Robit Plc
Consolidated financial statements
1.1.2016 – 31.12.2016

Contents

Consolidated statement of comprehensive income

EUR thousand	Note	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Net sales		**64 050**	**45 573**
Changes in inventories of finished goods and work in progress	2.2	-67	1 138
Work performed by the Group and capitalized		201	232
Other operating income	2.4	241	163
Materials and services	2.2	-32 651	-27 789
Employee benefit expense	2.3	-11 113	-7 643
Depreciation, amortization and impairment	2.5	-3 233	-1 145
Other operating expenses	2.4	-13 167	-7 770
Operating profit		**4 262**	**2 758**
Finance income	4.5	3 316	494
Finance cost	4.5	-2 411	-853
Finance income and costs net		906	-359
Profit before income tax		**5 168**	**2 399**
Income taxes	6.2.	-1 128	-695
Profit for the year		**4 040**	**1 704**
Attributable to:			
Owners of the parent		4 040	1 704
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	4.1	43	101
Other comprehensive income, net of tax		43	101
Total comprehensive income		**4 083**	**1 804**
Attributable to:			
Owners of the parent		4 083	1 804
Earnings per share attributable to the owners of the parent during the year:			
Basic and diluted earnings per share	4.2	0,26	0,13

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

EUR thousand	Note	31-Dec-16	31-Dec-15	1-Jan-15
ASSETS				
Non-current assets				
Goodwill	3.1	25 469	88	88
Other intangible assets	3.2	8 333	1 297	552
Property, plant and equipment	5.1	16 611	7 752	5 487
Loan receivables	4.4	720	744	770
Other receivables	4.4, 5.3	157	150	169
Deferred tax assets	6.2	720	339	32
Total non-current assets		**52 011**	**10 369**	**7 099**
Current assets				
Inventories	5.2	30 176	11 873	11 998
Account and other receivables	4.4, 5.3	21 248	10 431	7 469
Loan receivables	4.4	48	26	37
Income tax receivable	6.2	-	10	-
Cash and cash equivalents	4.4	10 519	33 310	1 516
Total current asset		**61 991**	**55 650**	**21 020**
Total assets		**114 002**	**66 019**	**28 119**

EUR thousand		31-Dec-16	31-Dec-15	1-Jan-15
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	4.1	705	705	705
Share premium	4.1	202	202	202
Reserve for invested unrestricted equity	4.1	32 368	32 322	599
Cumulative translation difference	4.1	144	101	-
Retained earnings	4.1	12 597	11 526	11 707
Profit for the year	4.1	4 040	1 704	-
Total equity		**50 056**	**46 559**	**13 212**
Liabilities				
Non-current liabilities				
Borrowings	4.3	36 601	5 262	4 504
Deferred tax liabilities	6.2	2 093	-	117
Derivative financial instruments	4.5, 4.6	-	49	98
Employee benefit obligations	2.3	947	430	349
Total non-current liabilities		**39 641**	**5 741**	**5 067**
Current liabilities				
Borrowings	4.3	10 828	6 224	4 140
Derivative financial instruments	4.5, 4.6	38	-	-
Advances received	5.5	282	132	289
Income tax liabilities	6.2	736	103	380
Account payables and other liabilities	5.4	12 421	7 260	5 031
Total current liabilities		**24 305**	**13 720**	**9 839**
Total liabilities		**63 946**	**19 460**	**14 907**
Total equity and liabilities		**114 002**	**66 019**	**28 119**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

EUR thousand	Note	Share capital	Share premium	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total
		Attributable to owners of the parent					
Equity at 1.1.2015 (FAS)		**705**	**202**	**599**	**15**	**11 455**	**12 976**
Impact of adoption of IFRS	6.6	-	-	-	-15	252	**237**
Equity at 1.1.2015 (IFRS)		**705**	**202**	**599**	**-**	**11 707**	**13 212**
Profit for the period		-	-	-	-	1 704	**1 704**
Other comprehensive income							
Translation differences		-	-	-	101	-	**101**
Total comprehensive income		**-**	**-**	**-**	**101**	**1 704**	**1 804**
Dividend distribution		-	-	-	-	-433	**-433**
Share issue		-	-	31 677	-	-	**31 723**
Share-based payments to employees		-	-	-	-	298	**298**
Use of treasury shares as BoD compensation		-	-	46	-	-	**46**
Purchase of treasury shares		-	-	-	-	-47	**-47**
Total transactions with owners, recognized directly in equity		**-**	**-**	**31 723**	-	**-181**	**31 542**
Equity at 31.12.2015	**4.1**	**705**	**202**	**32 322**	**101**	**13 229**	**46 559**
Equity at 1.1.2016		**705**	**202**	**32 322**	**101**	**13 229**	**46 559**
Profit for the period		-	-	-	-	4 040	**4 040**
Other comprehensive income							
Translation differences		-	-	-	43	-	**43**
Total comprehensive income		**-**	**-**	**-**	**43**	**4 040**	**4 083**
Dividend distribution		-	-	-	-	-631	**-631**
Use of treasury shares to BoD compensation		-	-	46	-	-	**46**
Total transactions with owners, recognized directly in equity		**-**	**-**	**46**	-	**-631**	**-585**
Equity at 31.12.2016	**4.1**	**705**	**202**	**32 368**	**144**	**16 638**	**50 057**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

EUR thousand	Note	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Cash flows from operating activities			
Profit before income tax		5 168	2 399
Adjustments			
Depreciation, amortization and impairment charges	2.5	3 233	1 145
Finance income and finance costs	4.5	-906	359
Share-based payments to employees	2.3	-	298
loss (+) on sale of property,plant and equipment	2.4	135	64
Other non-cash transactions		46	46
Cash flows before changes in working capital		7 677	4 312
Change in working capital			
Increase (-) in account and other receivables		-8 187	-2 792
Increase (-) / decrease (+) in inventories		-37	370
Increase (+) in account and other payables		2 048	1 926
Cash flows from operating activities before financial items and taxes		1 456	3 770
Interest and other finance expenses paid		-737	-721
Interest and other finance income received		20	420
Income taxes paid		-521	-1 062
Net cash inflow (outflow) from operating activities		**264**	**2 452**
Cash flows from investing activities			
Purchases of property, plant and equipment	5.1	-1 749	-3 254
Purchases of intangible assets	3.3	-892	-1 065
Proceeds from the sale of property, plant and equipment		77	357
Proceeds from loan receivables	4.4	2	37
Proceeds from currency forward contracts	4.5	1 156	-
Acquisition of subsidiaries, net of cash acquired	3.1	-56 622	-
Net cash inflow (outflow) from investing activities		**-58 027**	**-3 926**
Cash flows from financing activities			
Proceeds from share issues, net of expenses	4.1	-	31 355
Acquisition of own shares	4.1	-	-47
Proceeds from non-current loans		36 815	3 123
Repayments of non-current loans		-1 871	-1 745
Change in bank overdrafts	4.3	636	1 229
Payment of finance lease liabilities	4.3	-67	-171
Distribution of dividend	4.1	-631	-433
Net cash inflow (outflow) from financing activities		**34 881**	**33 291**
Net increase (+) / decrease (-) in cash and cash equivalents		-22 862	31 817
Cash and cash equivalents at the beginning of the financial year	**4.4**	**33 310**	**1 516**
Exchange gains/losses on cash and cash equivalents		**91**	**-23**
Cash and cash equivalents at end of the year	**4.4**	**10 519**	**33 310**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 About the consolidated financial statements

1.1 General information

These are the consolidated financial statements of Robit Plc (the “Company”) and its subsidiaries (together referred as “Robit”, or the “Group”). Robit is a Finnish Group that sells and services drilling consumables for global customers for applications in the tunnelling, geothermal heating and cooling, construction and mining industries. Robit has 18 offices in 13 countries and active sales networks in 115 countries. Robit has production units in Finland, South Korea, Australia and the UK. The Group acquired Drilling Tools Australia Pty Ltd (”DTA”) and Bulroc (UK) Ltd (”Bulroc”) during 2016 in accordance with its growth strategy.

The Company is listed on the Nasdaq Helsinki Ltd First North Finland marketplace with trading code ROBIT.

Robit Plc, the parent company of Robit is a Finnish public limited liability company. The registered address of Robit Plc is Vikkiniityntie 9, FI-33880 Lempäälä, Finland. Copies of the consolidated financial statements are available at the head office at Robit Oyj and at Robit’s home pages www.robit.fi.

The Board of Directors of Robit Plc has approved these consolidated financial statements for issue on April 21, 2017. Under the Finnish Limited Liability Companies Act, shareholders can approve or disapprove the consolidated financial statements in the Annual General Meeting held after the release. The Annual General Meeting is also entitled to amend the consolidated financial statements.

1.2 Basis of preparation

The consolidated financial statements of Robit have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the International Accounting Standards (IAS) and IFRS standards as well as SIC and IFRIC interpretations applicable as per 31 December 2016. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

Robit publishes its first consolidated financial statements prepared under IFRS standards for the financial period ending 31 December 2016 with comparative information for the financial period ending 31 December 2015. Robit applies in these consolidated financial statements IFRS 1 *First-time adoption of International Financial Reporting Standards* standard with the date of transition 1 January 2015. Robit has previously applied Finnish Accounting Standards (FAS).

The impacts arising from first-time adoption of the IFRS standards are presented in reconciliations included in note 6.6. to the consolidated financial statements.

The consolidated financial statements of Robit have been prepared on a historical cost basis, except for the derivative financial instruments, that are measured at fair value through profit or loss. Financial statements are presented in thousands euros. The figures presented in the financial statements are rounded and therefore the sum of individual figures may differ from the presented sum figure.

Items included in the financial statements of each of the Group’s subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (‘the functional currency’). The Company’s functional currency is euro, which is also the presentation currency of Robit’s consolidated financial statements.

1.3 Management judgement and sources of uncertainty

The preparation of financial statements requires the use of estimates and assumptions that may affect the recognized amounts of assets and liabilities at the date of the financial statements. In addition, the recognized amounts of net sales and expenses during the periods presented are affected. Actual results may differ from previously made estimates.

The management's assumptions and estimates can be found in the following notes:

Key judgements and estimates	Note
Goodwill impairment testing	3.2.
Fair value of the acquired assets (customer relationships and brand)	3.1.
Other intangible assets (capitalized development expenses)	3.3.
Inventory valuation	5.2.
Deferred tax assets and liabilities	6.2.
Overdue receivables (valuation)	4.5.

How should Robit's financial statements be read?

Robit has focused in its financial statements on the information which it considers to be relevant to the stakeholders and other users of financial statements. The notes to the consolidated financial statements include six sections: About the consolidated financial statements, Robit's performance, Acquisitions and intangible assets, Capital structure and financing, Operating assets and liabilities and Other Notes. Each part includes related significant accounting principles. This presentation aims at providing the reader a clear understanding of the Group's financial position and performance as well as selected accounting policies.

2 Robit's performance

2.1 Net sales and segment information

Accounting policies

Product sales

Robit enters into contracts with customers to supply products, such as button bits and casing systems. In general, these products are standardized and requires only limited specifications from customers. Robit is responsible for the purchase or production of the products and in some cases for the delivery. The performance obligations included in the customer contracts are considered as a single performance obligation per purchase order.

Revenue is recognized at a point in time which is triggered by specifications in contracts like terms of delivery or acceptance procedures by client when customer acceptance is not to be considered as a formality only.

Sales of products with after-sales support

Robit enters into service agreements with customers which includes supply of products and also services which are not part of integration procedures for the products at the client. These services represents additional value for the client like technical support, training etc. and are distinct from the supply of the products. Consequently, such contracts represents two or more service obligations.

Selling prices are allocated to the stand-alone selling prices of the performance obligations on a relative stand-alone selling price basis. Any possible discounts granted are allocated proportionally to all performance obligations. Revenue for product sales is recognized at a point in time (see above) whereas revenue for services is recognized over time as the client simultaneously receives and consumes the services provided by Robit. The progress of the fulfilment of this performance obligation related to sales is measured by using output method that measures progress towards satisfying a performance obligation based on performance completed to date.

Referring to the Note 6.5 New and forthcoming accounting standards, company will apply the IFRS 15 standard in the beginning of January 2018.

