Robit®

# Interim Report January – June 2016

ROBIT PLC COMPANY RELEASE 30 AUGUST 2016 AT 11.00 A.M.

**ROBIT PLC INTERIM REPORT JANUARY – JUNE 2016: ACQUISITIONS BOOST COMPANY'S OPERATIONS**

Robit Plc Interim Report 1 January – 30 June 2016 (unaudited)
In the text H1 refers to the review period 1 January – 30 June 2016 and H2 refers to the review period 1 July – 31 December 2016.

**January – June 2016 summary**

H1 net sales totalled EUR 21.031 (H1/2015: 21.913) million, change of -4.0 %

Q2 net sales were EUR 11.636 (Q2/2015: 11.232) million, change of +3.6 %

H1 operating profit was EUR 1.505 (H1/2015: 1.706) million, change of -11.8 %

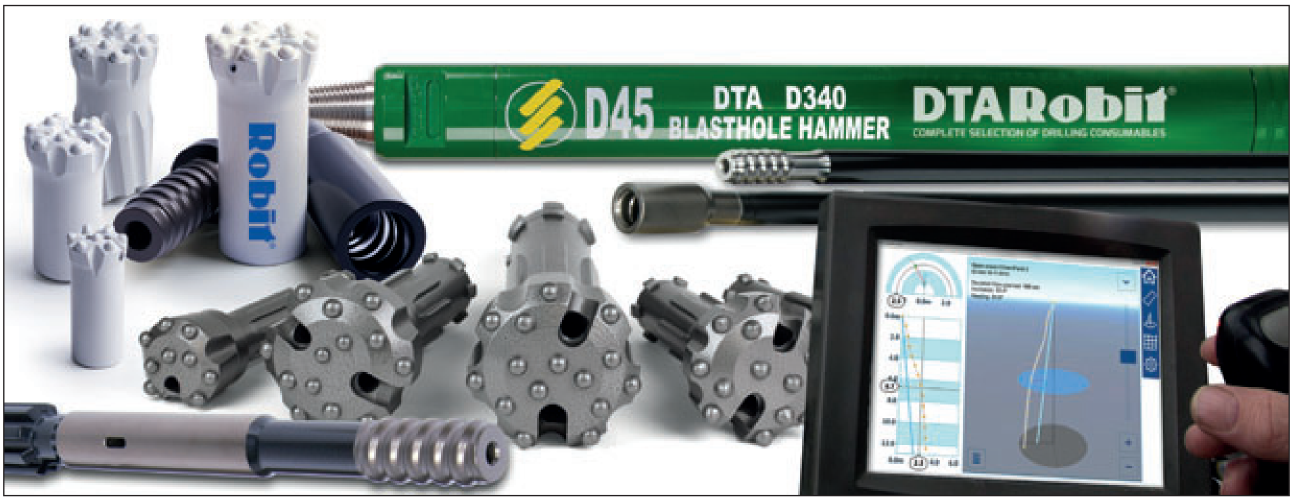
H1 operating profit as percentage of net sales was 7.2 % (H1/2015: 7.8 %)

H1 net income was EUR 1.162 (H1/2015: 1.403) million, change of -17.2 %

Earnings per share at the end of the period under review were EUR 0.07 (H1/2015: EUR 0.12), change of -41.7 %

Equity ratio at the end of the period under review was 43.7 % (H1/2015: 67.8 %)
The company has made two major acquisitions: in Australia during H1 and in England immediately after the end of H1. These companies had combined annual net sales, according to their respective latest annual financial statements, of approximately EUR 31.4 million. This figure is not included in any way in the H1 net sales.

| Key financials | 1–6/2016 | 1–6/2015 | Change % | 1–12/2015 |
|---|---|---|---|---|
| Net sales, EUR 1.000 | 21.031 | 21.913 | -4,0 | 45.588 |
| EBITA, EUR 1.000 | 1.534 | 1.735 | -11,6 | 3.448 |
| Operating profit, EUR 1.000 | 1.505 | 1.706 | -11,8 | 3.389 |
| Operating profit, percent of sales | 7,2 | 7,8 | - | 7,4 |
| Net income for the review period, EUR 1.000 | 1.162 | 1.403 | -17,2 | 2.244 |




*Robit's offering for demanding drilling in hard rock*

**CEO MIKKO MATTILA COMMENTS**

Robit's operations in the review period can be summed up as follows: net sales were almost unchanged from H1 in 2015, and the profitability of its operations measured in terms of the sales margin and EBITDA improved slightly. Net income declined slightly from the previous year. In a challenging market situation, the company maintained the competitive position of its operations, and of particular importance were the major company acquisition in Australia at the end of the period and another acquisition in the UK offering synergy benefits just five days after the end of the review period. These companies had combined annual net sales, according to their respective latest annual financial statements, of approximately EUR 31.4 million.

After the two years of downturn in the global market, there are still no significant signs of growth, and the market is still waiting for an upturn. Despite these market conditions, the company succeeded through its sales efforts in maintaining its net sales at almost the same level. Net sales declined 4.0 % from H1/2015.

Thanks to an improved sales margin, moderate salary costs and a non-operational income item from the sale of shares of Robit SA (Pty) Ltd to its key personnel, the company improved profitability slightly in terms of the EBITDA percentage to 12.0 % in the review period (10.7 % for H1/2015).

The company's net sales in Q2/2016 increased 3.6 % from Q2/2015. Another positive factor was that Q2/2016 net sales of EUR 11.6 million were considerably better than those in the previous quarter Q1/2016, when net sales totalled EUR 9.4 million. So Q2/2016 sales were 23.4 % higher than in the first quarter of 2016.

The company failed to achieve its ambitious targets for organic growth. The main reason was the very weak demand in Q1/2016 mentioned above.

The company continued to maintain its good level of profitability in terms of the sales margin. The sales margin percentage in H1/2016 was 37.3 % (31.6 % in H1/2015). The improvement in the sales margin was a result of the systematic development and improvement in sourcing and production.

The company's profitability measured in terms of EBITA % declined slightly from the period for comparison. EBITA H1/2016 was EUR 1.534 million and EBITA % was 7.3 % of net sales (EUR 1.735 million and 7.9 % of net sales in H1/2015). Depreciation on fixed assets increased EUR 0.363 million from the period for comparison. Of this, capitalised IPO costs increased EUR 0.173 million to EUR 0.260 million (EUR 0.086 million in H1/2015).

