR 124.7 million. The highest closing price during the year was EUR 9.40 and the lowest price EUR 5.20. The number of shares traded between 1 January and 30 December was 1.9 million, which is 12 % of the total number of shares.

Robit has one share series and all shares have equal voting rights. Each share is entitled to one vote at the annual general meeting.

## **PERSONNEL, MANAGEMENT AND BOARD OF DIRECTORS**

The number of personnel increased in 2016 by 129 from year end 2015, with the total number of personnel being 263 at the end of the period under review. The personnel from the two acquired companies increased the number of personnel by 116. Personnel growth has been as planned, to enable the company to grow further.

In order to facilitate Robit's growth strategy, the company continued to invest in personnel. The focus was further in sales and sales support, so that 55 % of the white collar personnel were employed in these tasks. More emphasis was given to the company's hiring and training practices. Robit also decided to continue the Trainee program and decided to recruit two new Talents, who will start in January 2017. The basic principle in the talent program is to hire highly educated young people and train them in-house. With this method Robit can ensure the transfer of valuable experience-based know-how within its organization.

Young and talented employees are a great asset for Robit. The company's age demographics are well balanced and the average age was 41 years. A young organization ensures an ambitious company culture, targeting further growth and winnings. Robit also places strong emphasis on work safety, and a special project was started in the areas of HSE (Health, Safety and Environment), which is being steered by the Australian team.

The company continued to monitor employee satisfaction and feedback via the annual personnel survey. This revealed that personnel were satisfied with the market and customer orientation of the company as well with their own task and task management.

The three new strategic business units and their VPs were appointed: Top Hammer Tuomo Niskanen (59), Down the Hole Olli Kuismanen (41) and Digital Services Rowan Melrose (54).

Jussi Rautiainen (51), served as Group CEO until 2 January 2016. Mikko Mattila (38), M.Sc. (Eng.) was appointed as the new Group CEO. Mr. Mattila has been working in the organization and has had a long, 15-year career at Robit. Harri Sjöholm, Chairman of Robit, took over the duties of Group CEO on 1 January 2017 until the appointment of a new Group CEO.

The Annual General Meeting was held on the 18 March 2016 and it confirmed the new members of the Board: Tapio Hintikka, Kalle Reponen, Matti Kotola, Anni Ronkainen and Harri Sjöholm. Mr. Sjöholm was elected Chairman of the Board.

### **DECISIONS BY THE ANNUAL GENERAL MEETING**

The Annual General Meeting was held in Tampere on 18 March 2016. The meeting confirmed the 2015 financial statements and discharged the members of the Board and the CEO from liability for the 2015 fiscal year. The meeting decided to pay a total dividend of EUR 631,373.32, or EUR 0.04 per share. The company had a total of 15,883,900 shares, and altogether 10,827,868 of the shares and votes were represented at the AGM.

Those elected to the Board of Directors are listed in the section "Personnel, management and Board of Directors" above. Ernst & Young Oy, Authorised Public Accountants, were re-elected as the company's auditors, with Mikko Järventausta as principle auditor.

The General Meeting also authorised the Board of Directors to decide on the acquisition of a maximum of 1,588,390 own shares, provided however that the aggregate number of own shares in the possession of the Company at any one time shall not exceed 10 % of all the shares in the Company.

The General Meeting also authorised the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act. The number of shares to be issued based on this authorization may not exceed 1,588,390 shares, which currently corresponds to approximately 10 % of all the shares in the company. The Company's own shares held as treasury shares and rights may be issued and transferred for example as consideration in corporate acquisitions or as part of its incentive system.



## **SIGNIFICANT EVENTS AFTER THE END OF THE REVIEW PERIOD**

The company has made the following decision as part of the Robit 3.0 Growth Concept and the related renewal project.