Net sales by business unit

Net sales from external customers broken down by strategic business units is shown on the table below.

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Top Hammer	33 692	29 859
Down the Hole	30 358	15 714
Total	**64 050**	**45 573**

Net sales by market area

Net sales from external customers broken down by location of the customers is shown on the table below.

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Europe, Middle East and Africa	29 124	24 991
North and South America	8 519	8 480
Asia and Australia	23 118	9 046
Russia and CIS countries	3 289	3 056
Total	**64 050**	**45 573**

None of the Robit's customers generated more than 10 per cent of the Group's revenue for the year ended 31 December 2016 and 31 December 2015.

Segment infomation

The chief operating decision-maker has been identified as Robit's board of directors. The board of directors is responsible for strategy, appointing key management positions, significant development projects, business combinations, investments, organization structure and financing.

A global skilled sales organization recognizing customer needs and requirements in addition to high quality manufacturing based on local subcontractors and global sourcing function are cornerstones of Robit's operations. In accordance with its strategy, Robit is primarily a sales company on global markets.

Robit's sales organization is divided into geographical regions (EMEA, America, Asia-Oceania and Russia / CIS). Six manufacturing units, Finland, South-Korea, Australia, and USA each having one unit and UK having two, are common resources for business operations. These manufacturing units serve the entire sales organization.

In order to manage the efficiency of the resources, the business is divided into three strategic business units (SBU): Top Hammer, Down the Hole and Digital Services. The SBU's are structured around the different drilling technologies but they have substantial synergies in sales, manufacturing and sourcing.

Due to the Group's structure and nature of business, the business is presented as one segment, that includes group services and other items. The board of directors regularly reviews consolidated net sales and profitability of the group. In addition, the board of directors reviews net sales of the sales regions and the strategic business units.

2.2 Changes in inventories of finished goods and work in progress and materials and services

Materials and services recognized as an expense during the year ended 31 December 2016 amounted to EUR 32 651 thousand (2015: EUR 27 789 thousand). Materials and services include purchases of raw materials such as steel, copper, tungsten carbide, trading products and subcontracting services inventories.

Inventories of Drilling Technology Australia Pty Ltd and Bulroc (UK) Ltd were recognized at fair value at the date of the acquisition. The expense related to the fair value step-up to the inventories recognized in the financial period 2016 as change in inventories of finished doods and work in progress was EUR 2 195 thousand.

2.3 Employee benefits

Accounting policies

Short-term benefits

Short-term employee benefits include wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date. Short-term benefits are recognized in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Post-employment benefits

Robit's pension plans are defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity with no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plans are charged directly to the statement of comprehensive income in the year to which these contributions relate.

Other long-term benefits

Other long-term employee benefits are long-service leave or sabbatical leave, jubilee or other long-service benefits and long-term disability benefits.

Robit has other long-term employee benefits plans in Australia (long-service leave) and in Korea (severance payment).

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Wages and salaries	-9 057	-6 043
Social security expenses	-424	-287
Share-based payments	-	-298
Pension costs - defined contribution plans	-932	-774
Other long-term benefits	-522	-142
Other employee benefit expenses	-178	-99
Total	**-11 113**	**-7 643**

Robit's number of personnel increased in 2016 by 129 persons from year end 2015, with the total number of personnel being 263 at the end of the period under review. The number of personnel increased by 116 due to acquisition of DTA and Bulroc. Personnel growth has been as planned, to enable Robit to grow further. Robit's average number of personnel was 199 person during the financial period 2016 and 124 in 2015.

Robit has both defined contribution plans and defined benefit plans. All pension plans are defined contribution plans. In Australia, the employees are entitled to paid long-service leave after 10 years of service in the same business. This arrangement is defined as other long-term employee benefit and thus defined benefit plan. Expenses related to long-service leave amounted to EUR 361 thousand for the year ended 31 December 2016. The liability related to long-service fee amounted to EUR 414 thousand as at 31 December 2016.

In Korea, Robit has severance payment plan, where employees earn the benefit based on their service and the whole benefit is paid to an employee when an employment ends. This plan meets the criteria of being other long-term employee benefit and thus defined benefit plan. Expenses related to severance payment plan amounted to EUR 161 thousand for the year ended 31 December 2016 (2015: EUR 142 thousand). The employee benefit obligation recognized for severance payment plan amounted to EUR 532 thousand as at 31 December 2016 (31.12.2015: EUR 430 thousand and 1.1.2015: EUR 349 thousand).

Wages and salaries include EUR 5 thousand related to employee benefit from the shareholder loans (2015: EUR 5 thousand). Shareholder loans are described in note 4.4. For more information regarding share-based payments recognized during 2015, please refer to note 6.3.

2.4 Other operating income and expenses

Accounting policies

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Leases

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. Leases which transfer all significant risks and rewards incidental to ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

Robit as lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Robit as a lessor

Robit acts as a lessor in operating leases of some premises. Rental income is recognized in the statement of comprehensive income on a straight-line basis over the lease term.

Other operating income

Other operating income includes mainly rental income and grants. Government grants relate to subsidies to cover costs such as exhibition costs.

Other operating expenses

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Administration costs	-2 690	-1 176
Travel expenses	-1 489	-1 216
Marketing and advertising costs	-355	-430
Operating lease payments	-278	-177
Premise expenses	-1 322	-664
Cost of sales	-3 234	-1 829
Loss on sale of property, plant and equipment	-135	-64
Transaction costs related to the acquisitions	-561	-
Other operating expenses	-3 102	-2 213*
Total	**-13 167**	**-7 770**

* Other operating expenses in 2015 includes EUR 890 thousand related to the costs of listing.

Auditor’s fees

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Statutory fees	-143	-68
Tax consultancy	-27	-15
Other services	-157	-75
Total	**-327**	**-159**

2.5 Depreciation and amortization

Accounting policies

Property, plant and equipment and other intangible assets are recognized on the balance sheet at cost less accumulated depreciations, amortizations and impairment losses, if any. Depreciation and amortization is recognized on a straight-line basis to write off the cost over the estimated economic useful life of assets. The assets' useful lives are reviewed, and adjusted when necessary, at each balance sheet date.

Depreciation and amortization periods are disclosed in notes 3.3 and 5.1.

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Depreciation by class		
Buildings and constructions	-133	-112
Machinery and equipment	-2 001	-665
Other tangible assets	-107	-49
Total	**-2 241**	**-826**

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Amortization by class		
Customer relationships	-430	-
Brand	-29	-
Intangible rights	-43	-30
Other intangible assets	-490	-290
Total	**-991**	**-319**

** Customer relationships and brand were recognized in connection of the acquisitions. Please refer to Note 3.*

3 Acquisitions and intangible assets

3.1 Acquisitions

Accounting policies

Robit applies the acquisition method to account for business acquisitions. Identifiable assets acquired and liabilities in a business acquisitions are measured initially at their fair values at the acquisition date. The fair value of the consideration transferred comprises the initial cash paid to the sellers and an estimate of any future payments Robit may be liable to pay based on future performance of the business. This latter amount is classified as contingent consideration and can be either classified as equity or a financial liability. Where settlement of any part of cash consideration is deferred the amounts payable in the future are discounted to their present value. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

Key judgements and estimates – fair value of the acquired net assets

Net assets acquired through business combinations are measured at fair value. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement and assumptions. The management trusts that

<u>Acquisition of Drilling Tools Australia</u>

Robit signed a Sale and Purchase Agreement on 19 May 2016 to acquire 100 % of the shares of Drilling Tools Australia Pty Ltd, a subsidiary of Ausdrill Ltd, an ASX listed international mining services company. The Acquisition was completed on 30 June 2016.

DTA is a specialist in the Australian drilling consumable market offering Down-the-Hole drilling equipment with corresponding engineered solutions to the mining and construction industry. DTA is based in Perth, Canning Vale, Western Australia with 69 employees.

The acquisition of DTA is an important part of Robit's global growth strategy. Robit's target is to achieve a strong foothold in the Australian market, one of the biggest markets for drilling consumables in the world. The acquisition enables the local production of high quality drilling tools in Perth ensuring better availability and shorter delivery times of products to customers in Oceania and the Far East. Through the acquisition, Robit gains new customers from important players in the Australian mining market and Robit will also further strengthen its product portfolio.

Purchase consideration

The purchase price of DTA was EUR 44 209 thousand of which EUR 30 946 thousand was settled at closing and EUR 13 263 thousand was settled as at 31 December 2016. Robit financed the transaction partly from the proceeds of its IPO in May 2015 and partly through new bank financing. The total consideration transferred was in cash.

The assets and liabilities recognized as a result of the acquisition are as follows:

EUR thousand	Fair Value
Intangible assets: customer relationships	5 276
Property, plant and equipment	7 496
Deferred tax assets	504
Inventories	13 693
Account receivables and other receivables	1 733
Cash and cash equivalents	3
Deferred tax liabilities	-1 583
Employee benefit obligations	-418
Account payables and other current liabilities	-1 908
Net identifiable assets acquired	**24 797**
Goodwill	19 413
Total consideration paid	**44 209**

The goodwill is attributable to complementary product categories, existing distribution network, market share in Australian market and synergies. Goodwill is not deductible for tax purposes.

The fair value of acquired account receivables is EUR 1 733 thousand. The gross contractual amount for the accounts receivables due is EUR 1 808 thousand of which EUR 75 thousand is expected to be uncollectable.

The acquired business contributed net sales of EUR 12 340 thousand and operating loss of EUR 447 thousand to the statement of comprehensive income for the period from 1 July to 31 December 2016.

Acquisition-related costs of EUR 219 thousand are included in other expenses in the statement of comprehensive income and in operating cash flows in the statement of cash flows.

Acquisition of Bulroc (UK) Ltd

Robit signed a Sale Purchase Agreement on 5 July 2016 to acquire 100 % of the shares of Bulroc (UK) Limited ("Bulroc") from Bulroc Holdings Limited. The acquisition was completed on 5 July 2016.

Bulroc is a leading supplier in the business of big Down-the-Hole hammer and related accessories. Bulroc is focusing on this product segment and is especially known for its product performance and quality. Bulroc is based in Chesterfield, England. In addition, the company has a sales office in Hong Kong.

The acquisition is an important part of Robit's global growth strategy and it strengthens significantly Robit's Down-the-Hole business area.

The purchase price was EUR 11 906 thousand and it has been paid in cash on completion of the acquisition.

The assets and liabilities recognized as a result of the acquisition are as follows:

EUR thousand	Fair Value
Intangible assets: customer relationships	881
Intangible assets: brand	871
Property, plant and equipment	1 830
Inventories	4 247
Account receivables and other receivables	833
Cash and cash equivalents	34
Deferred tax liabilities	-584
Borrowings	-278
Account payables and other current liabilities	-1 283
Derivative financial instruments	-65
Current income tax liabilities	-56
Net identifiable assets acquired	**6 430**
Goodwill	5 476
Total consideration paid	**11 906**

The goodwill is attributable to synergies, workforce in place and increase in market share and non-contractual customer relationships that are not separable. Goodwill is not deductible for tax purposes.

The fair value of acquired account receivables is EUR 743 thousand of which all is expected to be collectable.

The acquired business contributed net sales of EUR 3 576 thousand and operating loss of EUR 183 thousand to the statement of comprehensive income for the period from 6 July to 31 December 2016.

Acquisition-related costs of EUR 342 thousand are included in other expenses in the consolidated statement of comprehensive income and in operating cash flows in the statement of cash flow

If the acquisitions of DTA and Bulroc had occurred on 1 January 2016, consolidated Group pro forma net sales and operating profit for the year ended 31 December 2016 would have been approximately EUR 79 million and EUR 6 million respectively. These amounts have been calculated using the available carve-out income statement information of DTA and income statement information of Bulroc that have been adjusted to comply with the accounting policies of Robit and adjusted with the additional depreciation and amortization that would have been charged assuming acquisitions would have occurred as at 1 January 2016. Management has made judgements and assumptions when preparing DTA's historical financial information, as there are uncertanties included in the numbers. These numbers do not project the results of operations as of or for any future date.

Purchase consideration – cash outflow

The table below summarizes the net outflow of cash of business combinations.