The company gave advance notice of the prospects stated in its half-year report in the company release issued on 17 June 2016 and further revised its advance information on 15 August 2016.

Acquisition projects and their implementation played a key role in the review period. The company acquired Drilling Tools Australia Pty Ltd (DTA) in Australia, and immediately after the end of the period Bulroc (UK) Ltd in the UK. Both acquisitions will significantly strengthen the DTH business unit.

The purchase of Drilling Tools Australia Pty Ltd took place at the end of the review period on 30 June 2016, so it had no impact on the company's net sales. The balance sheet of Drilling Tools Australia Pty Ltd was incorporated in the consolidated Robit Group balance sheet. Through the acquisition the Robit balance sheet items goodwill, fixed assets, inventories, trade receivables, long-term debt and short-term debt increased significantly. A consequence of the above, the company's capital efficiency and the items in the consolidated balance sheet are not comparable with those for the period for comparison.

The figures in the key figures table in the half-year report are however presented so that they are comparable with the comparative period.

**MARKET REVIEW**

According to company management, the low market demand still continued in the review period. The slight upturn in the market experienced in the second half of 2015 did not continue into the review period. In the view of management, the company's net sales declined less than the decline experienced by its competitors. The company's decision to focus only on consumables showed the company's strategic strength and eased the company's situation in the business conditions prevailing in the review period.

Similarly, the company's previous investments in the sales network also assisted the company's operations. The company continued to follow its chosen strategy and during the review period established a sales office in Thailand (Bangkok) to serve customers in South-East Asia. The operations of the sales company in Peru (Lima) established towards the end of 2015 provided some positive initial results.

Following the acquisition in Australia of Drilling Tools Australia Pty Ltd (DTA) mentioned above, the company significantly strengthened its position in the Australian market. DTA has a strong position in Australia, which is supported by its own sales and production in Perth. Because of the date of the acquisition, 30 June 2016, the new subsidiary in Australia only has a visible impact at Robit Group on the balance sheet. The impact on the profit and loss and cash flow statements will only be visible in the second half of the year.

The Europe and Africa market areas remained active, accounting for 58.0 % of the company's net sales. They had combined net sales of EUR 12.2 million (EUR 12.1 million in H1/2015).


*Robit's versatile offering for different ground drilling applications*

Development in sales in North and South America fell short of their targets. The area accounted for 13.6 % of net sales. Their combined net sales totalled EUR 2.9 million (EUR 3.7 million in H1/2015).

Asia and Australia continued to be significant areas, with 19.7 % of net sales, which totalled EUR 4.1 million (EUR 4.7 million in H1/2015). The role of the area in the company will further increase significantly as a result of the acquisition in Australia. Thus the Asia and Australia area will form the largest market area in the company. Company management considers that this market area has considerable growth potential in the future.

Despite the difficult state of the market in Russia, the company succeeded in slightly improving its position in Russia (Russia and the CIS countries), with net sales of EUR 1.8 million (EUR 1.4 million in H1/2015).

In line with its strategy the company is aiming at organic growth in all market areas. The company's own sales, service and warehouse network, which it has built up systematically, will continue to function as a global platform for boosting the company's sales. At the end of the review period, the network comprised 9 of the company's own business units, and following the acquisition at the beginning of July 2016 in the UK (Bulroc (UK) Ltd), their number increased to 12. Having its own global network supports in particular the competent dealer network and its sales operations.

The acquisitions during the review period and immediately after it have broadened the company's product offering, strengthened its market coverage and increased production capacity, so acquisitions will play a very significant role in the future growth.

**DEVELOPING THE OFFERING**

In January 2016 the company established three strategic business units for its operations: **Top Hammer**, **Down the Hole** and **Digital Services**.

In its **Top Hammer (TH)** i.e. rock drilling product line, the company is looking for growth by continuing to offer clients one-stop shopping. The factory in South Korea played an increasingly important role, and the volume of rods and shanks manufactured there developed positively. The factory met its targets. The Top Hammer business totalled EUR 14.6 million, which is 69 % of the company's net sales (EUR 14.6 million and 67 % in H1/2015).


*Top Hammer products*


In its **Down the Hole (DTH)** i.e. ground drilling product line, the patented product solutions in the portfolio were the biggest element in the sales of the DTH business unit. Opportunities for growth in the construction and geothermal heating and cooling segments remain good. The acquisitions (DTA in June 2016 and Bulroc in July 2016) will make it possible to offer customers one-stop shopping. This should strengthen the company's competitive position and increase the size of deliveries to customers. The DTH business totalled EUR 6.5 million, or 31.0 % of net sales (EUR 7.3 million and 33.0 % in H1/2015).

*DTH products*


The **Digital Services** business segment was established to support the development of the company's service business. Its key technology platforms are IoT (Internet of Things), cloud services, Big Data and digitalisation. Sense Systems, a system for measuring hole straightness that is the result of many years' R&D, forms the core of the business segment. During the review period the company focused on carrying out several long-term tests with end users and on further development of reliability in different drilling environments. The technology and related service have aroused considerable interest in the market. The Digital Services business segment had no net sales in the review period.