This has taken place on 1 January 2017:

- The new company structure and related matrix organization starting from 1 January 2017.
- The Company has appointed a new Global Management Team with nine members, including region VPs and SBU VPs as well as the CFO and VPs for R&D and HR starting from 1 January 2017.
- The new CFO, Ilkka Miettinen (53), and the new VP for the Russia & CIS sales region, Jorma Juntunen (60), will start on February and March 2017 in the company.
- The company is at the end of finalizing the IFRS project. Robit will switch to the IFRS accounting system in 2017.
- Purchase of assets in USA (Halco INC)
- Purchase of Halco Brighthouse Ltd in England

In accordance with its strategy, Robit is continuing its renewal in order to improve its customer orientation and competitiveness. Through this renewal, the four established sales regions will become even more powerful entities with greater independence, aiming especially at further growth and at strengthening the company's market share in their regions. This new market region structure emphasizes Robit's desire to take decision-making closer to the customer and to link it tightly to the customer-interface, aiming to safeguard the company's future growth.

## **BOARD PROPOSAL FOR THE DISTRIBUTION OF PROFIT**

The parent company's non-restricted equity on 31 December 2016 is EUR 46 945 258, of which the net profit for the financial year is EUR 3 517 317.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.10 per share be paid on the outstanding 15 789 226 shares, resulting in a total proposed dividend of EUR 1 578 922.

The Board proposes that the dividend be payable from 6 April 2017. All the shares existing on the dividend record date are entitled to the dividend for 2016 except for the own shares held by the parent company (94 674 shares).

## **FINANCIAL TARGETS AND FUTURE OUTLOOK**

Robit as a Growth Company aims to continue to grow in line with the target set in its strategy. Net sales in FY 2016 increased 40.2 % from the comparative period. The company's long-term (10 year) average annual growth has been 23 %. Robit's goal is also to continue the strong growth rate in the future in accordance with the 15 % growth rate specified in the strategy.

Robit's target in 2016 was to further improve profitability in order to achieve the long-term strategic target of EBITA of +13 %. The actual figure for 2016 was 10.6 %. This was because the overall profitability of the acquired businesses was slightly better than Robit's profitability so far. Nevertheless, the company also managed to improve the profitability of its basic business with its global sourcing activity and internal rationalization measures. Company management continues to further optimize variable cost factors with the product and cost optimization project between the four manufacturing companies: Finland, South Korea, Australia and UK. Since the acquired Down the Hole businesses will account for a proportionately higher share in 2017, Robit is convinced that profitability will at least be maintained at the same level.

Robit believes that the weak market environment is starting to pick up after a flat period of several years. The goal is to combine this expected positive market change with the platform of Robit's 18 sales and service points together with the four automated manufacturing plants. This Robit Growth Concept combined with close co-operation with customers will result in an attractive growth outlook in the coming years. Robit's global market share is still modest, so there is plenty of room to grow. The new supplemented offering gives good opportunities to increase the market share in the drilling consumable business segment. According to management, this will mean that the company will further strengthen its market share and market position. The

Company's strategic target is to double its global market share. Continuous growth also means positive motivation for Robit's young organization.

The company's understanding is that there is still room for consolidation in this industry segment. Robit wants to play an active role in this and continues to evaluate potential acquisition candidates in a controlled manner.

## FINANCIAL INFORMATION EVENTS

An analyst and press conference in connection with the publication of the financial statements release will be held in English for analysts, investors and media representatives on Tuesday 28 February 2017 at 2.00 p.m. Finnish time. The conference will take place in Helsinki at the premises of Event Arena Bank, Unioninkatu 20, Union Square Auditorium (entrance through Unioninkatu 22, Havis Business Center). Doors will open at 1.30 p.m.

The presentation material and a recording of the conference will be available on the company's website at <http://www.robite.fi/investors/financial-information/>.

## FINANCIAL INFORMATION AND REPORTING SCHEDULE IN 2017

Robit Plc will publish the Annual Report and the audited Financial Statement for 2016 on its website during week 9.

The Annual General Meeting will be held on Tuesday 28 March 2017 at 3.00 p.m. Finnish time in Scandic Tampere City Hotel in Hämeenkatu 1 in Tampere.

Half year Interim Report for January – June 2017: Thursday 17 August 2017 at 11.00 a.m. Finnish time.