EUR thousand	**2016**
Cash consideration	56 659
Cash acquired	-37
Outflow of cash to acquire subsidiaries, net of cash acquired	56 622

Robit had no acquisitions in 2015.

3.2 Goodwill & impairment testing

Accounting policy

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the assets and liabilities of the acquiree. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The allocation is made to those cash generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The Group uses value in use calculations when assessing the recoverable amount. In assessing the recoverable amount, estimated future net cash flows are discounted to their present value based on the weighted average pre-tax cost of capital. The weighted average cost of capital reflects the current market view of the time value of money and risks related to the units to be tested.

An impairment loss is charged to the statement of income when the carrying amount of CGU exceeds the recoverable amount. Impairment loss is first allocated to goodwill and then to other assets on a pro rata basis. Impairment losses recognized for goodwill in the statement of income are not reversed.

Key judgements and estimates – goodwill impairment testing

The management makes significant estimates and judgements in determining the level at which the goodwill is tested and whether there are any indications of impairment.

The goodwill in the Robit's balance sheet arose mainly in June and July 2016 when Robit acquired DTA and Bulroc. The management views that the goodwill related to acquisition of DTA and Bulroc should be tested at the level of Down the Hole business unit which is a cash-generating unit and the level that the management monitors the goodwill. The forecasted cash flows are based on management's best estimate of future sales, cost development, general market conditions and applicable income tax rates. The forecast covers a three-year period. Cash flows beyond a three-year period are based on the estimated growth rates stated below.

Management tests the effects of changes of significant estimates used in forecasts by sensitivity analyses in a way described below.

The table below presents the movements of goodwill:

EUR thousand	
2016	
Carrying value at 1 January	88
Acquisition of subsidiaries	25 136
Exchange differences	246
Carrying value at 31 December	**25 469**

Goodwill amounted to EUR 88 thousand as at 31 December 2015 and 1 January 2015.

The table summarizes the allocation of goodwill to business units:

EUR thousand	**2016**	**2015**
Down the hole	25 382	-
Top hammer	88	88
Total	**25 469**	**88**

The goodwill allocated to Top hammer cash-generating unit has been tested for impairment and no impairment has been recognized. The recoverable amount of Top hammer cash-generating unit is considerably higher than the carrying value of assets tested.

Based on the assumption below, the recoverable amount of Down the Hole cash-generating unit is estimated to exceed the carrying value of net assets by EUR 3 721 thousand, equaling 6.4 % of the carrying value of assets tested.

Management has determined the values for key assumptions used in the impairment testing of the Down the Hole cash-generating unit as follows:

Assumption	**Approach used to determining values**
Net sales growth	The cumulative annual growth rate for the revenue is expected to be 13.2 % during the three-year forecast period. Net sales is expected increase due to the synergies related to business combinations and positive trend on the market.
EBITDA-margin	Average EBITDA-margin is expected to be 15.4 % during the three year forecasting period. The long-term EBITDA is expected to be 17 % of the net sales. This is in line with the past performance and management’s expectations of future development.
Long-term growth rate	The long-term growth rate beyond three year forecast period is expected to be 1.5 % per annum. This in line with the expected long-term inflation rate.
Pre-tax discount rate	The pre-tax discount rate used in impairment testing is 10.4 %. This reflects the specific risks relating to Down the Hole business and the countries in which it operates.

The recoverable amount of Down the Hole cash-generating unit would equal its carrying amount if any of the key assumptions were to change as follows (keeping other assumptions constant):

	2016	
	From	To
Average annual net sales growth during the three year forecast period	13.2 %	10.8 %
Average EBITDA-margin during the three year forecast period	15.4 %	11.7 %
Average EBITDA-margin (exceeding the three year forecasting period)	17.0 %	16.1 %
Long-term growth rate (exceeding three year forecasting period)	1.5 %	0.6 %
Pre-tax discount rate	10.4 %	11.0 %

3.3 Other intangible assets

Accounting policy

Intangible assets are recognized in the balance sheet when the asset can be controlled by Robit, the expected future benefits attributable to the asset will flow to Robit and the cost of the asset can be measured reliably. An intangible asset is initially recognized at cost, comprising of its purchase price and any directly attributable expenditures. Intangible assets are carried in the balance sheet at acquisition cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized using the straight-line method depending on the useful life of the asset. The appropriateness of the amortization periods and method is assessed at each balance sheet date. The useful lives for Robit's intangible assets are as follows:

	Years
Customer relationships	7-10
Brand	15
Intangible rights	5
Other intangible assets	5

Development costs

Development costs are capitalized when certain criteria related to economic and technical feasibility are met, and it is expected that the product will generate future economic benefits. Capitalized development costs include mainly materials, supplies and direct labour costs. Earlier expensed development costs are not capitalized later. Intangible assets under development are not amortized, but they are tested for impairment at least annually

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Key judgements and estimates - capitalized development expenses

Costs incurred in the development phase of a development project are capitalized as intangible assets if a number of criteria are met. Management has made judgements and assumptions when assessing whether a project meets these criteria, and on measuring the costs and the economic life as well as the future cash inflows generated by the development projects. Expected returns from capitalized development projects involve estimates and judgement from the management about the future net sales and related costs. These estimates involve risks and uncertainties and it is possible that, following changes in circumstances, expected returns from capitalized development projects change. Robit assesses indications of impairment for capitalized development projects. The value for capitalized

EUR thousand	Customer relationships	Brand	Intangible rights	Other intangible assets	Total
2016					
Cost at 1 January	-	-	148	1 665	1 813
Acquisition of subsidiaries	6 156	871	-	-	7 027
Additions	-	-	65	827	892
Exchange differences	114	-6	-	1	109
Cost at 31 December	6 271	864	213	2 492	9 840
Accumulated amortization and impairment at 1 January	-	-	56	460	516
Amortization	430	29	43	490	991
Exchange differences	-1	0	-	0	0
Accumulated amortization and impairment at 31 December	429	29	98	950	1 507
Net book amount at 1 January	**-**	**-**	**92**	**1 205**	**1 297**
Net book amount at 31 December	**5 842**	**835**	**115**	**1 542**	**8 333**

EUR thousand	Intangible rights	Other intangible assets	Total
2015			
Cost at 1 January	88	660	748
Additions	61	1 005	1 065
Cost at 31 December	148	1 665	1 813
Accumulated amortization and impairment at 1 January	26	170	196
Amortization	30	290	319
Exchange differences	-	0	0
Accumulated amortization and impairment at 31 December	56	460	516
Net book amount at 1 January	**62**	**490**	**552**
Net book amount at 31 December	**92**	**1 205**	**1 297**

Customer relationships and brand were recognized in connection with the acquisitions of DTA and Bulroc in 2016. Please refer to Chapter 3.1. for more information regarding acquisitions. Intangible rights include mainly patents. Robit aims to continue to strengthen its existing patent and intellectual property portfolio by acquiring and licensing strategic patents, other intellectual property rights and technologies. Other intangible assets inclue capitalised development costs and IT software.

Research and development

Robit continues to invest in its own product development projects and in collective product development projects in the industry in order to secure a competitive and innovative offering. Total costs relating to research and development recognized to the consolidated statement of comprehensive income were EUR 1 505 thousand in 2016 and EUR 1 368 thousand in 2015. Robit has, among others, developed the Robit Sense Systems technology designed for monitoring and measuring drilling results. Capitalized development expenses amounted to EUR 1 106 thousand as at 31 December 2016 (31.12.2015: EUR 834 thousand and 1.1.2015: EUR 399 thousand).

4 Capital structure and financing

4.1 Share capital and reserves

Accounting policy

Robit's equity consists of share capital, share premium, the reserve for invested unrestricted equity, translation differences, and retained earnings. Changes in treasury shares owned by Robit are recorded in the retained earnings. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Share capital and share premium

Ordinary shares are classified as equity. The parent company has one share class, and each share has equal right to dividend. Each share carries one vote at the general meeting. All shares issued by the parent company are fully paid. The shares have no nominal value.

Robit's Extraordinary General Meeting of Shareholders decided on 27 April 2015 to convert the parent company into a public limited liability company, and to split the parent company's shares to ratio of 1:150 due to which the number of the shares increased from 67 226 shares to 10 083 900 shares. The Extraordinary General Meeting of Shareholders also decided to authorize the Board of Directors to decide on a share issue. The initial public offering (the "IPO") was executed during May 2015 and 5 800 000 new shares were issued.

The table below presents the number of outstanding shares for the reported periods:

Shares	Number
At 1 Jan 2015	66 563
After split (1:150)	9 984 450
Share issue	5 800 000
Acquisition of own shares	-8 000
Use of treasury shares to BoD compensation	7 883
At 31 Dec 2015	**15 784 333**
Use of treasury shares to BoD compensation	4 893
At 31 Dec 2016	**15 789 226**

The share premium account reflects share issues carried out under the previous Finnish Companies Act, which was in force until 31 August 2006. Share premium account was credited in connection with share issues by the amounts paid by shareholders in excess of the nominal value of the shares at that time.

Treasury shares

The table below presents the movements of the treasury shares for the reported periods:

Shares	
At 1 Jan 2015	663
After split (1:150)	99 450
Acquisition of own shares	8 000
Use of treasury shares to BoD compensation	-7 883
At 31 Dec 2015	**99 567**
Use of treasury shares to BoD compensation	-4 893
At 31 Dec 2016	**94 674**

Reserve for invested unrestricted equity

Under the Finnish Companies Act, the subscription price of new shares is credited to the share capital, unless it is provided in the share issue resolution that it is to be credited in full or in part to the invested unrestricted equity reserve. Contributions to the reserve for invested unrestricted equity can also be made without share issues.

Part of the Board of Directors yearly compensation was paid with Robit's treasury shares in 2016 and 2015. Reserve for invested unrestricted equity was increased by EUR 46 thousand in 2016 and 2015 related to these payments.

The share issue in connection with the IPO in May 2015 increased the invested unrestricted equity reserve by EUR 31 048 thousand deducted with the transaction costs of EUR 1 713 thousand considering the tax effect of EUR 343 thousand

Dividends

The dividends paid in 2016 and 2015 were EUR 631 thousand and EUR 433 thousand respectively.

A dividend in respect of the year ended 31 December 2016 of EUR 0,1 per share, amounting to a total dividend of EUR 1 579 thousand, was approved by the Annual General Meeting on 28 March 2017. These financial statements do not reflect this dividend payable.

4.2 Earnings per share

Accounting policy

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated on the same basis as Basic EPS except that it reflects the impact of any potential commitments the Group has to issue shares in the future.

The Group did not have any instruments that would have dilutive impact on the earnings per share as at 31 December 2016 and 2015. Shares in 2015 takes into consideration the share split done in April 2015.

	1 Jan – 31 Dec 2016	**1 Jan – 31 Dec 2015**
Profit attributable to the owners of the parent company (euros)	4 040 045	1 703 603
Weighted average number of shares (number of shares)	15 784 333	13 543 902
Basic and diluted earnings per share	**0,26**	**0,13**

4.3 Borrowings

Accounting policy

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost.

Transaction costs are amortized over the term of the loan and recognized as finance cost as part of interest expense using effective interest rate method. Borrowings are derecognized when loan has been repaid or liability has been extinguished for example in connection with refinancing.

Borrowings are recognized as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the end of reporting period.

The benefit of a government loan (TEKES loan) at a below market rate of interest is treated as a government grant. The loan itself is accounted for as described above. However, those government loans that have been withdrawn before the date of transition to IFRS are recorded at their nominal value in accordance with the transitional provisions of IFRS 1.

Carrying amounts of the borrowings:

EUR thousand	31-Dec-16	31-Dec-15	1-Jan-15
Non-current borrowings			
Loans from credit institutions	35 787	4 804	4 243
Other loans	702	304	243
Finance lease liabilities	113	154	18
Total non-current borrowings	**36 601**	**5 262**	**4 504**
Current borrowings			
Loans from credit institutions	8 162	4 207	3 248
Bank overdrafts	2 585	1 949	721
Finance lease liabilities	81	67	171
Total current borrowings	**10 828**	**6 224**	**4 140**
Total borrowings	**47 429**	**11 486**	**8 643**

The Group's management has determined that there is no material difference between the borrowings' carrying value and fair value because significant part of Robit's loans are with variables interest rate, there have not been significant changes in interest rates since the issue date of the loans and margins of loans are considered to reflect different conditions and the subordination of the loans with reasonable accuracy. The management has assessed that there has not been significant changes in credit risk since the loans were drawn-down.