*Digital Services*

**FINANCIAL PERFORMANCE**

| | H1/2016 | H1/2015 | Change % | 2015 | 2014 | Change % |
|---|---|---|---|---|---|---|
| Net sales, EUR 1.000 | 21 031 | 21 913 | -4,0 % | 45 588 | 38 272 | 19,1 % |
| Net sales growth, percent | -4,0 % | 19,8% | | 19,1 % | 12,7% | |
| Gross profit, EUR 1.000 | 7 848 | 6 936 | 13,2 % | 14 683 | 11 337 | 29,5 % |
| Gross profit, percent of sales | 37,3 % | 31,7% | | 32,2 % | 29,6% | |
| EBITDA, EUR 1.000 | 2 515 | 2 353 | 6,9 % | 5 066 | 4 765 | 6,3 % |
| EBITDA, percent of sales | 12,0 % | 10,7 % | | 11,1 % | 12,5 % | |
| EBITA, EUR 1.000 | 1 534 | 1 735 | -11,6 % | 3 448 | 3 819 | -9,7 % |
| EBITA, percent of sales | 7,3 % | 7,9 % | | 7,6 % | 10,0 % | |
| Operating profit, EUR 1.000 | 1 506 | 1 706 | -11,7 % | 3 389 | 3 761 | -9,9 % |
| Operating profit, percent of sales | 7,2 % | 7,8 % | | 7,4 % | 9,8 % | |
| Net income for the review period, EUR 1.000 | 1 162 | 1 403 | -17,2 % | 2 244 | 2 925 | -23,3 % |
| Net income for the review period, percent of sales | 5,5 % | 6,4 % | | 4,9 % | 7,6 % | |
| EPS, adjusted for share split, EUR | 0,07 | 0,12 | | 0,17 | 0,29 | -41,0 % |
| Return on equity, percent* | 5,0 % | 9,3 % | | 7,4 % | 25,4 % | |
| Return on capital employed (ROCE), percent* | 9,3 % | 10,4 % | | 9,5 % | 21,2 % | |
| Net interest-bearing debt, EUR 1.000 | 11 280 | -23 756 | 147,5 % | -22 070 | 6 866 | -421,4 % |
| Equity ratio, percent | 43,7 % | 67,8 % | | 71,1 % | 47,4 % | |
| Gearing, percent | 23,2 % | -50,4 % | | -46,1 % | 52,9 % | |
| Gross investments, EUR 1.000 | 32 709 | 4 343 | 653,1 % | 7 732 | 1 712 | 288,6 % |
| Gross investments, EUR 1.000 (acquisition excl.) | 656 | 4 343 | -84,9 % | 7 732 | 1 712 | 288,6 % |
| Gross investments, percent of sales (incl. acquisition) | 155,5 % | 19,8 % | | 17,0 % | 4,5 % | |
| R&D costs, percent of sales | 2,6 % | 2,7 % | | 3,0 % | 2,1 % | |
| Average number of employees** | 139 | 117 | 18,8 % | 124 | 109 | 13,8 % |
| Number of employees at the end of period | 214 | 124 | 72,6 % | 134 | 109 | 22,9 % |

** The impact of the acquired subsidiary (DTA) on the consolidated balance sheet is day weighted.*

***The number of personnel includes full- and part-time employees. The figure does not include the 70 additional persons obtained through the acquisition of DTA.*

Looking at the company's profitability indicators, the sales margin continued to develop encouragingly. A key factor in the improvement in the sales margin during the review period has been increasing the effectiveness of the purchasing function, which reduced the prices of raw materials and of the components used in production. According to company management, no change took place in the market prices of the end products.

EBITDA increased approximately EUR 0.2 million from the comparative period (increase of +6.9 %). EBITDA was EUR 2.514 million in the review period, or 12.0 % of net sales (EUR 2.352 million and 10.7 % in H1/2015).

The company's EBITA declined EUR 0.2 million but as a percentage remaining close to the previous year's figure. EBITA % was 7.3 % (7.9 % in H1/2015).

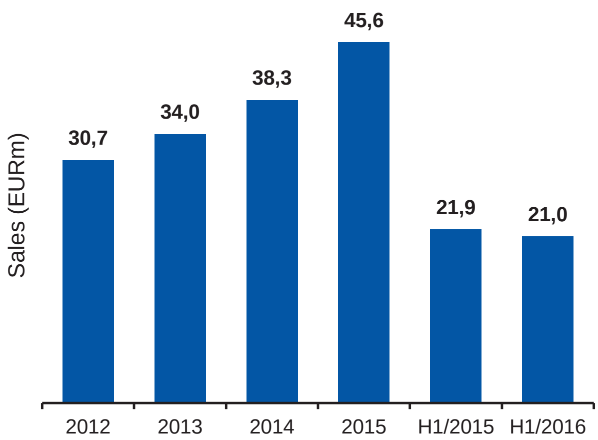
When examining profitability, it is important to take into account the following income and cost items:

- ‘Other operating income’ included a non-operational income item of approximately EUR 0.2 million recognised from the sale of part of Robit SA (Pty) Ltd shares to key personnel, forming a minority holding as part of the Black Economic Empowerment (BEE) programme.
- Personnel costs arising from the increase in the number of personnel (+20 persons). Personnel costs in the review period included incentives of EUR 0.1 million (EUR 0.3 million in H1/2015).
- ‘Other operating expenses’ in the review period totalled EUR 3.7 million (EUR 3.8 million in H1/2015). These included among other things the costs for setting up the sales company Robit S.A.C. in Peru and the sales office in Thailand.
- Exchange rates had only a marginal impact in the review period.

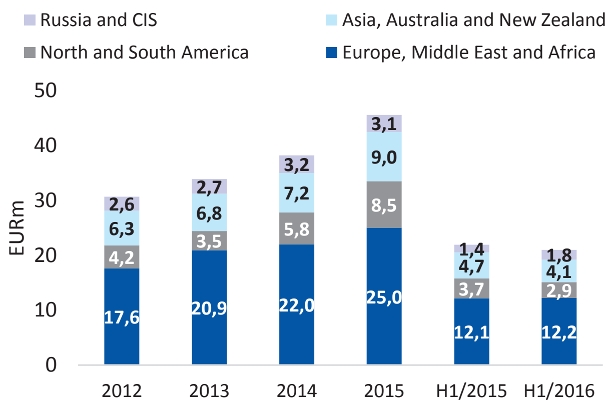
The increase in depreciation continued to have an impact on EBITA: depreciation in H1/2016 totalled EUR 0.981 million (EUR 0.618 million in H1/2015). Total depreciation including amortisation of goodwill was EUR 1.009 million (EUR 0.646 million in H1/2015).

The increase in depreciation was due to the company’s active investment policy. During the review period the company continued its investment in product development and IP (EUR 0.244 million), and in particular the cloud-based ERP system (EUR 0.194 million) and in production machinery and equipment (EUR 0.218 million). Total investments in the review period were EUR 0.656 million (EUR 4.343 million in H1/2015, of which the IPO investment accounted for EUR 2.603 million of this).