## AUDITED FINANCIAL STATEMENTS RELEASE 1.1.-31.12.2016

### ACCOUNTING PRINCIPLES

This report has been prepared in accordance with good accounting practice and the Finnish accounting standard (FAS). The figures are based on audited closing accounts. The figures have been rounded, so the amounts presented in the spreadsheet rows and columns may differ from the total figures for the same.

### CONSOLIDATED INCOME STATEMENT (FAS)

EUR (1000)	H2/2016	H2/2015	1-12/2016	1-12/2015
<b>Net sales</b>	<b>42 901</b>	<b>23 676</b>	<b>63 932</b>	<b>45 588</b>
Change in finished goods and work-in-progress inventories	684	87	2 037	1 103
Production for own use	103	46	201	232
Other operating income	155	127	417	169
Materials and services	-19 827	-14 308	-32 651	-27 789
Personnel expenses	-7 352	-3 684	-11 107	-7 339
Depreciation and amortisation	-4 276	-1 030	-5 286	-1 676
Other operating expenses	-8 851	-3 231	-12 502	-6 899
<b>OPERATING RESULT</b>	<b>3 537</b>	<b>1 683</b>	<b>5 042</b>	<b>3 389</b>
Financial income and expenses	924	-455	769	-406
<b>RESULT BEFORE CLOSING ENTRIES AND TAXES</b>	<b>4 462</b>	<b>1 229</b>	<b>5 811</b>	<b>2 983</b>
Income taxes and changes in deferred taxes	-1 000	-388	-1 188	-739
<b>PROFIT FOR THE REPORTING PERIOD</b>	<b>3 461</b>	<b>841</b>	<b>4 623</b>	<b>2 244</b>
Minority share	-5	0	-5	0
<b>CONSOLIDATED NET INCOME</b>	<b>3 457</b>	<b>841</b>	<b>4 618</b>	<b>2 244</b>

## CONSOLIDATED BALANCE SHEET (FAS)

EUR (1000)	31.12.2016	31.12.2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	35 783	3 720
Tangible assets	15 801	7 047
Investments	157	241
<b>Non-current assets total</b>	<b>51 741</b>	<b>11 008</b>
<b>Current assets</b>		
Inventories	29 161	11 679
Long term receivables	1 009	717
Short term receivables	21 788	10 737
Securities	32	31
Cash and cash equivalents	10 519	33 353
<b>Current assets total</b>	<b>62 510</b>	<b>56 517</b>
<b>TOTAL ASSETS</b>	<b>114 250</b>	<b>67 525</b>

## CONSOLIDATED BALANCE SHEET (FAS)

EUR (1000)	31.12.2016	31.12.2015
<b>Equity</b>		
Share capital	705	705
Share premium	202	202
Other reserves	33 739	33 693
Translation difference	-673	-267
Retained earnings (losses)	12 961	11 348
Result for the fiscal period	4 618	2 244
<b>Total equity</b>	<b>51 551</b>	<b>47 924</b>
<b>Minority share</b>	<b>101</b>	<b>0</b>
<b>Obligatory provisions</b>		
Other obligatory provisions	532	430
<b>Total obligatory provisions</b>	<b>532</b>	<b>430</b>
<b>Liabilities</b>		
Long term liabilities		
Loans from financial institutions	39 262	7 058
<b>Total long term liabilities</b>	<b>39 262</b>	<b>7 058</b>
<b>Short term liabilities</b>		
Loans from financial institutions	8 219	4 257
Advances received	282	132
Accounts payable	9 628	5 609
Deferred tax liability	841	224
Other liabilities	850	574
Accrued liabilities	2 985	1 318
<b>Total short term liabilities</b>	<b>22 804</b>	<b>12 113</b>
<b>Total liabilities</b>	<b>62 066</b>	<b>19 171</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>114 250</b>	<b>67 525</b>