Loans from credit institutions

During June 2016, Robit entered into a new loan agreement. The arrangement included two facilities amounting to EUR 18 000 thousand each. Facility A is a bullet loan and the maturity date is 30 June 2021. Facility B has installments and will be paid back within five years. The last installment will be at 30 June 2021.

The interest for Facility A was Euribor + 1,75% and for Facility B Euribor + 1,65%. The margin for both Facilities are tied to net debt to EBITDA ratio. The margin may vary between 1,05% to 1,75% for Facility A and between 0,95% to 1,65% for Facility B depending on the level of the net debt to EBITDA ratio.

Facility A and B are secured by a negative pledge that imposes certain covenants and limitations regarding additional loans on Robit. The negative pledge states that (subject to certain exceptions) Robit will not provide any other security over its assets, and will ensure that the following financial ratios are met:

- Minimum equity ratio of 32,5%; and
- Maximum net liabilities to EBITDA ratio is gradually decreased from 4,0 as at 31 December 2016 to 2,5 as at 30 June 2018 onwards.

The carrying value of the Facility A and Facility B amounted to total EUR 35 948 thousand as at 31 December 2016.

Other loans from financial institutions includes mainly variable rate bank loans and short term reverse factoring agreements. Information regarding guarantees for the loans can be found in note 4.7. In Korea, a loan amounting to EUR 394 thousand as at 31 December 2016 (31.12.2015: EUR 390 thousand and 1.1.2015: EUR 374 thousand) is with a fixed rate of 2%. The loan matures during year 2020.

<u>Other loans</u>

Other loans are Tekes interest subsidy loans for Robit's research and development projects. The loans are with interest rate lower than the market rate.

<u>Bank overdrafts</u>

The Group had EUR 2 585 thousand liability as at 31 December 2016 related to its credit facility agreement with a maximum amount of EUR 4 000 thousand (31.12.2015: EUR 1 949 thousand and 1.1.2015: EUR 721 thousand, the maximum amount was EUR 2 000 thousand as at 31 December 2015 and 1 January 2015).

<u>Finance lease liabilities</u>

Lease liabilities are secured as the rights to the leased asset revert to the lessor in the event of default:

Gross finance lease liabilities – minimum lease payments:

EUR thousand	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
No later than one year	91	79	177
Later than 1 year and no later than 5 years	119	166	19
Total	**210**	**246**	**196**
Future finance charges on finance lease liabilities	-17	-25	-7
Present value of finance lease liabilities	**193**	**221**	**188**

The present value of finance lease liabilities is as follows:

EUR thousand	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
No later than 1 year	81	67	171
Later than 1 year and no later than 5 years	113	154	18
Total	**193**	**221**	**188**

4.4 Financial assets

Accounting policy

The Group classifies all its financial assets in category "loans and receivables". The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables are included in the consolidated balance sheet lines "Cash and cash equivalents", "Loan receivables", "Account and other receivables" and "Other receivables" (non-current).

Loans and receivables at amortised cost mainly consist of accounts receivable and cash and cash equivalents that are not quoted in an active market and that are not kept for trading purposes. Loans and receivables are measured initially at fair value plus transaction costs, if any, and subsequently, at amortised cost using the effective interest method. An impairment loss is recognized in the statement of comprehensive income if the carrying value of the loan receivable is higher than the estimated recoverable amount. Evidence of impairment may include indications that the debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

EUR thousand	31-Dec-16	31-Dec-15	1-Jan-15
Carrying amounts of loans and receivables			
Loan receivables	48	26	37
Account and other receivables	19 003	9 265	6 238
Cash and cash equivalents	10 519	33 310	1 516
Total current	**29 570**	**42 601**	**7 791**
Loan receivables	720	744	770
Other receivables	157	150	169
Total non-current	**877**	**894**	**940**
Total	**30 447**	**43 495**	**8 730**

Loan receivables

Loan receivables amounted to EUR 768 thousand as at 31 December 2016 (31.12.2015: EUR 770 thousand and 1.1.2015: EUR 807 thousand). Robit has issued shares to its key employees and has promissory notes to enable them to pay the share subscriptions. The loans are mainly bullet loans with 5 years maturity, however there are some loans with installments, with variable, long maturities. The interest rate used is the reference rate set by the Finnish Ministry of Finance every six months. Interest is paid two times a year. No margin has been added to the reference rate. The amount of interest subsidy is recognized as employee benefit expenses. Due to the adjustment to employee benefit expenses, the carrying value of the loans approximates the fair value.

Account and other receivables are described more detailed in note 5.3. Account and other receivables.

Cash and cash equivalents consist of cash at hand and deposits held at call with banks.

4.5 Finance income and costs

Accounting policy

Finance costs consist of interest expenses on bank loans, bank overdrafts and other loans, foreign exchange losses on financing activities and losses and realized and unrealized changes on the value of interest rate swaps.

Transaction costs related to loans are expensed in profit or loss using effective interest rate method. The effective interest rate is the rate that discounts the estimated future payments through the expected life of a loan to the net carrying amount of the financial liability. The calculation includes all fees paid by the contracting parties and transaction costs.

Interest income is recognized using the effective interest rate, unless the receipt of interest is uncertain. In such cases the interest income is accounted for on a cash basis. Foreign exchange gains and losses on financing activities are recognized within finance income or costs.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value gains and losses on derivatives are recognized to the statement of comprehensive income.

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Finance income		
Foreign exchange gains on financing activities	3 220*	419
Fair value gains on other derivatives	75	49
Interest income on cash equivalents	21	26
Finance income total	3 316	494
Finance cost		
Foreign exchange losses on financing activities	-1 614	-500
Interest expenses on borrowings	-546	-318
Interest expense on deferred consideration	-207	-
Other finance costs	-43	-35
Finance cost total	-2 411	-853
Finance income and costs total	**906**	**-359**

** Includes a realized gain of EUR 1 156 thousand on currency forward agreement related to acquisition of DTA.*

4.6 Financial risk and capital management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses to seek to identify and mitigate potential risks arising from financial markets, customer transactions and liquidity requirements.

Risks are identified, assessed and mitigated as a part of daily management routines. Majority of Group financing is done by Robit Plc, minor investments or working capital needs may be financed locally. At the end of 2016 subsidiaries in South-Korea and in UK have loan or reverse factoring agreements with local financial institutions.

The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Australian dollar, sterling pound and Korean Won. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

Group companies initiate sale and purchase transactions mainly in group companies' functional currencies. The management aims at balancing incomes and expenses that are carried with other than functional currency. The Group does not use actively derivative financial instruments to hedge foreign exchange risk. However, occasionally it may use forward foreign exchange contracts to hedge significant foreign currency transactions. The Group entered in to a currency forward agreement during May 2016, based on which it purchased 19 800 thousand Australian dollars with fixed rate. This amount correspond the deferred consideration related to the acquisition of DTA. This arrangement was settled during December 2016 and the Group recognize a gain amounting to EUR 1 156 thousand. As at the balance sheet date, there are minor forward agreements outstanding as presented in note (c) below.

At 31 December 2016, if the EUR had weakened/strengthened by 10% against the Australian dollar with all other variables held constant, the recalculated post-tax profit for the year would have been EUR 2 126 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian dollar-denominated loan amounted to EUR 23 798 thousand granted by the parent company to the Australian subsidiary.

As 31 December 2016, if the EUR has weakened/strengthened by 10% against the US dollar with all other variables held constant, the recalculated post-tax profit for the year would have been EUR 598 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated account receivables amounted to EUR 6 289 thousand and US dollar denominated loans from group companies amounting to EUR 577 thousand (2015: EUR 443 thousand higher/lower).

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group is exposed to translation risk mainly due to changes in Australian dollar, sterling pound and Korean Won.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Majority of the Group's loans are with variables interest rate which expose the Group to cash flow interest rate risk. Only one loan of the subsidiary in Korea is with fixed rate and amounts to EUR 394 thousand as at 31 December 2016 (31.12.2015: EUR 390 thousand and 1.1.2015: EUR 374 thousand). Therefore, the Group's exposure to a fair value interest rate risk is limited. During the presented periods, the Group's borrowings at variable rate were denominated in euro, South Korean Won and sterling pound.

At 31 December 2016, if interest rates had been 50 basis points higher with all other variables held constant, post-tax profit for the year would have been EUR 188 thousand (2015: EUR 45 thousand) lower as a result of higher interest expense on floating rate interest-bearing liabilities. Interest rate sensitivity has been calculated by shifting the interest curve by 50 basis points (due to low market interest environment the lower scenario have not been presented). The interest position includes all external variable rate interest-bearing liabilities.

The management of the Group has assessed that cash flow interest rate risk is low in current market situation and therefore does not actively use derivatives to manage its cash flow interest rate risk. Currently floating-to-fixed interest rate swaps covers only minor portion of the Group's borrowings. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

(b) Credit risk

Credit risk arises mainly from cash and cash equivalents and credit exposures to customers from outstanding receivables. Credit risk on cash and cash equivalents is managed at group level. Cash and cash equivalents are held in reputable mainly Nordic banks. Each local entity is responsible for managing the credit risk for their accounts receivable balances. The local entities have the responsibility to analyze the credit standing of each of their new clients before standard payment and delivery terms and conditions are offered.

Before accepting a customer, the customer's ability to pay the purchase transactions is carefully estimated through analyzing customer's financial statements and current market position. Credit risk countering payment methods such as letter of credit and advance payments are used in high risk regions. Historically, credit losses have been insignificant. The Group has been able to collect also significantly overdue receivables eventually.

The maximum exposure to the credit risk at the reporting dates are the carrying values of each class of financial assets mentioned above.

Key judgements and estimates - Overdue receivables

Management has made judgements and assumptions when assessing whether overdue receivables are impaired. Though overdue receivables are at relatively high level, the Group has not recognized a write-down. Management expects to collect overdue receivables eventually. This is due to the active role in customer interface in order to solve any end customer issues. The Group has active measures to mitigate the risk. Historically the Group has been able to collect also significantly overdue receivables.

The ageing of the account receivables is as follows:

EUR thousand	31-Dec-16	31-Dec-15	1-Jan-15
Not due	10 552	4 508	2 721
Overdue by			
Less than 30 days	2 795	1 145	1 237
30-60 days	1 298	916	556
61-90 days	1 698	1 222	849
More than 90 days	1 922	1 271	828
Total	**18 266**	**9 062**	**6 191**

Write-down of account receivables amounted to EUR 10 thousand for the year ended 31 December 2016 and EUR 44 thousand for the year ended 31 December 2015.

(c) Liquidity risk

Cash flow forecasting is performed in the Group's finance function. Group finance function monitors the Group's liquidity requirements weekly to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed facilities at all times. Cash and cash equivalents amounted to EUR 10 519 thousand as at 31 December 2016 (31.12.2015: EUR 33 310 thousand and 1.1.2015 EUR 1 516 thousand). In addition, the Group has undrawn interest-bearing facilities amounting to EUR 1 415 thousand as at 31 December 2016 (31.12.2015: EUR 51 thousand and 1.1.2015: EUR 1 279 thousand). Operating cash flows and liquid funds are the main source of financing for the future payments together with possible new debt or equity financing.

Covenants on the Group's interest-bearing financial liability drawn-down in 2016 are monitored monthly. The financial covenants are the equity ratio and the net debt in relation to EBITDA. The minimum equity ratio is agreed to be 32,5%. Minimum net debt to EBITDA ratio at the end of 2016 is 4 and decreases to 2,5 at 30 June 2018 and onwards.

The Group's equity ratio 44% as at 31 December 2016 (31.12.2015: 71%) is strong and the Group is able to draw external financing in case that operational cash flows are not sufficient. The Group does not invest actively surplus cash held. The Group's target is to achieve both organic and structural growth and cash balances are directed to those purposes.