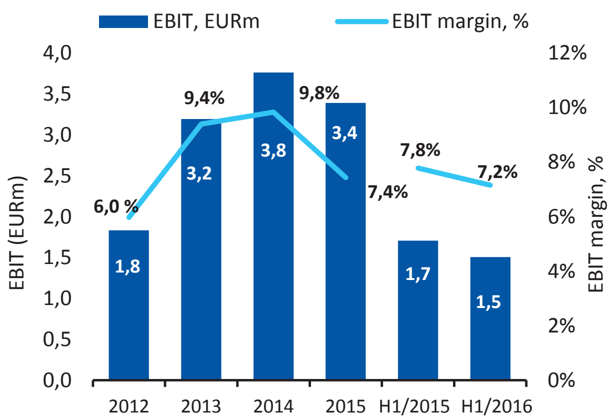
## NET SALES DEVELOPMENT, EURm



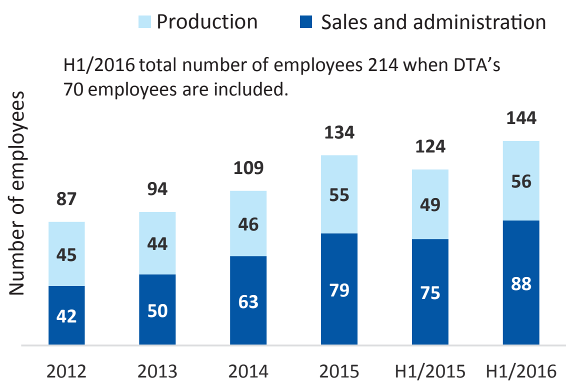

## NET SALES BY REGION, EURm




## PROFITABILITY DEVELOPMENT




## NUMBER OF EMPLOYEES AT THE END OF PERIOD



The equity ratio was 43.7 % (67.8 % in H1/2015). The equity ratio declined as a consequence of the acquisition. To finance the acquisition, the company raised a new loan of EUR 27.0 million. The total value of the financial agreements negotiated by the company is EUR 36.0 million, and the company will take the remaining EUR 9.0 million of this during the second half of the year.

The company's cash and cash equivalents totalled EUR 26.0 million. The company wishes to maintain its strong liquidity to finance future growth and any future acquisitions.

Earnings per share were EUR 0.07.

**FINANCIAL TARGETS**

The company's long-term (10 year) average annual growth rate (CAGR) has been 23 %.

The company continues as a clear growth company in line with its strategy. It is looking for organic growth in line with the target set in its strategy of annual growth in net sales of 15 %. Growth in net sales in the review period H1/2016 was negative, -4 % from the comparative period.

The company achieved its goal of growth through acquisitions, i.e. structural growth, through the acquisition of Drilling Tools Australia Pty Ltd on 30 June 2016 and less than one week later on 5 July 2016 of Bulroc (UK) Ltd. These companies had combined annual net sales, according to their respective latest annual financial statements, of approximately EUR 31.4 million. Through these acquisitions the company raised its total annual net sales to a level of approximately EUR 75.0 million.

The goal of the company's management is still to maintain good profitability in terms of the sales margin percentage, which was 37.3 % in the review period.

Company management believes that the profitability of operations will develop positively through the increase in volume and the two acquisitions (measured by EBITDA). It should be noted that the profitability of the two acquisitions in terms of EBITDA is on average higher than the previous profitability of the group. The company's EBITDA in the review period was EUR 2.515 million and 12.0 % of net sales (EUR 2.353 million and 10.7 % in H1/2015).

The company had inventories of EUR 27.3 million (EUR 14.6 million in H1/2015), which was an increase of EUR 12.7 million from H1/2015. It is important to note the impact of the acquisition in Australia on the increase in inventories (EUR 13.8 million), so the comparable figure for the company's operations excluding the acquisition of DTA was approximately EUR 13.5 million. Aided by the new ERP system, the company developed a sales forecasting system, which helped it successfully optimise the level of inventories at the production units.

In the integration projects following the acquisitions, optimising the product selection and improving stock turnover, through-put times and logistics will take on even more importance. The target of the optimisation project is to maintain the excellent service capability for customers in selected market segments.

**FINANCING AND INVESTMENT**

The company's cash flow from operations in the review period totalled EUR 0.1 million (EUR 2.3 million in H1/2015).

The company's cash flow before financing was EUR -32.9 million. Investments in tangible and intangible assets totalled EUR 0.7 million and the change in long-term receivables was EUR -0.3 million. These figures do not include the payment instalments for the acquisition. In the cash flow statement, the 1st instalment paid in the review period for Drilling Tools Australia Pty Ltd (EUR 32.1 million), is recorded under 'Investments in subsidiaries'. The total price was EUR 44.4 million, and the second instalment of EUR 12.3 million is presented in the balance sheet under short-term debt.

Trade receivables tied up EUR 12.6 million (EUR 8.7 million in H1/2015). Trade receivables increased EUR 1.7 million as the result of the acquisition in Australia.

The company's financing income totalled EUR 1.3 million (EUR 0.3 million in H1/2015). The currency hedging on the price for Drilling Tools Australia Pty Ltd had a positive impact on the increase in financing income. The company's financing costs were EUR 1.4 million (EUR 0.3 million in H1/2015). One factor that had a negative impact on the growth in financing costs was the exchange rate losses incurred in the review period in connection with the financing for the purchase of Bulroc (UK) Ltd, as the result of developments in the exchange rate following the Brexit EU referendum in the UK.

Long-term loans from financial institutions increased EUR 26.9 million from the period for comparison. In H1/2016 they totalled EUR 34.1 million (EUR 7.2 million in H1/2015).

The company's cash and cash equivalents totalled EUR 26.0 million at the end of the period under review (EUR 34.1 million at the end of H1/2015).

**PROSPECTS**

Robit expanded its portfolio significantly in the Down the Hole business unit through the two acquisitions (DTA and Bulroc). The acquisitions considerably strengthen the company in its chosen drilling consumable business, on which the company has focused in accordance with its strategy.

The new product offering through the acquisitions combined with the company's expanded own distributor network and network of 160 dealers create excellent growth opportunities in the new group. A skilled, effective and customer-oriented dealer network will play a vital role in the company's future organic growth. According to company management, the factors mentioned above create outstanding conditions for raising the company's market share and boost its position in the market.

By offering larger delivery packages the company can provide better service for its customers. At the same time, it expects unit costs of sales to decline, so it also expects sales productivity to rise.

Through the DTA and Bulroc acquisitions the company obtained new best practices such as HSE (Health, Safety, Environment) operating principles that will be introduced throughout Robit Group.

The company continues to examine potential acquisition candidates as part of the global trend towards consolidation in the sector, which company management believes will continue. Through the development measures carried out in the review period, the DTA acquisition at the end of June and the acquisition of Bulroc immediately afterwards at the beginning of July, Robit continues to follow its strategy of strong growth.

**SHARES AND SHARE TURNOVER**

On 30 June 2016 the company had 15,883,900 shares.

On 30 June 2016 the company had 905 shareholders.

The company holds 99,567 own shares (0.6 % of the shares).

Market capitalization on 30 June 2016 was EUR 92,920,815.00 (share price EUR 5.85).