## CONSOLIDATED CASH FLOW STATEMENT (FAS)

EUR (1000)	H2/2016	H2/2015	1-12/2016	1-12/2015
<b>Cash flow from operations:</b>				
Profit (loss) before appropriations	4 461	1 227	5 811	2 983
Adjustments:				
Depreciation according to plan	4 277	1 030	5 286	1 676
Financial income and expenses	-925	455	-769	406
Other adjustments	-162	0	-162	0
<b>Cash flow before change in working capital</b>	<b>7 650</b>	<b>2 713</b>	<b>10 165</b>	<b>5 066</b>
Change in working capital				
Increase (-)/ decrease (+) of current trade receivables	-5 823	-93	-8 537	-3 110
Increase (-) / decrease (+) of inventories	-510	2 892	-2 321	159
Increase (+) / decrease (-) of current payables	-161	-4 018	2 372	1 951
<b>Cash flow before taxes</b>	<b>1 156</b>	<b>1 494</b>	<b>1 679</b>	<b>4 066</b>
Financial expenses paid in operations	344	-554	-1 062	-851
Received interest	-681	99	569	444
Income taxes paid	-376	-367	-621	-728
<b>Cash flow from operations (A)</b>	<b>444</b>	<b>671</b>	<b>566</b>	<b>2 932</b>
<b>Cash flow from investments:</b>				
Investments in tangible & intangible items	-2 059	-2 388	-2 715	-6 731
Investments in group companies	-24 784	0	-56 842	0
Financial income from investments	2 287	0	2 287	0
Interest paid and other finance costs from investments	-1 026	0	-1 026	0
Sold subsidiary company shares (directed share issue)	274	0	274	0
Changes in long-term receivables	-19	11	-315	37
<b>Cash flow from investments (B)</b>	<b>-25 331</b>	<b>-2 377</b>	<b>-58 336</b>	<b>-6 695</b>
<b>Cash flow before financing (A+B)</b>	<b>-24 887</b>	<b>-1 707</b>	<b>-57 770</b>	<b>-3 763</b>
<b>Cash flow from financing:</b>				
Rights issue	46	46	46	33 094
Purchase of own shares	0	-47	0	-47
Change in translation difference	-482	-2	-406	83
Change in group assets	0	0	111	0
Change in current liabilities	5 032	1 121	3 962	1 008
Change in non-current liabilities	4 768	-170	31 855	1 851
Dividends and other payout of profits	0	-1	-631	-433
<b>Cash flow from financing (C)</b>	<b>9 364</b>	<b>949</b>	<b>34 937</b>	<b>35 557</b>
<b>Change in cash (A+B+C) increase (+) / decrease (-)</b>	<b>-15 524</b>	<b>-758</b>	<b>-22 834</b>	<b>31 794</b>
Cash in the beginning of period	26 043	34 111	33 353	1 559
Cash in the end of period	10 519	33 353	10 519	33 353
<b>Cash change in balance sheet</b>	<b>-15 524</b>	<b>-758</b>	<b>-22 834</b>	<b>31 794</b>

## INCREASES AND DECREASES IN EQUITY DURING THE FINANCIAL YEAR

EUR (1000)	31.12.2016	31.12.2015
Share capital 1.1	705	705
Share capital 31.12	705	705
Share premium reserve	202	202
Invested unrestricted equity reserve 1.1	33 693	599
Share issue with consideration on 21.5 / 19.12	46	33 094
<b>Invested unrestricted equity reserve 31.12</b>	<b>33 739</b>	<b>33 693</b>
Retained earnings of previous financial periods on 1 Jan.	11 081	8 545
Profit /loss of the previous financial period, carry forward	2 244	2 925
Distribution of dividend	-631	-433
Acquisition of own shares	0	-47
Average rate difference	48	-39
Changes in translation differences	-454	129
<b>Retained earnings of previous financial periods on 31 Dec</b>	<b>12 287</b>	<b>11 081</b>
Profit (loss) for the financial year	4 618	2 244
	<b>16 906</b>	<b>13 325</b>
Tied equity	907	907
Unrestricted shareholders' equity	50 644	47 017
<b>Equity</b>	<b>51 551</b>	<b>47 924</b>