The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

EUR thousand	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
31-Dec-16							
Non-derivatives							
Account payables	9 322	134	-	-	-	9 456	9 456
Finance lease liabilities	46	46	77	42		210	193
Loans from credit institutions	5 545	3 355	6 249	30 806	152	46 108	43 949
Bank overdrafts	2 585	-	-	-	-	2 585	2 585
Other loans	4	4	165	166	402	740	702
Total non-derivatives	**17 502**	**3 538**	**6 491**	**31 014**	**553**	**59 099**	**56 885**
Derivatives							
Interest rate swaps	3	3	7	-	-	13	7
Currency forwards contracts	31	-	-	-	-	31	31
Total derivatives	**34**	**3**	**7**	**-**	**-**	**44**	**38**

EUR thousand	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
31-Dec-15							
Non-derivatives							
Account payables	5 609	-	-	-	-	5 609	5 609
Finance lease liabilities	40	40	68	98		246	221
Loans from credit institutions	1 529	2 766	1 894	2 487	502	9 177	9 012
Bank overdrafts	1 949	-	-	-	-	1 949	1 949
Other loans	2	2	81	233	-	317	304
Total non-derivatives	**9 128**	**2 807**	**2 043**	**2 818**	**502**	**17 298**	**17 095**
Derivatives							
Interest rate swaps	14	14	15	15	-	58	49
Total derivatives	**14**	**14**	**15**	**15**	**-**	**58**	**49**

EUR thousand	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
1-Jan-15							
Non-derivatives							
Account payables	3 850	-	-	-	-	3 850	3 850
Finance lease liabilities	51	127	9	9	-	196	188
Loans from credit institutions	1 809	1 818	3 533	1 089	-	8 248	7 491
Bank overdrafts	721	-	-	-	-	721	721
Other loans	1	1	5	233	-	256	243
Total non-derivatives	**6 431**	**1 946**	**3 547**	**1 331**	**-**	**13 271**	**12 493**
Derivatives							
Interest rate swaps	14	14	27	55	-	110	98
Total derivatives	**14**	**14**	**27**	**55**	**-**	**110**	**98**

Capital management

Robit defines capital as equity plus borrowings as shown on the balance sheet (31.12.2016 EUR 97 485 thousand, 31.12.2015 EUR 58 045 thousand and 1.1.2015 EUR 21 856 thousand). Robit's capital management's target is to keep capital structure that supports the business by ensuring the operating conditions and to increase shareholder value by aiming at a competitive return on invested capital. The capital structure shall secure Robit debt financing being in line with covenants. Planned structure should take into account both current and future business needs, as well as ensure competitive cost of financing. Robit board monitors equity ratio and net interest-bearing debt to EBITDA ratio. The equity ratio is calculated as shareholders' equity divided by total assets less advances received. The Group has not breach covenants of its debt financing during the reported periods.

The capital structure can be affected, among other things, by the dividend distribution and share issues. If necessary, Robit has the opportunity to acquire own shares and to issue new shares in accordance with mandates by General Meeting. The Group's equity ratio was 44 (31.12.2015: 71) per cent and the ratio of net debt to adjusted EBITDA (in adjusted EBITDA acquired companies EBITDA is annualized) was 3.1 as at 31 December 2016.

Cooperation with banks is based on long-term banking relationships. In the long term goal is to service Robit's loan obligations by operating cash flow. During the phase of rapid growth, capital may be acquired both equity and debt financing terms.

4.7 Commitments and contingent liabilities

Guarantees given and contingent liabilities

EUR thousand	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
Guarantees and mortgages given on own behalf:			
Enterprise mortgages	42 169	6 169	6 169
Real estate mortgages	3 856	3 856	2 756
Total	**46 025**	**10 025**	**8 925**

EUR thousand	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
Pledges:			
Pledged bank accounts	-	43	43
Total	**-**	**43**	**43**

EUR thousand	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
Other guarantees:			
Other guarantee liabilities	763	1 001	7
Total	**763**	**1 001**	**7**

Operating lease commitments

Robit leases factory buildings and land areas in Australia, UK and Korea under non-cancellable operating lease agreements. Robit leases also some office space under non-cancellable operating lease agreements. The lease terms varies from one year to seven years.

Robit also leases cars, office equipment and forklifts under non-cancellable operating lease agreements where the lease term varies from one year to five years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

EUR thousand	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
No later than 1 year	634	160	168
Later than 1 year and no later than 5 years	2 073	277	129
Later than 5 years	465	-	-
Total	**3 172**	**437**	**298**

The lease expenditure charged to income statement during the year is disclosed in note 2.4.

Robit has leased premises in Finland (Lempäälä), where Robit is acting as a lessor. For these agreements, the lease term is short and the generated income is not significant.

Investments in real estate

The Group is obligated to revise the deductions it has made for the real estate investment completed in 2010 in case the taxable use of the real estate diminishes during the revision period. The last revision year will be 2019. The maximum amount of the liability amounts to EUR 197 thousand as at 31 December 2016 and 31 December 2015.

Other commitments

The Group has committed to purchase machinery and equipment in Finland and in UK. In Finland, the total value of the agreement was EUR 577 thousand (excl. VAT). Of this amount, 20% was paid as advance payment during November 2016. Machinery and equipment will be delivered and rest of the payments will be done during financial year 2017. In UK, the value of the agreement was EUR 120 thousand. The agreement was made during 2016, payments and delivery of the machinery and equipment will be done during year 2017.

5 Operating assets and liabilities

5.1 Property, plant and equipment

Accounting policy

Property, plant and equipment is initially recognized at historical cost which comprises of the purchase price and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. Items of property, plant and equipment are carried in the balance sheet at cost less any accumulated depreciation and any accumulated impairment losses. Items of property, plant and equipment leased under the finance lease terms are accounted for similarly to purchased property, plant and equipment. Repair and maintenance costs are recognized as expenses at the time they incur.

Depreciation on property, plant and equipment is calculated using the straight-line method over their estimated useful lives, as follows:

	Years
Buildings and structures	10-30
Machinery and equipment	5-15
Other tangible assets	5-10

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposal of property, plant and equipment are included either within other operating income or other operating expenses in the statement of comprehensive income.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

EUR thousand	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
2016						
Cost at 1 January	149	4 515	7 353	616	62	12 696
Additions	14	77	1 129	66	503	1 789
Acquisition of subsidiaries	-	-	9 291	35	-	9 325
Disposals	-	-	-235	-	-	-235
Reclassifications	-	-	52	-	-52	-
Exchange differences	-	1	212	7	1	222
Cost at 31 December	163	4 593	17 802	724	515	23 797
Accumulated depreciation and impairment at 1 January	-	1 423	3 214	307	-	4 944
Depreciation	-	133	2 001	107	-	2 241
Disposals	-	-	-23	-	-	-23
Exchange differences	-	0	19	4	-	23
Accumulated depreciation and impairment at 31 December	-	1 556	5 211	419	-	7 186
Net book amount at 1 January	**149**	**3 093**	**4 139**	**309**	**62**	**7 752**
Net book amount at 31 December	**163**	**3 037**	**12 591**	**306**	**515**	**16 611**

EUR thousand	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
2015						
Cost at 1 January	111	3 300	5 417	490	277	9 596
Additions	38	1 211	1 677	160	373	3 458
Disposals	-	-	-400	-52	-	-452
Reclassifications	-	-	587	-	-587	-
Exchange differences	-	4	72	19	-1	94
Cost at 31 December	149	4 515	7 353	616	62	12 696
Accumulated depreciation and impairment at 1 January	-	1 310	2 520	278	-	4 109
Depreciation	-	112	665	49	-	826
Disposals	-	-	-	-32	-	-32
Exchange differences	-	0	29	12	-	41
Accumulated depreciation and impairment at 31 December	-	1 423	3 214	307	-	4 944
Net book amount at 1 January	**111**	**1 990**	**2 897**	**212**	**277**	**5 487**
Net book amount at 31 December	**149**	**3 093**	**4 139**	**309**	**62**	**7 752**

Buildings comprise the factory building in Finland and some structures in Korea. Main part of machinery and equipment relates to production machinery. Other tangible assets includes mainly Korean leasehold improvements.

Assets leased under finance leases

Robit leases laptops, cars and some production machinery in Korea under non-cancellable finance lease agreements. The lease terms are between 3 to 8 years. The carrying amount of machinery and equipment leased under finance leases was EUR 360 thousand as at 31 December 2016 (31.12.2015: EUR 201 thousand and 1.1.2015: EUR 273 thousand).

Refer to note 4.7. for disclosure of contractual obligations to purchase.

5.2 Inventories

Accounting policy

Materials and supplies, work in progress and finished goods are stated at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The costs of conversion of inventories include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are determined using weighted average costs.

Key judgements and estimates - Inventory valuation
Inventory valuation requires management estimates and judgements specially relating to obsolescence and recording inventory to net realizable value based on expected selling prices as well as the management's assessment of the general market development in the Robit's main markets. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Materials and supplies	8 311	2 752	3 189
Work in progress	3 598	1 067	995
Finished goods	18 266	8 054	7 815
Total	**30 176**	**11 873**	**11 998**

The inventories include mainly raw materials used in the production and finished products, such as button bits, drilling rods and casing systems. There were no write-downs of inventories to net realizable value during 2016. Inventory write-downs during 2015 amounted to EUR 217 thousand.

5.3 Account and other receivables

Accounting policies

Account receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Account receivables are recognized initially at fair value and subsequently at amortized cost less impairment. Impairments are recognized to individual receivables based on the best knowledge Robit has about the customer's credit risk. Impairment is recognized in the statement of comprehensive income under other operating expenses.

Other receivables include mainly prepaid expenses and accrued income from the usual operating activities of the Group.

Non-current other receivables amounting to EUR 157 thousand as at 31 December 2016 (31.12.2015: EUR 150 thousand and 1.1.2015: EUR 169 thousand) includes mainly rental guarantee deposits.

The current account and other receivables comprised of the following:

EUR thousand	31-Dec-16	31-Dec-15	1-Jan-15
Account receivables	18 266	9 062	6 191
Prepayments and accrued income	912	508	252
Rental deposits	19	11	4
Other receivables*	2 052	851	1 023
Total	**21 248**	**10 431**	**7 469**

** Incl. mainly VAT receivables. As at 31 December 2016 the amount included a receivavable of EUR 685 thousand related to return of an additional payment relating to the acquisition of DTA.*

5.4 Account and other payables

Accounting policy

Account payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Account payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

The current account and other payables comprise of the following:

EUR thousand	31-Dec-16	31-Dec-15	1-Jan-15
Account payables	9 456	5 609	3 850
Accrued expenses	2 308	1 309	834
Other	657	343	348
Total	**12 421**	**7 260**	**5 031**

Material items included in accrued expenses:

EUR thousand	31-Dec-16	31-Dec-15	1-Jan-15
Accrued salaries	895	788	596
Accrued social security costs	430	281	67
Accrued interests	58	39	34
Other *	925	201	137
Total	**2 308**	**1 309**	**834**

** Mainly accrued outsourcing fees, accrued audit fees and accrued rental expenses.*

The carrying amounts of account payables and other payables are considered to be the same as their fair values, due to their short-term nature.

5.5 Advance payments received

Advance payments received amounted to EUR 282 thousand as at 31 December 2016 (31.12.2015: EUR 132 thousand and 1.1.2015: EUR 289 thousand).

6 Other notes

6.1 Subsidiaries and foreign currencies

Accounting policy

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. All intercompany transactions, receivables, liabilities, unrealized profits and distribution of profits within Robit Group are eliminated in the consolidated financial statements. Accounting principles of subsidiaries have been changed where necessary to ensure consistency with the principles adopted by the Group.

Foreign currency translation

Assets and liabilities in foreign subsidiaries are translated into euro at the rate prevailing on the balance sheet date. Income and expenses in foreign subsidiaries are translated into euro using an average rate. Translation differences that arise when translating the financial statements of subsidiaries are recognized in other comprehensive income and accumulated in translation differences reserve in equity.

Foreign currency denominated transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or if items have been revalued, using the measurement date exchange rates. Foreign exchange gains and losses arising in respect of business operations, such as sales and purchases, are recognized in relevant lines above operating profit. Foreign exchange differences arising from financing transactions are recognized in finance income and costs.