**PERSONNEL, MANAGEMENT AND ADMINISTRATION**

The number of personnel increased by 20 from the comparative period, standing at 144 at the end of the period under review, not including the personnel from the acquisition of DTA. The increase in personnel has been as planned, to enable the company to grow further. Approximately 49 % of personnel were located outside Finland. The acquisition of DTA on the last day of the review period increased the number of group personnel by a further 70. Including the personnel of DTA, the total number of group personnel at the end of the review period was 214.
The following were elected to the Board of Directors on 18 March 2016: Tapio Hintikka, Hannu-Kalle Reponen, Matti Kotola, Anni Ronkainen and Harri Sjöholm (chairman). The first four of these are independent of the company. Anni Ronkainen is a new member. Mikko Mattila was appointed CEO on 2 January 2016.

**RISKS AND UNCERTAINTIES**

The risks and uncertainties to which the company is exposed relate to the company’s business environment, to any changes in this, and to global economic developments. Prospects especially in the euro zone and in Russia are uncertain.

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

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

**ANNUAL GENERAL MEETING 2016**

The Annual General Meeting was held in Tampere on 18 March 2016. The meeting confirmed the 2015 financial statements and discharged the members of the Board and the CEO from liability for the 2015 fiscal year.

The meeting decided to pay a total dividend of EUR 631,373.32 or EUR 0.04 per share to shareholders who were registered on the record date 22 March 2016 on the company’s list of shareholders maintained by Euroclear Finland Oy.

The AGM also decided to authorise the Board to purchase a maximum of 1,588,390 of the company’s own shares, however such that the number of shares does not exceed 10 % of all the company shares.

The AGM also decided to authorise the Board of Directors to decide on a share issue and an issue of share options and other special rights entitling to shares as referred to in Section 1 of Chapter 10 of the Limited Liability Companies Act. Under the authorisation a maximum of 1,588,390 shares may be issued, corresponding to approximately 10 % of the current number of shares. The company's own shares and rights entitling to shares may be given and conveyed for example as consideration in acquisitions or as part of the company's incentive scheme.

Those elected to the Board of Directors are listed in the section "Personnel, management and administration" above.

Ernst & Young Oy, was re-elected as the company's auditor, with Mikko Järventausta as the principle auditor.

**OTHER EVENTS DURING THE REVIEW PERIOD**

On 2 January 2016 the company appointed Mikko Mattila, MSc.(Eng.), (38), as its new CEO. Mikko Mattila has worked for 15 years at Robit Plc.

As part of its renewal project, the company decided to change its organisational structure and formed three strategic business units (SBU): Top Hammer (TH), Down the Hole (DTH) and Digital Services. With this structure the company aims to further boost its growth and renewal. New SBU leaders were appointed to the business units. Olli Kuismanen, MSc. (Eng.) (b. 1975) was nominated to the Down the Hole unit and Tuomo Niskanen, MSc. (Eng.) (b. 1957) to the Top Hammer unit.

On 1 January 2016 the company established a sales office in Bangkok, Thailand as part of Robit's strategy of international expansion. The new company strengthened the group's sales and customer service in the South-East Asia area. Robit has obtained a stronger market position in Asia following the acquisition in South Korea (in May 2011). The sales company in Thailand further strengthened Robit's presence in the area.

The company completed the acquisition of Drilling Tools Australia Ltd (DTA), for which it signed an agreement on 19 May 2016. The terms of the acquisition were accomplished by 30 June 2016, when Drilling Tools Australia Ltd (DTA) became part of Robit Group. This was a major transaction, as DTA had net sales for the 12-month financial period ending in June 2016 of approximately EUR 23.1 million.

The company carried out a share issue to employees of Robit SA (Pty) Ltd, after which Robit held 70 % of Robit SA (Pty) Ltd. The issue ensures that the company's operations are in accordance with South African legislations and regulations and supports the country's Black Economic Empowerment programme, which aims to promote the socio-economic development of the country's black population.

The company started to build an environmental management system complying with the ISO 14001 standard, and Robit will be applying for certification during 2016.

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

The company has expanded its network of subsidiaries in line with its strategy and through this has strengthened its market coverage.

The company purchased 100 % of the share stock of Bulroc (UK) Ltd on 5 July 2016. Bulroc has focused especially on the manufacturing and marketing of large Down the Hole hammers. Through this acquisition Robit obtained a major addition to its product offering and also a production unit in the UK, in Chesterfield. Bulroc (UK) Ltd had net sales in the financial year ending in September 2015 of approximately EUR 8.4 million (GBP 6.2 million).

The company now has 11 subsidiaries: Robit Finland Oy Ltd, Finland (holding 100 %); Robit Korea Ltd (formerly YP Robit Ltd), South Korea (holding 100 %); Robit Australia Holdings Pty Ltd and its subsidiary Drilling Tools Australia Pty Ltd, Australia (holding 100 %); Bulroc (UK) Ltd, UK (holding 100 %); Robit Rocktools Sweden Ab, Sweden (holding 100 %); Robit OOO, Russia (holding 100 %); Robit Inc., USA (holding 100 %); Robit Africa Holdings (Pty) Ltd, South Africa (holding 100 %), Robit SA (Pty) Ltd (holding 70 %); Robit S.A.C., Peru (parent company's direct holding 99 % and Group holding 100 %);. The company also has sales offices in Thailand, Namibia and China.

Robit Rocktools Sweden Ab and Robit Africa Holdings (Pty) Ltd are dormant.

The company has appointed Mika Leppänen, M.Sc. (Econ.), (b. 1959) as the new Group CFO. Leppänen will join the company on 1 September 2016.

The company has also begun an IFRS project with the goal of switching to international IFRS financial reporting standard in January 2017.

The company has also decided to set up a group internal audit as a permanent practice in the company, and will select an external audit company to carry this out. Through this procedure the company will safeguard the quality of its operations and ensure effective risk management.

**FINANCIAL INFORMATION EVENTS**

An analyst and press conference in connection with the publication of the Interim Report is being held for analysts, investors and media representatives in Helsinki at 2.00 p.m. EEST on Tuesday, 30 August 2016. The conference is being held at the Scandic Simonkenttä Hotel, Simonkatu 9, Helsinki.

The doors will open at 1.30 pm. The conference will be held in English.

The conference will be conducted by the company's CEO and the Chairman of the Board. They will present the half-year review, including a market review, key events in the first half of the year, and the result.

Questions can be presented either beforehand via email investors@robit.fi or during the presentation.