## CONSOLIDATED KEY FIGURES

### Profitability and key financials

	H2/2016	H2/2015	Change %	2016	2015	2014	Change %
Net Sales, EUR 1,000	42 901	23 676	81,2 %	63 932	45 588	38 272	40,2 %
Net Sales growth, percent	81,2 %	18,5%		40,2 %	19,1%	12,7%	
Gross profit, EUR 1,000	17 304	7 747	123,4 %	25 152	14 683	11 337	71,3 %
Gross profit margin, % of sales	40,3 %	32,7%		39,3 %	32,2%	29,6%	
EBITDA, EUR 1,000	7 813	2 713	188,0 %	10 328	5 066	4 765	103,9 %
EBITDA, percent of sales	18,2 %	11,5 %		16,2 %	11,1 %	12,5 %	
EBITA, EUR 1,000	5 235	1 713	205,6 %	6 769	3 448	3 819	96,3 %
EBITA, percent of sales	12,2 %	7,2 %		10,6 %	7,6 %	10,0 %	
Operating profit, EUR 1,000	3 537	1 683	110,2 %	5 043	3 389	3 761	48,8 %
Operating profit, percent of sales	8,2 %	7,1 %		7,9 %	7,4 %	9,8 %	
Result for the fiscal period, EUR 1,000	3 456	841	310,9 %	4 618	2 244	2 925	105,8 %
Result for the fiscal period, percent of sales	8,1 %	3,6 %		7,2 %	4,9 %	7,6 %	
EPS, adjusted for share split, EUR	-	-		0,29	0,17	0,29	71,0 %
Return on equity, percent	-	-		9,3 %	7,4 %	25,4 %	
Return on capital employed (ROCE), percent	-	-		10,0 %	9,5 %	21,2 %	
Net interest-bearing debt, EUR 1,000	36 929	-22 070	-267,3 %	36 929	-22 070	6 866	-267,3 %
Equity ratio, percent	45,3 %	71,1 %		45,3 %	71,1 %	47,4 %	
Gearing, percent	71,5 %	-46,1 %		71,5 %	-46,1 %	52,9 %	
Gross investments, EUR 1,000	26 889	3 389	693,4 %	59 598	7 732	1 731	670,8 %
Gross investments, % of sales	62,7 %	14,3 %		93,2 %	17,0 %	4,5 %	
Gross investments, excl.acquisition, EUR 1,000	940	3 389	-72,3 %	2 756	7 732	1 731	-64,4 %
R&D costs, EUR 1,000	963	734	31,2 %	1 505	1 368	804	10,0 %
R&D costs, % of sales	2,2 %	3,1 %		2,4 %	3,0 %	2,1 %	
Average number of employees	239	129	84,9 %	199	124	109	60,1 %
Number of employees at the end of period	263	134	96,3 %	263	134	109	96,3 %
Number of shares (shares out)	15 789 226	15 784 333		15 789 226	15 784 333	66 563	
Own shares % of total shares (owned by the group)	94 674	99 567		94 674	99 567	663	
Percentage of votes / shares	0,6 %	0,6 %		0,6 %	0,6 %	1,0 %	

Helsinki, 28 February 2017

Board of Directors  
Robit Plc

## CALCULATION OF KEY FIGURES

Gross profit	=	Net Sales – Variable expenses in relation to manufacturing
EBITDA	=	Operating profit + Depreciation and amortisation
EBITA	=	Operating profit + Amortisation of goodwill
Earnings per share (EPS), EUR	=	$\frac{\text{Profit (loss) for the financial year}}{\text{Amount of shares adjusted with the share issue (average during the financial year)}}$
Return on equity, percent	=	$\frac{\text{Profit (loss) for the financial year}}{\text{Equity (average during the financial year)}} \times 100$
Return on capital employed (ROCE), percent	=	$\frac{\text{Profit before appropriations and taxes + Interest expenses and other financing expenses}}{\text{Equity (average during the financial year) + Interest-bearing financial liabilities (long-term and short term loans from financial institutions, average during the financial period)}} \times 100$
Net interest-bearing debt	=	Long-term and short-term loans from financial institutions – Cash and cash equivalents – Short-term financial securities
Equity ratio, percent	=	$\frac{\text{Equity}}{\text{Balance sheet total – Advances received}} \times 100$
Gearing, percent	=	$\frac{\text{Net interest-bearing financial liabilities}}{\text{Equity}} \times 100$



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