The exchange differences charged/credited to the statement of comprehensive income are as follows:

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Operating profit	348	106
Finance income and costs	1 363	137
Total	**1 711**	**243**

Group's subsidiaries as at 31 December 2016 and 2015 were as follows:

	Parent 31.12.2016 Proportion, %	Parent 31.12.2015 Proportion, %	Group 31.12.2016 Proportion, %	Group 31.12.2015 Proportion, %
Robit Rocktools Sweden Ab, Sweden	100 %	100 %	100 %	100 %
Robit Korea LTD, South Korea	100 %	100 %	100 %	100 %
Robit OOO, Russia	100 %	100 %	100 %	100 %
Robit Inc. USA	100 %	100 %	100 %	100 %
Robit SA, South Africa*	96 %	100 %	96 %	100 %
Robit S.A.C, Peru	99 %	99 %	100 %	100 %
Robit Africa Holdings Ltd, South Africa	100 %	100 %	100 %	100 %
Robit Finland Oy Ltd, Finland	100 %	100 %	100 %	100 %
Robit Australia Holdings Ltd, Australia	100 %	0 %	100 %	0 %
Bulroc Ltd, UK	100 %	0 %	100 %	0 %
Drilling Tools Australia Pty Ltd., Australia	0 %	0 %	100 %	0 %
Robit Plc-BFC, Dubai	100 %	0 %	100 %	0 %

Robit Rocktools Sweden Ab, Robit Africa Holdings (Pty) Ltd and Robit Plc-BFC were dormant companies. Robit Oyj has a branch in Thailand, Robit Thailand.

* *During 2015 Robit SA established a Black Employees Empowerment Trust ('the Trust', "BEET") in South Africa. The purpose of the Trust is to support the local black employees of Robit SA and generate better business opportunities for Robit when operating in South Africa. Robit SA directed a share issue to the Trust. As a result, the Trust owns 26% of the shares of Robit SA. However, Robit SA is considered to have control over the Trust. 4% of the shares were issued directly to one of the key employees of Robit SA. The purpose and nature of the arrangement is to remunerate certain employees of Robit SA. This arrangement is accounted as a remuneration. There were no payments related to the arrangement in 2016.*

6.2 Taxes

Income tax expense

Accounting policy

The income tax expense consists of current tax and changes in deferred tax. Tax is recognized in the consolidated profit or loss statement or if tax relates to items recognized in other comprehensive income or directly in equity, then the related tax is recognized in other comprehensive income or equity correspondingly.

The current income tax charge is calculated on the basis of the local tax laws and tax rates enacted or substantively enacted at the end of the reporting period in relevant countries where the Group operates and generates taxable income.

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Current tax:		
Current tax on profits for the year	-1 093	-734
Adjustments in respect of prior years	-6	-43
Total current tax expense	-1 100	-776
Deferred tax:		
Decrease (-) / increase (+) in deferred tax assets	-249	179
Decrease (+) / increase (-) in deferred tax liabilities	220	-98
Total deferred tax expenses	-29	81
Income tax expense	**-1 128**	**-695**

Income taxes recognized in consolidated income statements differ from the income taxes calculated using the Finnish tax rate as follows:

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Profit before tax	**5 168**	**2 399**
Tax calculated at Finnish tax rate	1 034	480
Tax effect of:		
Effect of other tax rates for foreign subsidiaries	-74	14
Expenses not deductible for tax purposes	205	89
Income not subject to tax	-42	-25
Unrecognized deferred tax assets from tax losses	111	91
Utilization of previously unrecognized tax losses	-90	-38
Other adjustments	-23	42
Adjustment in respect of prior years	6	43
Taxes in income statement	**1 128**	**695**

The tax recognized directly to equity amounted to EUR 343 thousand during 2015. During 2016, all taxes were recognized through the income statement.

Deferred income tax

Accounting policy

Deferred tax assets and liabilities are accounted for using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to be applied when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Realisable value of deferred tax assets is assessed at each balance sheet date and adjustments are made in case there is indication that utilisation of deferred tax assets would no longer be probable.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Key judgements and estimates - deferred tax assets and liabilities

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Deferred tax assets are recognized only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows that relate among others to the amount of future net sales, operating costs and finance costs. The Group's ability to generate taxable income depends also on factors related to general economy, finance, competitiveness and regulations that the Group is unable to control. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will

The gross movement on the deferred tax account is as follows:

EUR thousand	2016	2015
As at 1 of January	**339**	**-84**
Recognized in profit or loss	-28	81
Recognized in equity	-	343
Acquisition of subsidiaries	-1 663	-
Exchange rate differences	-20	-1
As at 31 of December	**-1 373**	**339**

The following table presents the movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances with the same tax jurisdiction:

EUR thousand	At 1 Jan	Recognized in profit or loss	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2016					
Deferred tax assets					
Inventories	149	35	34	1	219
Reserve for invested unrestricted equity	451	-451	-	-	-
Employee benefits	90	32	211	5	338
Property, plant and equipment	-	128	236	5	369
Other	51	7	48	1	107
Total	**741**	**-249**	**529**	**12**	**1 033**
Set-off of deferred taxes					-313
Deferred tax assets, net					**720**

	At 1 Jan	Recognized in profit or loss	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2016					
Deferred tax liabilities					
Property, plant and equipment	341	-26	195	-1	508
Intangible assets	-	-129	1 930	34	1 835
Inventories	19	-62	67	-1	23
Other items	43	-3	-	-0	40
Total	**403**	**-220**	**2 192**	**32**	**2 406 406**
Set-off of deferred taxes					-313
Deferred tax liabilities, net					**2 093**

EUR thousand	At 1 Jan	Recognized in profit or loss	Recognized in equity	Exchange rate differences	At 31 Dec
2015					
Deferred tax assets					
Inventories	80	68	-	1	149
Reserve for invested unrestricted equity	0	109	343	-	451
Employee benefits	69	18	-	3	90
Other	66	-16	-	2	51
Total	**214**	**179**	**343**	**5**	**741**
Set-off of deferred taxes					-403
Deferred tax assets, net					**339**

	At 1 Jan	Recognized in profit or loss	Recognized in equity	Exchange rate differences	At 31 Dec
2015					
Deferred tax liabilities					
Property, plant and equipment	215	123	-	3	341
Inventories	14	5	-	0	19
Other	69	-30	-	3	43
Total	**299**	**98**	**-**	**6**	**403**
Set-off of deferred taxes					-403
Deferred tax assets, net					**-**

Deferred tax assets are recognized for tax losses carryforwards to the extent that the realisation of the related tax benefit is probable through future taxable profits.

In US, the Group had unused tax losses amounted to EUR 123 thousand as at 31 December 2016 (31.12.2015: EUR 256 thousand and 1.1.2015: EUR 335 thousand). Generally, a loss may be carried back for 2 years and, if not fully utilized, carried forward for 20 years. Deferred tax asset is not recognized because in the past, the company has generated losses. During the financial years 2015 and 2016, the company generated profit, however, the management assessed that there is not enough evidence of future profitability to recognize deferred tax asset.

In Finland, the Group did not have unused tax losses as at 31 December 2016 (31.12.2015: EUR 237 thousand and 1.1.2015: nill). The losses relate to the Finnish entity that was established during year 2015. In Finland, tax loss carryforwards expire within 10 years.

In Peru, the Group had unused tax losses EUR 197 thousand as at 31 December 2016 (31.12.2015 EUR 65 thousand and 1.1.2015: nill). Deferred tax asset was not recognized as the subsidiary was established only during 2015. In Peru, tax losses expire as follows: carryforward for 4 consecutive years beginning with the year following the year in which the loss is generated; or indefinitely, subject to an annual deductible limit equal to 50% of the taxpayer's taxable income in each year.

In Australia, the Group had unused tax losses EUR 29 thousand as at 31 December 2016. There is no expiration date for the losses, but there are certain criteria that need to be achieved to make the losses allowable.

6.3 Related party transactions

Related parties of the Group consist of the parent company and Group companies mentioned in note 6.1. Related parties are also key management personnel and their close family members as well as entities controlled by them. Key management personnel are the members of the Board of Directors, CEO and management team of Robit. Five Alliance Oy has significant influence in Robit Plc and its ownership as at 31 December 2016 was 40,3% (40,3% as at 31 December 2015). The chairman of the board of directors Harri Sjöholm has control in Five Alliance Oy.

The Group has purchased services from the subsidiary of Five Alliance Oy with EUR 12 thousand in 2016 (2015: EUR 28 thousand). Consolidated balance sheet included account payables amounting to EUR 9 thousand as at 31 December 2015 and EUR 23 thousand as at 1 January 2015 related to these transactions. There were no account payables to Five Alliance Oy as at 31 December 2016. Transactions with related parties were made on an arm's length basis.

The remuneration of Board of Directors

Salaries, remuneration and other benefits paid in 2016 and 2015 to the Board of Directors were as follows:

EUR thousand	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Harri Sjöholm	41	47
Tapio Hintikka	27	34
Matti Kotola (18.2.2015 >)	36	31
Kalle Reponen	37	39
Anna-Maria Ronkainen (18.3.2016 >)	22	-
Pekka Pohjoismäki (> 18.2.2015)	-	26
Jussi Rautiainen (> 18.2.2015)	0	4

Remuneration to the Chairman of the Board of Directors is EUR 35 thousand per year and to each member of the Board of Directors EUR 20 thousand per year. Remuneration for the members of the Board of Directors will be paid so that 40% of the specified annual amount will be used to purchase Robit's shares or alternatively the shares may be conveyed by using the own shares held by the company, and the rest will be paid in cash. Total 4 893 shares were granted to the Board of Directors in 2016 (2015: 7 883 shares).

The remuneration of Board of directors and the CEO

The Board of Directors decides on the salary, remuneration and other benefits received by the CEO. The salary, remuneration and other fringe benefits paid in 2016 to the former CEO, Mikko Mattila, amounted to EUR 183 thousand (2015: EUR 183 thousand). In addition, there was an additional voluntary pension payment of EUR 3 thousand during the financial year. There were no share-based benefits in the financial year.

As to the contract of CEO, his term of notice has been specified as six (6) months in case the CEO decides to withdraw, and six (6) months should the contract be terminated by the company. Upon termination of contract of the CEO by the company, the CEO will be paid a compensation corresponding to six (6) months without benefits.

The remuneration of the Management team

Decisions concerning incentive and remuneration system for management are made by the Board of Directors based on the proposal made by the CEO. The salary for all members of the management team consists of a fixed basic salary and a results-based bonus. The bonus is determined based on the company performance, the business area in question and other key operative objectives. Remuneration of the management team members in 2016 and 2015 were as follows:

EUR thousand	**1 Jan - 31 Dec 2016**	**1 Jan - 31 Dec 2015**
Salaries and other short-term employee benefits	-593	-634
Other long-term benefits	-10	-22
Share-based payments	-	-199
Total	-603	-855

The management team members had additional voluntary pension plan that is classified as defined contribution plan. The costs related to the plan amounted to EUR 10 thousand for the year ended 31 December 2016 (2015: EUR 22 thousand). Of this, EUR 3 thousand relates to the plan for the CEO (2015: EUR 8 thousand).

Share-based payments and shareholder loans

Robit issued shares to its key employees during December 2014 with price that was determined to be less than the fair value of the shares at that time. The agreement included 36 months obligation to provide employee services. This obligation vested with the IPO in May 2015. This resulted as accelerated share based payment cost of EUR 298 thousand was recognized as an employee expense until IPO in May. Of this, EUR 199 thousand relates to compensation for the members of the Management team. Information regarding loans granted to key employees for the share purchases are disclosed on note 4.4.

For information regarding BBET trust, please refer to note 6.1.