It is also possible to view the presentation live on a webcast on the internet at http://live.mentoraid.fi/a73AcA. Viewing the presentation does not require registration.

The material to be used in the presentation and a video recording will be available on the company's website at http://www.robit.fi/investors/financial-information/.

**FINANCIAL INFORMATION**

Robit Plc expects to publish the following Interim Report and the Financial Statement release in February 2017.

Lempäälä, 30 August 2016

**Robit Plc**
**CEO Mikko Mattila**
**Board of Directors**

**ROBIT GROUP**

This Interim Report has been prepared in accordance with good accounting practice and Finnish accounting standards (FAS). The figures have not been audited.

The figures have been rounded and the total amounts from adding up the individual figures in the spread sheet rows and columns may therefore differ from the totals presented for the rows or columns.

**Robit Plc**
**Business ID: 0825627-0**

**Profit and Loss Account**

| | **€**<br>**1.1.2016 - 30.6.2016** | **€**<br>**1.1.2015 - 30.6.2015** | **€**<br>**1.1.2015- 31.12.2015** |
|---|---|---|---|
| **TURNOVER** | **21 030 550,33** | **21 912 577,04** | **45 588 319,89** |
| Variation in stocks of finished goods and work in progress | 1 353 219,49 | 1 016 685,39 | 1 103 330,31 |
| Production for own use | 97 957,85 | 185 538,16 | 232 011,51 |
| Other operating income | 262 903,44 | 42 321,55 | 169 422,70 |
| Raw materials and services | | | |
| Raw materials and consumables | | | |
| Purchases during the financial year | -7 288 030,19 | -9 645 482,20 | -16 316 457,55 |
| Variation in inventories | 292 475,63 | 1 606 472,16 | -985 408,60 |
| External services | -5 827 774,00 | -5 301 783,86 | -10 487 115,58 |
| Raw materials and services total | -12 823 328,56 | -13 340 793,90 | -27 788 981,73 |
| Staff expences | | | |
| Wages and salaries | -3 268 194,50 | -3 149 213,73 | -6 354 529,88 |
| Social security expences | | | |
| Pension expences | -333 834,14 | -402 181,49 | -800 424,74 |
| Other social security expences | -153 427,50 | -103 907,76 | -184 287,95 |
| Staff expences in total | -3 755 456,14 | -3 655 302,98 | -7 339 242,57 |
| Depreciation and reduction in value | | | |
| Depreciation according to plan | -1 009 233,26 | -646 410,66 | -1 676 282,18 |
| Other operating charges | -3 651 657,21 | -3 808 623,25 | -6 899 082,01 |
| **OPERATING PROFIT (LOSS)** | **1 504 955,94** | **1 705 991,35** | **3 389 495,92** |
| Financial income and expences | | | |
| Other interest and financial income | 1 250 046,53 | 346 079,61 | 444 334,11 |
| Interest and other financial expenses | | | |
| For others | -1 405 595,39 | -297 793,02 | -850 587,80 |
| Financial income and expenses total | -155 548,86 | 48 286,59 | -406 253,69 |
| **PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS** | **1 349 407,08** | **1 754 277,94** | **2 983 242,23** |

| | | | |
|---|---|---|---|
| **PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES** | **1 349 407,08** | **1 754 277,94** | **2 983 242,23** |
| Taxes during financial year | -245 171,31 | -360 671,27 | -727 877,28 |
| Calculated change of taxes | 57 687,07 | 9 571,24 | -11 583,32 |
| **PROFIT (LOSS) FOR THE FINANCIAL YEAR)** | **1 161 922,84** | **1 403 177,91** | **2 243 781,63** |
| **PROFIT OF THE GROUP** | **1 161 922,84** | **1 403 177,91** | **2 243 781,63** |

**Consolidated Balance Sheet**

| **A S S E T S** | **€ 30.6.2016** | **€ 30.6.2015** | **€ 31.12.2015** |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | | | |
| Development costs | 209 296,82 | 0,00 | 0,00 |
| Goodwill | 21 254 067,40 | 58 313,16 | 29 011,87 |
| Intangible rights | 165 347,80 | 87 602,74 | 164 815,35 |
| Other capitalized long-term expenses | 3 182 065,14 | 3 435 084,86 | 3 526 588,90 |
| Intangible assets total | 24 810 777,16 | 3 581 000,76 | 3 720 416,12 |
| Tangible assets | | | |
| Land and waters | 149 114,99 | 110 981,63 | 149 114,99 |
| Buildings | 3 021 854,67 | 2 008 978,88 | 3 092 503,93 |
| Machinery and equipment | 13 388 998,26 | 3 074 934,08 | 3 736 359,31 |
| Other tangible assets | 160 135,14 | 7 308,24 | 6 376,56 |
| Advance payments and construction in progress | 74 902,10 | 602 977,32 | 62 358,18 |
| Tangible assets total | 16 795 005,16 | 5 805 180,15 | 7 046 712,97 |
| Investments | | | |
| Other shares and similar rights of ownership | 15 148,50 | 5 259,88 | 2 769,88 |
| Other receivables | 244 724,27 | 262 707,49 | 238 451,89 |
| Investments total | 259 872,77 | 267 967,37 | 241 221,77 |
| **Non-current assets total** | 41 865 655,09 | 9 654 148,28 | 11 008 350,86 |
| **CURRENT ASSETS** | | | |
| Inventories | | | |
| Raw materials and consumables | 7 669 564,81 | 4 380 897,63 | 2 741 084,18 |
| Work in progress | 2 746 190,99 | 1 415 489,65 | 1 060 873,71 |
| Finished products/Goods | 15 557 641,85 | 7 952 659,13 | 7 697 719,43 |
| Other inventories | 1 240 226,28 | 732 592,15 | 161 221,30 |
| Advance payments | 80 992,86 | 88 660,47 | 18 402,21 |
| Inventories total | 27 294 616,79 | 14 570 299,03 | 11 679 300,83 |

| | | | |
|---|---|---|---|
| Debtors | | | |
| Long-term | | | |
| Accrued income | 0,00 | 6 075,80 | 0,00 |
| Loan receivables | 994 378,64 | 736 876,15 | 716 688,57 |
| Long-term total | 994 378,64 | 742 951,95 | 716 688,57 |
| | | | |
| Short-term | | | |
| Trade debtors | 12 647 889,75 | 8 748 090,34 | 9 219 451,54 |
| Amounts owed by group undertakings | 0,00 | 0,00 | 0,00 |
| Loan receivables | 19 778,88 | 15 010,54 | 20 681,32 |
| Calculated tax claim | 226 832,94 | 106 026,50 | 159 458,54 |
| Other debtors | 1 343 863,17 | 1 069 469,27 | 809 266,26 |
| Prepayments and accrued income | 913 540,30 | 723 168,92 | 528 046,49 |
| Short-term total | 15 151 905,04 | 10 661 765,57 | 10 736 904,15 |
| | | | |
| Funding papers | | | |
| Other funding papers | 7 821,79 | 7 991,88 | 31 230,97 |
| Funding papers total | 7 821,79 | 7 991,88 | 31 230,97 |
| | | | |
| Cash in hand and at banks | 26 043 325,13 | 34 110 766,76 | 33 352 632,04 |
| | | | |
| **Current assets total** | 69 492 047,39 | 60 093 775,19 | 56 516 756,56 |
| | | | |
| **ASSETS TOTAL** | **111 357 702,48** | **69 747 923,47** | **67 525 107,42** |

**Consolidated Balance Sheet**

| **LIABILITIES** | **€ 30.6.2016** | **€ 30.6.2015** | **€ 31.12.2015** |
|---|---|---|---|
| **Capital and reserves** | | | |
| Subscribed capital | 705 025,14 | 705 025,14 | 705 025,14 |
| Share premium account | 201 825,51 | 201 825,51 | 201 825,51 |
| Free invested equity reserve | 33 692 594,08 | 33 646 604,67 | 33 692 594,08 |
| Translation difference | -428 323,20 | -244 624,95 | -267 424,11 |
| Retained earnings (loss) | 13 139 156,73 | 11 455 783,14 | 11 348 358,92 |
| Profit (Loss) for the financial period | 1 161 922,84 | 1 403 177,91 | 2 243 781,63 |
| **Capital and reserves total** | 48 472 201,10 | 47 167 791,42 | 47 924 161,17 |
| | | | |
| **Minority share** | 111 445,72 | 0,00 | 0,00 |
| | | | |
| **Mandatory reserves** | | | |
| Other mandatory reserves | 473 581,39 | 441 380,43 | 430 019,10 |
| **Mandatory reserves total** | 473 581,39 | 441 380,43 | 430 019,10 |
| | | | |
| **Creditors** | | | |
| **Long-term** | | | |
| Loans from credit institutions | 34 145 077,96 | 7 227 877,17 | 7 057 714,44 |
| **Long-term total** | 34 145 077,96 | 7 227 877,17 | 7 057 714,44 |

| | | | |
|---|---|---|---|
| **Short-term** | | | |
| Loans from credit institutions | 3 185 859,35 | 3 135 170,56 | 4 256 543,87 |
| Advances received | 269 242,11 | 128 904,19 | 132 470,16 |
| Trade creditors | 8 379 235,14 | 7 121 799,17 | 5 608 803,27 |
| Amounts owed to group undertakings | 0,00 | 18 489,02 | 0,00 |
| Calculated tax debt | 235 417,76 | 149 270,25 | 223 856,85 |
| Other debts | 13 824 934,71 | 423 917,10 | 573 958,51 |
| Accruals and deferred income | 2 260 707,24 | 3 933 324,16 | 1 317 580,05 |
| **Short-term total** | 28 155 396,31 | 14 910 874,45 | 12 113 212,71 |
| **Creditors total** | 62 300 474,27 | 22 138 751,62 | 19 170 927,15 |
| **LIABILITIES TOTAL** | **111 357 702,48** | **69 747 923,47** | **67 525 107,42** |

| | Group | Group | Group |
|---|---|---|---|
| | **30.06.2016** | **30.06.2015** | **31.12.2015** |
| **Statement of cash flows** | | | |
| **Cash flows from operating activities:** | | | |
| Profit (loss) before taxation, and extraordinary items | 1 350 | 1 756 | 2 983 |
| Adjustments: | | | |
| Depreciation according to plan | 1 009 | 646 | 1 676 |
| Financial income and expences | 156 | -49 | 406 |
| Other adjustments | 0 | 0 | 0 |
| **Cash flow before changes in working capital** | **2 515** | **2 353** | **5 066** |
| Working capital changes | | | |
| Increase (-) or decrease (+) in trade and other receivables | -2 714 | -3 017 | -3 110 |
| Increase (-) or decrease (+) in inventories | -1 811 | -2 733 | 159 |
| Increase (-) or decrease (+) in trade payables | 2 533 | 5 969 | 1 951 |
| Cash generated from operations | 523 | 2 572 | 4 066 |
| Interes paid | -1 406 | -297 | -851 |
| Interest received | 1 250 | 346 | 444 |
| Income taxes paid | -245 | -361 | -728 |
| Cash flow before extraordinary items | 122 | 2 260 | 2 931 |
| **Net cash from operating activities (A)** | **122** | **2 260** | **2 931** |
| **Cash flows from investing activities** | | | |
| Investments in tangible and intangible assets | -656 | -4 343 | -6 731 |
| Purchase of investments and acquisitions | -32 053 | 0 | 0 |
| Change in long-term receivables | -296 | 26 | 37 |
| **Net cash used in investing activities (B)** | **-33 005** | **-4 317** | **-6 694** |
| **Cash flow before financing activities (A+B)** | **-32 883** | **-2 057** | **-3 763** |

**Cash flows from financing activities**

| | | | |
|---|---|---|---|
| Proceeds from issuance of share capital | 0 | 33 048 | 33 094 |
| Acquisition of own shares | 0 | 0 | -47 |
| Change of translation difference | 76 | 85 | 83 |
| Change of minority shares | 111 | 0 | 0 |
| Change of short-term loans | -1 070 | -113 | 1 008 |
| Change of long-term loans | 27 087 | 2 021 | 1 851 |
| Dividends and other profit distribution | -631 | -432 | -433 |
| **Cash flow from financing (C)** | **25 573** | **34 609** | **35 557** |
| **Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)** | **-7 310** | **32 552** | **31 794** |
| Cash and cash equivalents at beginning of period | 33 353 | 1 559 | 1 559 |
| Cash and cash equivalents at end of period | 26 043 | 34 111 | 33 353 |
| **Change of cash and cash equivalents by balance sheet** | **-7 310** | **32 552** | **31 794** |

***Increases and decreases in equity during the financial year***

| | **Group 30.6.2016** | **Group 30.6.2015** | **Group 31.12.2015** |
|---|---|---|---|
| Share capital 1.1 | 705 025 | 705 025 | 705 025 |
| Share capital 30.6 | 705 025 | 705 025 | 705 025 |
| Share premium account | 201 826 | 201 826 | 201 826 |
| Invested unrestricted equity fund 1.1. | 33 692 594 | 598 500 | 598 500 |
| Subscribed issue | 0 | 33 048 105 | 33 094 094 |
| Invested unrestricted equity fund 30.6 | 33 692 594 | 33 646 605 | 33 692 594 |
| Profit for previous financial years 1.1 | 11 080 935 | 8 529 626 | 8 544 793 |
| Transfer of previous financial years profit/loss | 2 243 782 | 2 925 419 | 2 925 419 |
| Dividends | -631 483 | -432 660 | -432 660 |
| Acquisition of own shares | 0 | 0 | -46 768 |
| Translation differences | 24 893 | -33 936 | -38 917 |
| Change in previous financial periods | -9 638 | 0 | 0 |
| Change in translation difference | 2 345 | 222 709 | 129 068 |
| Profit for previous financial years 30.6 | 12 710 834 | 11 211 158 | 11 080 935 |
| Profit (Loss) for the financial period on 30.6. | 1 161 923 | 1 403 178 | 2 243 782 |
| **Equity** | **48 472 201** | **47 167 791** | **47 924 161** |

**Acquisition cost calculation of Drilling Tools Australia Pty Ltd**
**(calculation is preliminary and based on DTA asset on 30.6.2016)**

| | € |
|---|---|
| Machinery and equipment | 9 936 237 |
| Inventories | 13 805 246 |
| Debtors | 1 679 652 |
| Cash | 2 813 |
| **ASSETS TOTAL** | **25 423 948** |
| | |
| Creditors | 2 271 960 |
| **LIABILITIES TOTAL** | **2 271 960** |
| | |
| **ACQUIRED CAPITAL** | **23 151 989** |
| | |
| **ACQUISITION COST** | **44 406 056** |
| | |
| **GOODWILL** | **21 254 067** |

## CALCULATION OF KEY FIGURES

EBITDA = Operating profit + Depreciation and amortisation

EBITA = Operating profit + Amortisation of goodwill

$$\text{Earnings per share (EPS), EUR} = \frac{\text{Profit (loss) for the financial year}}{\text{Amount of shares adjusted with the share issue (average during the financial year)}}$$

$$\text{Return on equity, percent} = \frac{\text{Profit (loss) for the financial year}}{\text{Equity (average during the financial year)}} \times 100$$

$$\text{Return on capital employed (ROCE), percent} = \frac{\text{Profit before appropriations and taxes + Interest expenses and other financing expenses}}{\text{Equity (average during the financial year) + Interest-bearing financial liabilities (long-term and short term loans from financial institutions, average during the financial period)}} \times 100$$

Net interest-bearing debt: Long-term and short-term loans from financial institutions – Cash and cash equivalents – Short-term financial securities

$$\text{Equity ratio, percent} = \frac{\text{Equity}}{\text{Balance sheet total – Advances received}} \times 100$$

$$\text{Gearing, percent} = \frac{\text{Net interest-bearing financial liabilities}}{\text{Equity}} \times 100$$

## CONSOLIDATED KEY FIGURES

| | *30.6.2016* | *30.6.2015* | *Change %* | *31.12.2015* |
|---|---|---|---|---|
| TURNOVER | 21 030 550 | 21 912 577 | *-4,03 %* | 45 588 320 |
| OPERATING PROFIT | 1 504 956 | 1 705 991 | *-11,78 %* | 3 389 496 |
| OPERATING PROFIT, % | 7,2 % | 7,8 % | *-8,08 %* | 7,4 % |
| EARNINGS PER SHARE | 0,07 | 0,12 | *-41,70 %* | 0,17 |
| RETURN ON EQUITY, %* | 5,0 % | 9,3 % | *-48,40 %* | 7,4 % |
| EQUITY RATIO, % | 43,7 % | 67,8 % | *-35,45 %* | 71,1 % |
| RETURN ON INVESTMENT, %* | 9,3 % | 10,4 % | *-26,97 %* | 9,5 % |
| NET GEARING | 23,3 % | -50,4 % | *147,50 %* | -46,1 % |
| INVESTMENTS** | 656 000 | 4 343 000 | *-84,90 %* | 7 732 000 |
| INVESTMENTS % TURNOVER | 3,12 % | 19,82 % | *-84,26 %* | 17,0 % |
| NUMBER OF SHARES | 15 784 333 | 15 784 450 | 0,00 % | 15 784 333 |
| OWN SHARES | 99 567 | 99 450 | 0,12 % | 99 567 |
| PERCENTAGE OF TOTAL SHARES | 0,63 % | 0,63 % | | 0,63 % |

**The impact of the acquired subsidiary (DTA) on the consolidated balance sheet is day weighted.*

***Purchase of DTA shares has been excluded from the investments in order to enable the comparison to the comparative period.*

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*Robit is a Finnish company selling and servicing global customers in drilling consumables for applications in tunneling, geothermal heating and cooling, construction, and mining industries. The company's business is divided into Top Hammer, Down-the-Hole and Digital Services business units. Robit has twelve own offices and active sales networks in 115 countries and production in Finland, South Korea, Australia and UK. The company is listed in Nasdaq Helsinki Ltd's First North Finland marketplace with trading code ROBIT. For more information, see www.robit.fi.*

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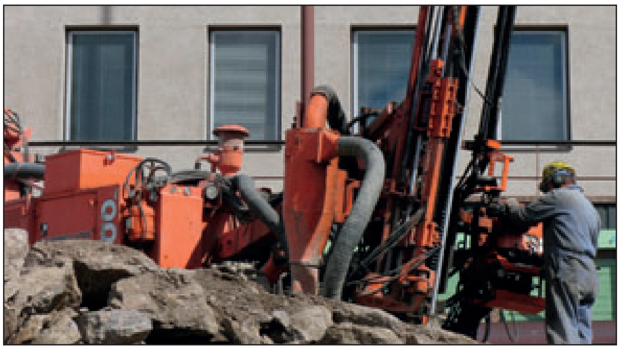
**ROBIT PLC MARKET SEGMENTS**


*Geothermal heating and cooling*



*Construction*

*Tunneling*

*Mining*

QUALITY SYSTEM CERTIFICATION
DNV·GL
ISO 9001

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