Share holdings of the board of directors and the management

The total number of shares was 15 883 900 as at 31 December 2016 and 31 December 2015. The shareholding of the management was as follows:

Shareholding of management as at 31.12.2016	**Shares**	**Percentages of shares**
Members of the Board of directors	6 426 158	40,5 %*
CEO	251 228	1,6 %
Other members of the management team	15 489	0,1 %
Total	6 692 875	

Shareholding of management as at 31.12.2015	**Shares**	**Percentages of shares**
Members of the Board of directors	6 424 636	40,4 %*
CEO	2 551 228	16,1 %
Other members of the management team	61 000	0,4 %
Total	9 036 864	

** 40,3% owned by Harri Sjöholm through Five Alliance Oy*

6.4 Subsequent events

Acquisitions

In 2017 Robit has executed its global growth strategy by strengthening its appearance in USA and UK. First Robit acquired the manufacturing assets and IPRs from Halco International LLC and Halco America LLC as at 12 January 2017.

The capability to build an own manufacturing unit in the middle of the America region via this acquisition will secure Robits' improved service and delivery to the distributors and the direct customers. The base to grow the production volume and the strong brand of Halco will strength Robit's presence in USA significantly.

In February 2017 Robit purchased a majority (51%) of Halco Brighthouse Ltd's shares, which is the Halcos operating company in England. The agreement includes the acquisition of 100% of the shares in Halco Drilling Ltd and Paddico (320) Ltd, which owns 51% of Halco Brighthouse Ltd shares. The deal included also the right and obligation to purchase the rest of the shares (49%) after a year on the basis of an option.

The Halco Brighthouse manufactures Down-the-hole drilling consumables in a highly modern factory built by Caterpillar and located in Middle England.

Acquisition in UK finalized the Halco acquisition that started in January 2017 and from the February 2017 Robit owns Halco's global operations. Halco is highly valued brand in Down-the-hole drilling and it will remain as an independent business and the well known global brand. These acquisitions will strength Robit's Down-the-hole business as complement to the acquisitions made in Australia and England in 2016.

Total consideration for the acquisitions amounted to EUR 2 998 thousand, of this EUR 1 640 thousand was settled by issuing shares in Robit, EUR 983 thousand was settled in cash at closing. Deferred consideration amounting to EUR 375 thousand will be settled in cash and on April. The exercise price of the option to purchase 49% of the shares in Halco Brighthouse Ltd is linked to the net sales in 2017 and it is capped to EUR 350 thousand (GBP 300 thousand).

As at the signing date, Robit is preparing preliminary accounting for business combination of Halco.

Productional investment in South Korea

Robit Plc's Board of Directors decided as at 23 March 2017 on a major productional investment through which the company will significantly increase its Top Hammer product line's rod and shank manufacturing capacity in South Korea. The company estimates that the total investment related to the production facility is approximately EUR 10 million. Production in the new facility is preliminarily estimated to begin by the end of the year 2017.

Other

Mika Virtanen, M.Sc. Economics and Production Technologies, has been appointed the new Group CEO of Robit Plc. The term for Virtanen will officially commence on 1 May 2017. Robit Plc's Chairman, Harri Sjöholm acts as a Group CEO until 30 April 2017.

New global management team with nine members was appointed, including region VPs as well as the CFO and VPs for R&D and H&R starting from 1 January 2017.

The new CFO, Ilkka Miettinen and the new VP for the Russia & CIS sales region, Jorma Juntunen, started during February and March 2017.

6.5 New and forthcoming accounting standards

Robit has not yet applied the following new and amended standards and interpretations already issued. Robit will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

IFRS 9 Financial instruments and associated amendments to various other standards

IFRS 9 replaces the multiple classification and measurement models in IAS 39 and includes revised guidance on the classification and measurement of financial assets, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

The standard is effective for accounting periods beginning on or after 1 January 2018. Robit is assessing the effect of the new standard to its consolidated financial statements. The standard has been endorsed by EU.

IFRS 15 Revenue from Contracts with Customers and associated amendments to various other standards

IFSR 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The standard is effective for accounting periods beginning on or after January 1, 2018. Robit is assessing the effect of the new standard to its consolidated financial statements. The standard has been endorsed by EU.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognized:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognize the revenue as each performance obligation is satisfied.

Robit has made a preliminary assessment of implementation of IFRS 15 and it does not expect material changes in the measurement of revenue or timing of recognition. IFRS 15 will significantly increase the volume of the revenue related disclosures in annual financial statements. The group will start implementation phase in 2017.

IFRS 16 Leases and associated amendments to various other standards

IFRS 16 will replace the current standard IAS 17.

The standard is effective for accounting periods beginning on or after January 1, 2019. Robit is assessing the effect of the new standard to its consolidated financial statements. The standard is not yet endorsed by EU.

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

6.6 Adoption of IFRS

The following summarizes the impact of the adoption of IFRS for Robit:

Intangible assets and PP&E

Under IFRS, the Group has elected to apply IFRS 1 exemption and has not applied IFRS 3 retrospectively to past business combinations. Accordingly, the carrying amount of goodwill in the opening IFRS balance sheet as of 1 January 2015 is carried over to IFRS and no other adjustments are needed. Goodwill arising on business combinations is not amortized under IFRS, but is tested for impairment at least annually. Robit adjusted the amortization cost and goodwill by EUR 59 thousand as at and for the year ended 31 December 2015.

The depreciations related to PP&E of Robit's Korean subsidiary have been adjusted to comply Robit's accounting policy under IFRS. As a result the PP&E in the opening balance sheet 1.1.2015 increased by EUR 383 thousand, deferred tax liabilities and retained earnings increased by EUR 84 thousand and by EUR 299 thousand respectively. The depreciations were decreased by EUR 142 thousand and other operating income decreased by EUR 6 thousand in 2015. The PP&E in the balance sheet as at 31 December 2015 increased by EUR 533 thousand, deferred tax liabilities increased by EUR 117 thousand, profit for the period increased by EUR 106 thousand, CTA increased by EUR 11 thousand and retained earnings increased by EUR 299 thousand.

Revenue recognition and inventory valuation

Under IFRS Robit's revenue related to products is recognized when the client has the control over the products. Under FAS Robit has recognized revenue for certain deliveries prior to this. Therefore Robit has deferred such sales under IFRS and deducted the accounts receivables by EUR 142 thousand and the added those products to the inventories by EUR 100 thousand as at 1 January 2015. The adjustment to consolidated income statement for the year 2015 decreased the revenue by EUR 15 thousand and increased the change in inventories of finished goods and work in progress by EUR 11 thousand. The impact of deferring revenue decreased the account receivables by EUR 158 thousand and increased the inventories by EUR 110 thousand as at 31 December 2015. The increases in deferred tax assets related to the adjustments were EUR 8 thousand as at 1 January 2015 and EUR 9 thousand as at 31 December 2015. The changes in deferred tax assets of EUR 1 thousand was recognized in income statement.

Under FAS, Robit has not included the fixed production overheads in the inventory value of its finished products. The adjustment for recognizing fixed overhead costs increased the inventories by EUR 60 thousand, deferred tax liabilities by EUR 11 thousand and retained earnings by EUR 49 thousand as at 1 January 2015. The change in inventory of finished goods and work in progress increased by EUR 23 thousand and changes in deferred taxes were adjusted by EUR 5 thousand for the year ended 31 December 2015. The impact of production overheads increased the inventory by EUR 83 thousand, deferred tax liabilities by EUR 16 thousand, profit for the period by EUR 19 thousand and retained earnings by EUR 49 thousand as at 31 December 2015.

Borrowings and derivatives

Robit has entered into derivative instruments contracts for risk management purposes. Under FAS, only the net interest payments on the interest rate swaps were recognized through the income statement. Under IFRS the fair value of derivative instruments is recognized in the balance sheet and unrealized gains and losses in the statement of comprehensive income. Accordingly, Robit has recognized derivative instruments at fair value in the balance sheet and adjusted derivative financial instruments with EUR 97 thousand, deferred tax assets by EUR 20 thousand and retained earnings with EUR 78 thousand as at 1 January 2015. Finance income for the year ended 31 December 2015 were adjusted by EUR 49 thousand, changes in deferred taxes by EUR 10 thousand and derivative financial instruments in the balance sheet by EUR 48 thousand and deferred tax assets by EUR 10 thousand as at 31 December 2015.

In Finland, Robit's IT machinery and hardware are classified as finance leases under IFRS as the risk and rewards of the lease have transferred to Robit. Under FAS leases are recognized as operating leases. The PP&E increased by EUR 32 thousand due capitalized IT machinery and hardware and borrowings increased by EUR 32 thousand in the opening balance sheet. The depreciation were increased by EUR 17 thousand, other operating expenses were decreased by EUR 18 thousand and finance costs increased by EUR 2 thousand. The PP&E as at 31 December 2015 increased by EUR 34 thousand, borrowings by EUR 35 thousand and profit for the period decreased by EUR 1 thousand.

Other

Capitalised costs related to the share issue

Under FAS Robit capitalized the costs related to its listing to Nasdaq First North in May 2015. Under IFRS the costs related to new share issue are netted against the proceeds of the share issue directly in the equity whereas certain listing costs related to existing shares are expensed. Robit has derecognized the listing cost of EUR 2 256 thousand from the intangible assets as at 31 December 2015, recognized a deferred tax asset of EUR 451 thousand and deducted EUR 1 371 thousand of listing costs net of taxes from the reserve for invested unrestricted equity as at 31 December 2015. EUR 890 thousand of the listing costs were recorded to income statement and amortization of EUR 347 thousand related to the capitalized listing costs was reversed from the income statement for the year 2015. The tax impact of the adjustments to the statement comprehensive income statement was EUR 109 thousand.

Share-based payments and shareholder loans

Robit has issued shares to its key employees at a price that is considered to be less than the fair value of the shares in 2014 and therefore Robit has recognized an employee benefit expense of EUR 298 thousand and credited retained earnings for the year ended 31 December 2015.

Robit has granted loans to its key employees to buy Robit's shares. Interest rate is set to base rate without a margin. Robit has recognized an employee benefit expense related to the beneficial interest rate and the loan amount is increased by EUR 38, deferred tax liability by 8 thousand and retained earnings by EUR 30 thousand as at 1 January 2015. Recognized employee benefit expense during 2015 amounted to EUR 5 thousand with a tax effect of EUR 1 thousand. The loan amount was increased by EUR 33 thousand and deferred tax liability by EUR 6 thousand as at 31 December 2015.

CTA

Cumulative translation difference presented on line "cumulative translation differences" in the consolidated FAS financial statements of Robit amounted to EUR 15 thousand at the transition date of IFRS. Robit's management used the exemption under IFRS 1 that at the date of transition to IFRSs the cumulative translation differences for all foreign operations are deemed to be zero. Therefore EUR 15 thousand is reclassified from line cumulative translation differences to line retained earnings in the opening balance sheet.

Deferred taxes

Robit has off-set certain deferred tax assets and liabilities under IFRS. The adjustments related to the off-setting decreased the deferred tax assets and liabilities as at 1 January 2015 by 118 thousand and as at 31 December 2015 by EUR 364 thousand. Robit also derecognized deferred tax assets of EUR 28 thousand as at 1 January 2015 and EUR 51 thousand as at 31 December 2015 related to Robit USA as Robit USA has had loss making history. The effect of the write down was EUR 21 thousand for income statement of the year 2015.

Impact of adopting IFRS standards on the consolidated statements of cash flows

The most significant impact of adopting IFRS standards on the consolidated statement of cash flows was in the financial period 2015 related to the allocation of cost from the share issue and listing to cash flows from financing activities and to cash flows from operating activities and presentation of payments of finance lease liabilities in the cash flow from financing activities.

Under IFRS, the expenses from the share issue and listing have been reported in cash flows from financing activities to the extent that the costs relate to the issuance of new shares and in cash flows from operating activities for the remaining part. Under FAS Robit capitalized the costs and reported the under cash flows from investing activities.

The payments of finance lease liabilities have been reported in cash flows from financing activities under IFRS. Under FAS Robit reported all lease payments under cash flows from operating activities.

The following present the impacts of the first-time adoption of IFRS standards to the consolidated income statement for the year ended 31 December 2015 and to the consolidated balance sheet as at the transition date 1 January, 2015 and as at 31 December 2015 reported in accordance with the Finnish Accounting Standards (FAS).

Consolidated statement of comprehensive income 1.1. - 31.12.201

EUR thousand	Ref	FAS	Reclassifi cations	Intangible assets and PP&E	Revenue recognition and inventory valuation	Borrowings and derivatives	Other adjustme nts	Effect s of transit ion to IFRS	IFRS
Revenue		45 588	-	-	-15	-	-	-15	45 573
Changes in inventories of finished goods and work in progress		1 103	-	-	34	-	-	34	1 138
Work performed by the Group and capitalized		232	-	-	-	-	-	-	232
Other operating income		169	-	-7	-	-	-	-7	163
Materials and services		-27 789	-	-	-	-	-	-	-27 789
Employee benefit expense		-7 339	-	-	-	-	-304	-304	-7 643
Depreciation, amortization and impairment		-1 676	-	201	-	-17	347	531	-1 145
Other operating expenses		-6 899	-	-	-	19	-890	-871	-7 770
Operating profit		3 389	-	194	19	2	-846	-632	2 758
Finance income		444	-	-	-	49	-	49	494
Finance cost		-851	-	-	-	-2	-	-2	-853
Finance income and costs total		-406	-	-	-	47	-	47	-359
Profit before income tax		2 983	-	194	19	49	-846	-585	2 399
Income taxes		-739	-	-	-34	10	88	44	-695
Profit for the year		**2 244**	**-**	**194**	**-15**	**39**	**-759**	**-540**	**1 704**
Attributable to: Owners of the parent		2 244	-	194	-15	39	-759	-540	1 704
Other comprehensive income									
Items that may be reclassified to profit or loss in subsequent periods: Translation differences	8	-283	373	11	-	-	-	384	101
Other comprehensive income, net of tax		-283	373	11	-	-	-	384	101
Total comprehensive income		1 961	373	205	-15	39	-759	-156	1 805
Attributable to: Owners of the parent		1 961	373	205	-15	39	-759	-156	1 805

Consolidated balance sheet 1 January 2015

EUR thousand	Ref	FAS	Reclassifications	Intangible assets and PP&E	Revenue recognition and inventory valuation	Borrowings and derivatives	Other adjustments	Effects of transition to IFRS	IFRS
ASSETS									
Non-current assets									
Goodwill		88	-	-	-	-	-	-	88
Other intangible assets	1	654	-102	-	-	-	-	-102	552
Property, plant and equipment	1	4 970	102	383	-	32	-	517	5 487
Loan receivables	2	-	738	-	-	-	33	770	770
Other receivables	3	-	169	-	-	-	-	169	169
Investments	**3**	245	-245	-	-	-	-	-245	-
Derivative financial instruments		-	-	-	-	-	-	-	-
Deferred tax assets	3,4	-	150	-	9	20	-146	32	32
Total non-current assets		**5 957**	**812**	**383**	**9**	**51**	**113**	**330**	**7 099**
Current assets									
Inventories		11 838	-	-	160	-	-	160	11 998
Account and other receivables	3,6	7 535	76	-	-142	-	-	-66	7 469
Loan receivables	2	769	-738	-	-	-	5	-732	37
Deferred tax assets	4	78	-78	-	-	-	-	-78	-
Investments	3	30	-30	-	-	-	-	-30	-
Cash and cash equivalents	6	1 559	-43	-	-	-	-	-43	1 516
Total current asset		**21 809**	**-812**	**-**	**17**	**-**	**5**	**-789**	**21 020**
Total assets		**27 767**	**-**	**383**	**26**	**51**	**-108**	**353**	**28 119**
EUR thousand									
EQUITY AND LIABILITIES									
Equity									
Share capital		705	-	-	-	-	-	-	705
Share premium		202	-	-	-	-	-	-	202
Reserve for invested unrestricted equity		599	-	-	-	-	-	-	599
Cumulative translation difference		15	-	-	-	-	-15	-15	-
Retained earnings		11 455	-	299	14	-79	17	252	11 707
Profit (loss) for the period		-	-	-	-	-	-	-	-
Total equity attributable to owners of the parent		**12 976**	**-**	**299**	**14**	**-79**	**2**	**237**	**13 212**
Total equity		**12 976**	**-**	**299**	**14**	**-79**	**2**	**237**	**13 212**
Liabilities									
Non-current liabilities									
Borrowings	6	5 207	-721	-	-	18	-	-703	4 504
Provisions	5	349	-349	-	-	-	-	-349	-
Deferred tax liabilities	4	-	131	84	12	-	-110	117	117
Derivative financial instruments		-	-	-	-	98	-	98	98
Employee benefit obligations	5	-	349	-	-	-	-	349	349
Total non-current liabilities		**5 556**	**-590**	**84**	**12**	**116**	**-110**	**-488**	**5 067**
Current liabilities									
Borrowings	1,6	3 248	877	-	-	14	-	891	4 140
Advances received		289	-	-	-	-	-	-	289
Deferred tax liabilities	4	131	-131	-	-	-	-	-131	-
Account payables and other liabilities	1,7	5 567	-536	-	-	-	-	-536	5 031
Income tax liabilities	7	-	380	-	-	-	-	380	380
Total current liabilities		**9 235**	**590**	**-**	**-**	**14**	**-**	**604**	**9 839**
Total liabilities		**14 791**	**-**	**84**	**12**	**130**	**-110**	**116**	**14 907**
Total equity and liabilities		**27 767**	**-**	**383**	**26**	**51**	**-108**	**353**	**28 119**

Consolidated balance sheet 31 December 2015

EUR thousand	Ref	FAS	Rec-lassifi-cations	Intan-gible assets and PP&E	Revenue recognition and inventory valuation	Borrowings and derivatives	Other adjustments	Effects of transi-tion to IFRS	IFRS
ASSETS									
Non-current assets									
Goodwill		29	-	59	-	-	-	59	88
Other intangible assets	1	3 691	-139	-	-	-	-2 256	-2 395	1 297
Property, plant and equipment	1	7 047	139	533	-	34	-	705	7 752
Loan receivables	2	-	717	-	-	-	28	744	744
Other receivables	3	-	150	-	-	-	-	150	150
Investments	3	241	-241	-	-	-	-	-241	-
Deferred tax assets	3,4	-	282	-	9	10	37	399	339
Total non-current assets		**11 008**	**907**	**591**	**9**	**44**	**-2 192**	**-640**	**10 369**
Current assets									
Inventories		11 679	-	-	194	-	-	194	11 873
Account and other receivables	3,7	10 557	32	-	-158	-	-	-126	10 431
Loan receivables	2	737	-717	-	-	-	5	-711	26
Deferred tax assets	4	159	-159	-	-	-	-	-159	-
Investments	3	31	-31	-	-	-	-	-31	-
Income tax assets	7	-	10	-	-	-	-	10	10
Cash and cash equivalents	6	33 353	-43	-	-	-	-	-43	33 310
Total current asset		**56 517**	**-907**	**-**	**36**	**-**	**5**	**-866**	**55 650**
Total assets		**67 525**	**-**	**591**	**45**	**44**	**-2 186**	**-1 506**	**66 019**
EUR thousand									
EQUITY AND LIABILITIES									
Equity									
Share capital		705	-	-	-	-	-	-	705
Share premium		202	-	-	-	-	-	-	202
Reserve for invested unrestricted equity		33 693	-	-	-	-	-1 371	-1 371	32 322
Cumulative translation difference	8	-267	373	11	-	-	-15	368	101
Retained earnings	8	11 348	-373	299	14	-79	316	177	11 526
Profit for the period		2 244	-	164	15	40	-759	-540	1 704
Total equity attributable to owners of the parent		**47 924**	**-**	**474**	**29**	**-39**	**-1 829**	**-1 365**	**46 559**
Total equity		**47 924**	**-**	**474**	**29**	**-39**	**-1 829**	**-1 365**	**46 559**
Liabilities									
Non-current liabilities									
Borrowings	4	7 058	-1 812	-	-	17	-	-1 796	5 262
Provisions	5	430	-430	-	-	-	-	-430	-
Deferred tax liabilities	4	-	224	117	16	-	-357	-	-
Derivative financial instruments		-	-	-	-	49	-	49	49
Employee benefit obligations	5	-	430	-	-	-	-	430	430
Total non-current liabilities		**7 488**	**-1 589**	**117**	**16**	**65**	**-357**	**-1 747**	**5 741**
Current liabilities									
Borrowings	6	4 257	1 949	-	-	18	-	1 967	6 224
Advances received		132	-	-	-	-	-	-	132
Deferred tax liabilities	4	224	-224	-	-	-	-	-224	-
Account payables and other liabilities	1, 7,9	7 500	-240	-	-	-	-	-240	7 260
Income tax liabilities	7	-	103	-	-	-	-	130	103
Total current liabilities		**12 113**	**1 589**	**-**	**-**	**18**	**-**	**1 607**	**13 720**
Total liabilities		**19 601**	**-**	**117**	**16**	**83**	**-357**	**-141**	**19 460**
Total equity and liabilities		**67 525**	**-**	**591**	**45**	**44**	**-2 186**	**-1 506**	**66 020**

Reclassifications

Robit has made following reclassifications to its opening balance sheet as at 1 January 2015 and balance sheet as at 31 December 2015:

1. Leasehold improvements in Korean subsidiary have been classified as intangible assets under FAS. Under IFRS leasehold improvements should be classified as PP&E. Necessary reclassification adjustment has been recorded in the IFRS financial statements amounting to EUR 103 thousand as at 1 January 2015 and EUR 139 thousand as at 31 December 2015.
2. Non-current part of the employee loans have been reclassified as non-current receivables amounting to EUR 738 thousand as at 1 January 2015 and EUR 717 thousand as at 31 December 2015.
3. Robit has recorded certain receivables under investments under FAS which are under IFRS reclassified to other receivables. An adjustment of EUR 150 thousand and EUR 169 thousand has been recorded from investment to non-current other receivables, EUR 30 thousand and EUR 31 thousand from current investments to non-current investments and EUR as at 1 January 2015 and 31 December 2015 respectively.
4. Deferred tax assets of EUR 72 thousand and EUR 123 thousand as at 1 January 2015 and 31 December 2015 related to Korean subsidiary have been reclassified from non-current investments to deferred tax assets in the IFRS balance sheet. Deferred tax assets of EUR 78 thousand and EUR 130 thousand and liabilities of EUR 159 thousand and EUR 224 thousand presented as current under FAS have been reclassified as non-current under IFRS as at 1 January 2015 and 31 December 2015.
5. Employee benefits related to Korea have been presented as provision under FAS but in the line employee benefit obligations under IFRS. Accordingly a reclassification adjustment of EUR 349 thousand as at 1 January 2015 and EUR 430 thousand as at 31 December 2015 was made.
6. Robit's short term deposits of EUR 43 thousand have been reclassified from cash and cash equivalents to Account receivables and other receivables under IFRS as at 1 January 2015 and 31 January 2015. Also the bank overdrafts of EUR 720 thousand and EUR 1949 thousand as at 1 January 2015 and 31 January 2015 respectively presented under non-current borrowings under FAS have been reclassified to current borrowings under IFRS.
7. Under FAS income tax receivables and liabilities have been presented as accruals whereas under IFRS those are presented separately in the face of the balance sheet. Therefore a reclassification adjustment of EUR 379 thousand for the opening balance sheet and reclassification adjustment of EUR 103 thousand as at 31 December 2015 have been done from 'Account payables and other liabilities' to 'Income tax liabilities'. Also a reclassification of EUR 10 thousand has been made Income tax asset from accrued income as at 31 December 2015.
8. Translation differences related to translation of subsidiaries' net assets amounting to EUR 372 thousand have been reclassified from retained earnings to cumulative translation difference as at 31 December 2015.
9. Non- current portion of Korean subsidiary's finance lease liabilities have been reclassified to non-current borrowings as at 31 December 2015.This adjustment amounted to EUR 137 thousand. Current portion of Korean subsidiary's finance lease liabilities have been reclassified to current borrowings as at 1 January 2015. This adjustment amounted to EUR 156 thousand.

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AUDITOR'S REPORT (Translation of the Finnish original)

To the Board of Directors of Robit Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Robit Oyj (business identity code 0825627-0) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the

group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Matters

Robit Oyj has prepared financial statements for the same period according to the Finnish GAAP, on which an unqualified auditors report was issued on 28 February 2017.

Helsinki, 11 May 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant