

# **ANNUAL REPORT 2017**

Growth Company

**Robit<sup>®</sup>**



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# Robit in Brief

**Robit is a global growth company that sells and services drilling consumables to global customers and partners for applications in the mining, construction, tunnelling and well drilling industries. Robit has the widest range of offering in the drilling consumables segment as well as a truly global footprint with 21 of its own sales and service points and an extensive professional distributor network.**

The company is known for its quality products and offering combined with an individualised service. Robit develops its products dynamically to satisfy even the most complex and demanding wishes and requirements of end-users. Robit's flexibility and speed in responding to end-user and partner needs is key.

The company's business is divided into three Strategic Business Units (SBUs): Top Hammer, Down the Hole and Digital Services. The company has its own manufacturing units in Finland, South Korea, Australia and North America as well as two units in the UK, in addition to an efficient network of subcontractors. Robit has focussed especially on automation and robotization to ensure consistent quality and cost-effective manufacturing.

Robit's guiding principle is that it aims to provide the same outstanding service not only to the largest mining groups and international contractors, but to small drilling contractors and well drillers too. By adhering to this principle, Robit has been able to grow continuously even though the market has





remained static during recent years. This is also the concept Robit wants to use to challenge it over the coming years.

In 2017, Robit's net sales totalled EUR 88.2 million, representing growth of 37.7 percent compared to the previous period. Profitability decreased as the EBITA % fell -3.0 percent (FY 2016: 7.4 %). The EBITA % was affected by costs like listing expenses, upfront organisational expenses and adverse foreign exchange differences as well as integration expenses.

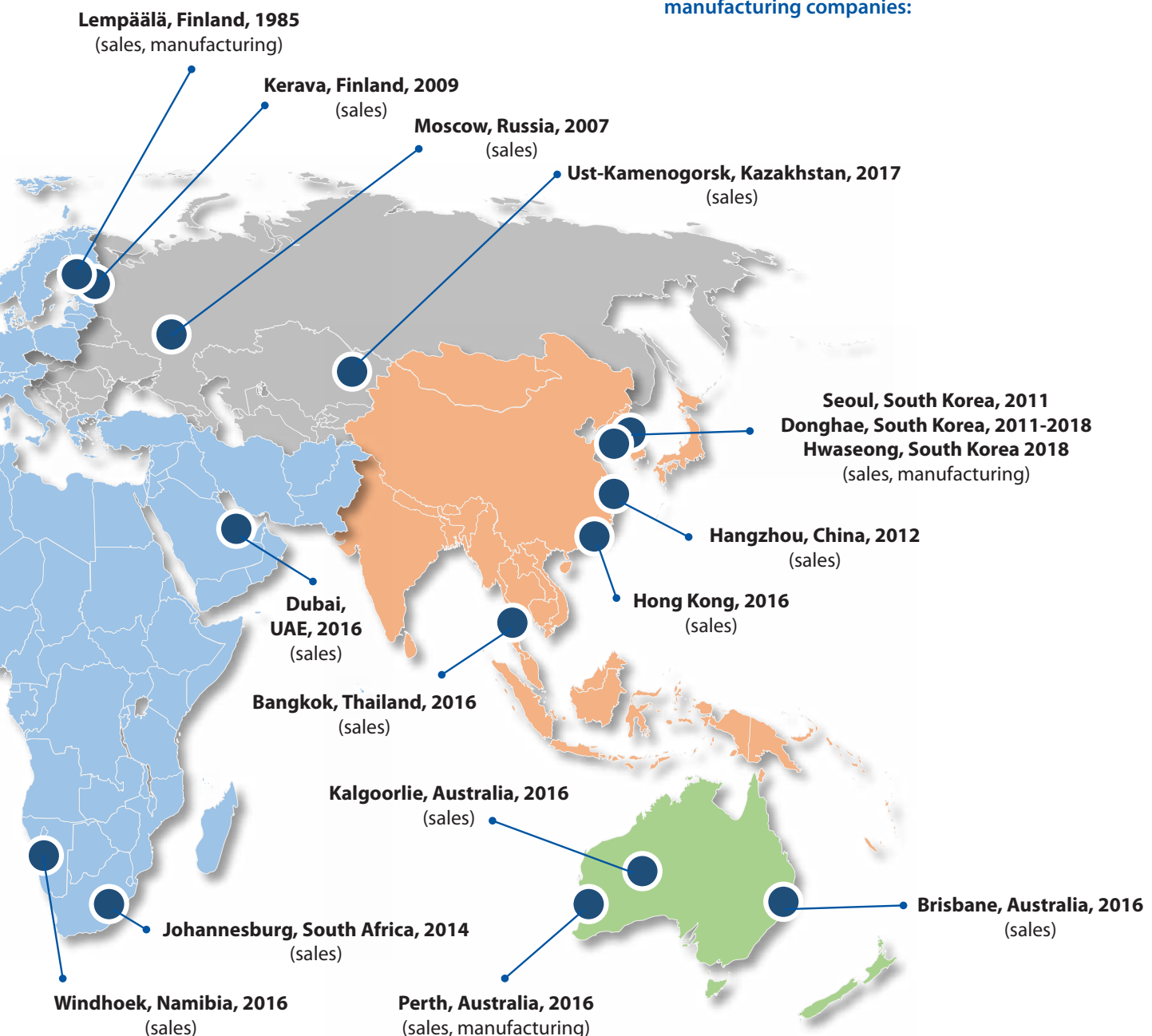
**“Robit has the widest range of offering in the drilling consumables.”**

Due to large personnel investments and the acquisition of Halco made in January and February 2017, the number of personnel rose to 329, an increase of 66 staff.

Robit wrote one more chapter in the company's history book when it was officially listed on the Helsinki Stock Exchange in May

2017 under the trading code ROBIT. For more information, see [www.robitgroup.com](http://www.robitgroup.com).

**Five regions, 21 sales and service points worldwide & six manufacturing companies:**







# Robit Strengths

1. Carefully selected distributors close to customers offering excellent end-user services
2. Individualised service

3. The widest offering of drilling consumables
4. Strong market presence with global availability

## Key Facts

The total number of shares is 21,083,900.

The total number of shareholders on 31st December 2017 was 2,178 meaning an increase of 443 shareholders on the official list maintained by Nasdaq Helsinki Ltd since the first trading day on 17th May 2017.

The total number of Board Members holding shares on 31st December 2017 was 5.

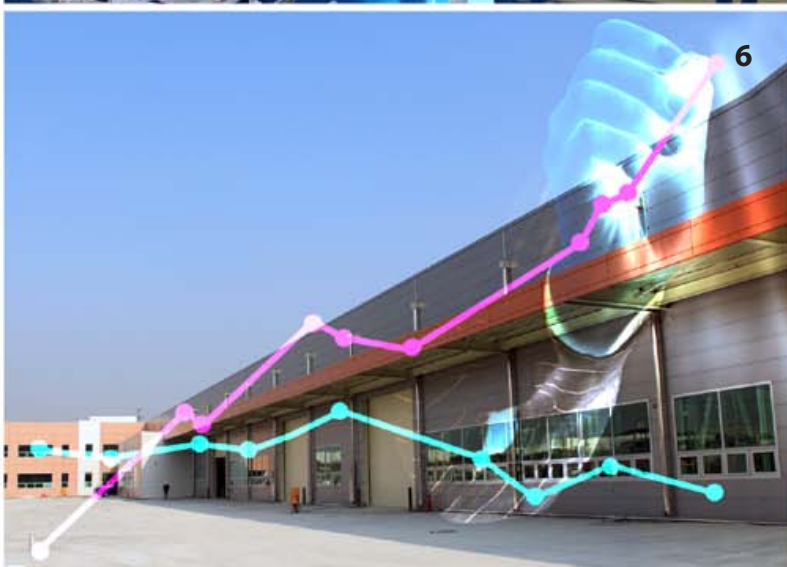
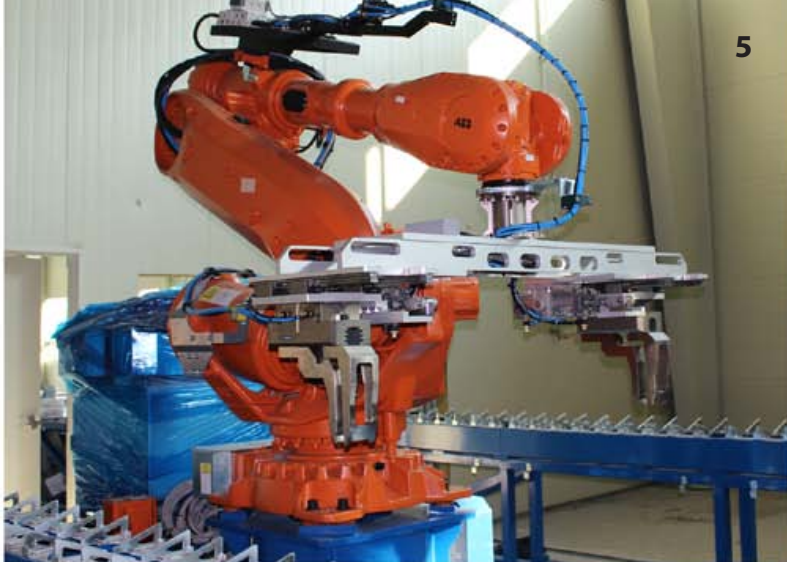
The total number of key company personnel holding shares on 31st December 2017 was 8.

Robit has one series of shares in which each share carries one vote.

## Ten Largest Shareholders at 31<sup>st</sup> December 2017, %

1. Five Alliance Oy	20.9
2. Skandinaviska Enskilda Banken AB (Publ) Helsinki Branch	12.5
3. Keskinäinen Työeläkevakuutusyhtiö Varma	7.9
4. Keskinäinen Työeläkevakuutusyhtiö Elo	7.5
5. OP-Suomi -sijoitusrahasto	6.8
6. Fondita Nordic Micro Cap Placeringsfond	6.6
7. Sijoitusrahasto Aktia Capital	4.8
8. Svenska Handelsbanken AB (Publ) Filial Verksamheten i Finland	4.8
9. Nordea Bank AB (Publ) Finnish Branch	3.4
10. Keskinäinen Eläkevakuutusyhtiö Etera	2.3





**5. High automation level**

**6. Great growth ambitions**

**7. Digitalisation as the driving technology**

**8. Four focus segments – mining, construction, tunnelling and well drilling**

**Robit Plc Share Trend 2/1/'17 – 29/12/'17**





# Growth with Strong Investments In 2017



## Company Continued to Grow

**Robit grew nearly 38 percent in 2017 representing a total growth development of EUR 24.2 million. The increase in the euro value was the most significant in the company's history. Organic growth mostly achieved the targeted level. However, some markets especially DTH businesses were expected to grow more vigorously.**

Robit made one acquisition in 2017 by acquiring Halco business which was an investment for future. The company simultaneously made large investments for the future as well as strengthened its set-up and people to be ready for future growth. During 2017, Robit completed its strategic growth concept "Robit 3.0", the results of which are expected to boost its future growth.

Robit continued to expand its own network in 2017 by establishing new sales and service points to complete the offering footprint for customers.

Among others, a sales company was established in Kazakhstan to strengthen Robit's position in the CIS & East region.

At the end of the year, Robit possessed

21 own sales and service points, ensuring even better availability for distributors and end-users. In addition, the company's new manufacturing locations will bring a more local presence

to customers. In particular, starting manufacturing in North America is expected to strengthen Robit's speed and flexibility for its American customers' needs.

## Strong Investments in 2017

Robit focused on future investments in 2017. The company made the most significant manufacturing investment decision in its history as it started to build a new state-of-the-art manufacturing unit with a very high automation level in South Korea in 2017. Besides the Korean investment, Robit also made notable investments in automation and safety in its other locations, like the UK and Finland.

Besides acquiring DTH businesses and knowledge, Robit also boosted its number of personnel and distributors. Strong investments in new and existing skills are expected to take Robit to the next level. Training for new businesses and products is important and will continue in future too. One of the year's most significant events was the Mega Dealer Meeting held in

the UK in October which brought Robit community members together to establish a strong dialogue about the next growth steps. Special topics for 2017 were further strong growth and

how to achieve it together as a Robit Family, the introduction of Robit's new offering which is the widest in consumables in the industry and how to strengthen capabilities to meet customer

**"Robit made the most significant manufacturing investment."**





*Robit's new production facilities in South Korea, close to Seoul.*

needs. The Mega Dealer Meeting was an investment aimed at achieving real partnership, growth and success together.

In addition, Robit expanded its offering by acquiring assets and inventories from Halco USA in January 2017 and 51 percent of the shareholding in Halco UK companies in February 2017. With these acquisitions, Robit further supplemented its offering in its Down the Hole business which supports Robit's global growth strategy in the consumable business, especially in the USA and the UK.

Robit also increased its number of personnel, including adding new experienced management. The company will continue to forge ahead with improving the training and development of its personnel and partners in the future as well.

### Readiness for the Future

Enhancing its personnel and completing its offering gives Robit the opportunity to exploit the market and serve its partners even better. The company has achieved its widest offering which provides complete solutions to customers.

Besides preparing its operational capability, a new chapter was written in Robit's history as well. The company was listed on the Nasdaq Helsinki Stock Exchange main listing in May 2017.

At the end of the year, 77 percent of personnel were located outside Finland and the organisation was widely spread around the world. The total number of personnel at the end of the year was 329.

Robit became even more business organisation to use the common global sales network. The company is now measured through its businesses. Its complete solution offering will serve Robit's end-customers and distributors even better. Relationships between customers and partners as well as customer care takes place in regions, and decision-making is empowered to occur there, close to partners and end-customers.

**88.2 M€**

Net Sales increased by  
24.2 MEUR

**-2.7 M€**

EBITA

**-0.27 €**

Earnings per share

**+37.7 %**

Sales Growth

**-5.8 %**

Return on capital employed  
(ROCE)

**0.10 €**

Proposed dividend per  
share

# Regional Sales

**Robit created stronger, more customer-oriented regions in 2017. The company separated Australasia from the APAC region, resulting in a new division comprised of five regions: Australasia, Asia, North and South America, the CIS countries and Eastern Europe as well as EMEA. Robit is aiming to achieve an even sharper focus in regions.**

In 2017, Robit's net sales developed positively in most of its regions. The Americas region in particular delivered strong growth, where sales rose from EUR 8.5 million to EUR 15.3 million representing growth of 80 percent. Australasia grew due to acquisitions. As a result of the new division of regions, EMEA clearly continued to remain the greatest region in euro terms.

## Americas

Overall, market sentiment in the Americas was positive in 2017. The mining segment in particular was strong in both North and South America, and newly introduced Down the Hole construction drilling methodologies won market share from traditional alternatives in North America. Several successful tests in mining environments and additional new DTH offerings are increasing expectations for 2018 and beyond. Performance-based consumable contracts have become more common in some countries, and this trend is expected to favour Robit's wide range and high-quality own-brand products. Ongoing improvements in regional inventory management are expected to ease delivery pressure from

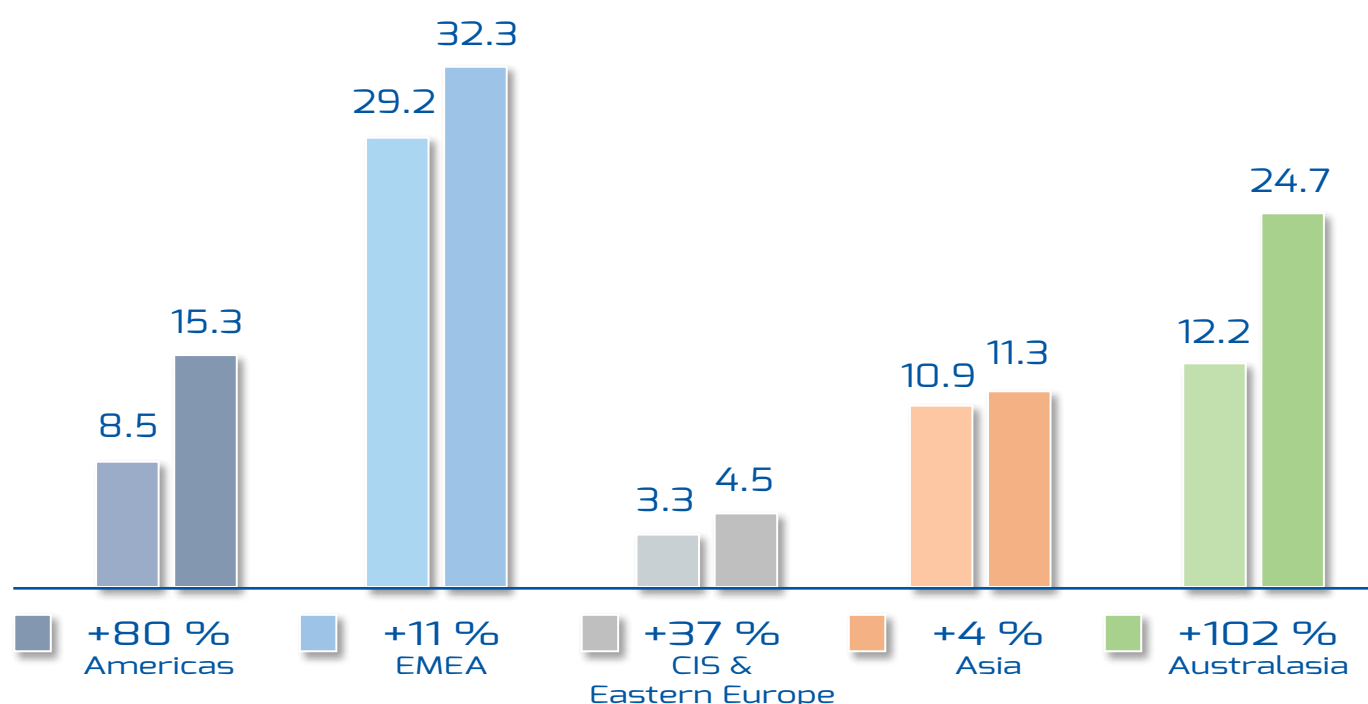
production sites. Clearly one of the successful organic growth stories happened in Americas.

In conclusion, Robit clearly sees that all regions offer huge opportunities. The company's way forward will be more focused on co-operation and partnership with distributors. Even though DTH growth did not achieve its expected level in 2017, the company believes that investments made and tests carried out will guide Robit to a positive future. The market is positive, meaning more drilling. The consumables business is more stable while market volatility is less than in the equipment business. Robit's global supply chain footprint will ensure even better availability.

## EMEA

Market conditions improved in 2017. Investment business in particular became more active while metal prices rose during the year.

The construction industry was a strong driver of EMEA growth especially in Scandinavia. Nordic countries especially grew very positively. Robit's complete Down the Hole and Top Hammer product offering gave the company the opportunity to widen its approach in the mining sector. With multiple trials running, Robit gained a great opportunity to increase its market share, especially in Scandinavian and African markets.





In 2017, Robit continued to strengthen its collaboration with the distributors which are key to the company's success in a geographically wide area like EMEA. EMEA managed to develop additional strong distributors, for example in Turkey and West Africa, which were both important growth areas for Robit.

### CIS & Eastern Europe

Mining business was active in the CIS & Eastern Europe region. Thus, Robit continued its growth and increased the sales to its existing customers. At the same time, Robit also focused on new customers, especially in Kazakhstan, Russia and Eastern Europe with its new wider product offerings. The company expanded its customer base to include medium and large-sized companies in the mining and construction market segment. The market itself is different in many ways. Robit expects the investments made in 2017 to take the company to a new level in future.

### Asia

The Asian market was full of opportunities. Robit's position in the region was strongly driven by Top Hammer products. The company's second home market, South Korea, showed very strong growth. In addition, the investments made in 2017 will produce even stronger growth in future. Robit's complete

Down the Hole and Top Hammer product offerings provided an opportunity to widen the company's approach. Down the Hole products are expected to grow in 2018.

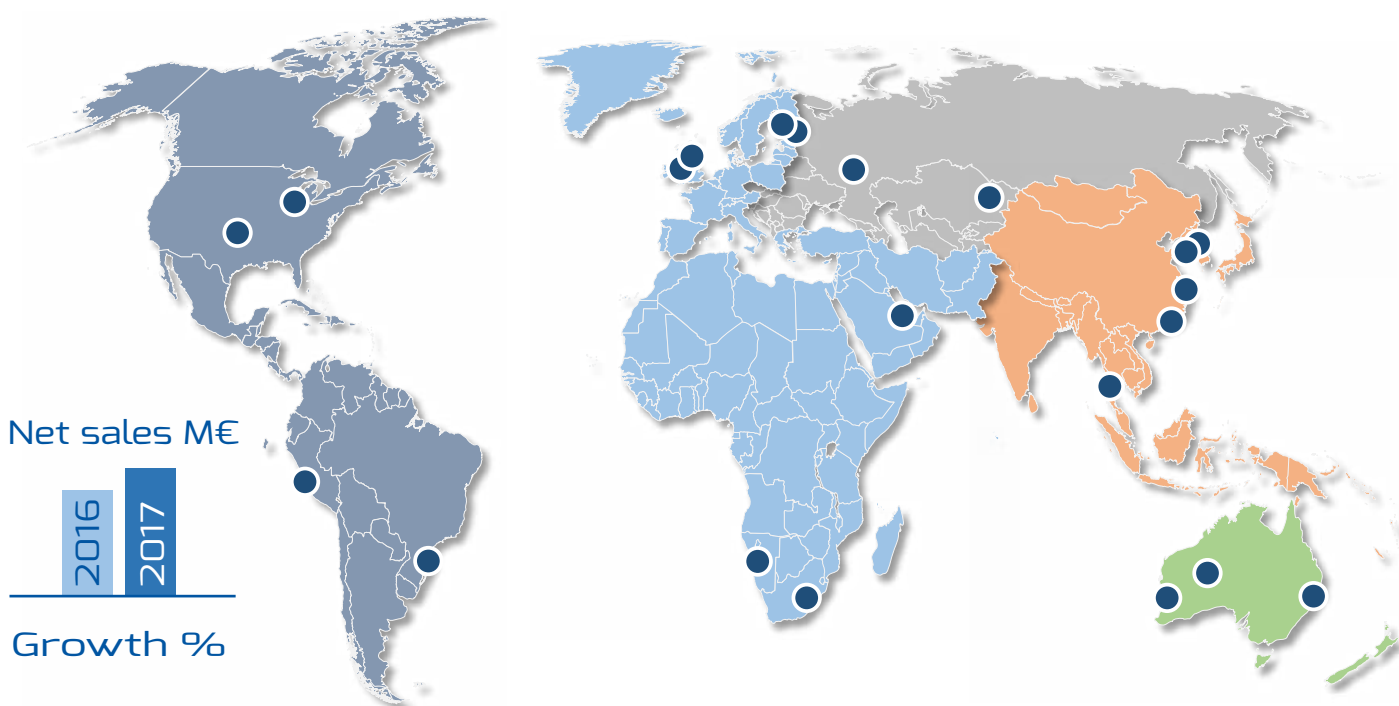
In 2017, Robit started to work very closely with its distributors in Asia which will guide both parties' success in future. Robit can grow via its partners with its widest offering yet while Robit's partners can grow strongly in partnership with Robit. The new Korean state-of-the-art factory is expected to

further improve the company's presence in Asia and increase global growth too.

### Australasia

The market was relatively stable across both the Top Hammer and DTH segments during 2017 with Robit seeing strong and consistent sales volumes month on month. Additionally, a solid pipeline of product testing was underway in support of the growth targets. The focus for the business continues to be to grow the customer base with the wider product offering and to demonstrate value to existing customers through technical support and responsiveness to changing drilling requirements. With R&D and a manufacturing capability in country and three regional service centres, the business is in an advantageous position to deliver the growth target for 2018.

**"During 2017 Robit net sales developed positively in most of its regions."**



# Market Overview



## Mining

Global segment size estimate: 800 - 1,000 M€

### Segment direction:

- Mining industry development has been more positive than it was a few years ago
- Production volumes continue to increase and mines continue to make productivity improvements, thus investing in modern technology and innovations
- Longer industry macro cycles are becoming the 'new norm'

### Robit offering:

- Full range of Top hammer drill strings for underground drifting, bolting and long hole drilling
- Down the Hole hammers, bits, tubes and rotary heads for surface mining
- Digital Services, completing the full solution offering



## Well drilling (geothermal and water wells)

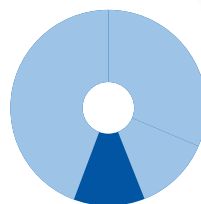
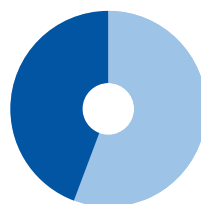
Global segment size estimate: 200 - 300 M€

### Segment direction:

- Global environmental changes and technological advances drive promising growth
- Focus increasingly shifting from traditional Nordic markets to warmer areas (geothermal cooling) and water wells

### Robit offering:

- DTH hammers, DTH bits and locked casing systems for tough ground conditions







## Construction

Global segment size estimate: 600 - 800 M€

### Segment direction:

- In foundation works, the drill piling method is gaining market share in various corners of the world
- Infrastructure projects are becoming larger and players becoming bigger as global contractors are increasing their influence on the global market
- More and more underground spaces are used for storage or transportation purposes, increasing the need for drill and blast equipment

### Robit offering:

- Widest range in piling products with large DTH hammers and locked casing systems
- Full scope of Top Hammer bench and underground drilling tools
- Digital Services, completing the full solution offering



## Tunnelling

Global segment size estimate: 200 - 400 M€

### Segment direction:

- Further urbanisation and infrastructure development especially in the emerging world will continue to drive the need for new tunnels and underground construction

### Robit offering:

- Full range of Top Hammer drill strings for face drilling and forepoling as well as for bolting and roof support

The predictions and opinions concerning segment size and future growth shown above in this report are the views of Robit management based on current assumptions. While these assumptions on future events are believed to be founded on thorough analysis and the best available information, they should be considered as uncertain forecasts that cannot be guaranteed to occur as predicted. In consequence, actual growth trajectories may vary considerably from what has been predicted due to unforeseen events in the economic, market related, competitive, legal and international trade environments.

# Vision & Strategy

**Robit's clear vision is to become the key global actor in the drilling consumables business segment. Robit aims not only to be a sales company, but also a growth and service company recognised globally as a quality supplier. After the latest acquisitions, Robit has clearly started the next level of growth implementation.**

In 2017, Robit implemented the 3.0 Growth Concept which set out further steps for growth and globalisation. This growth concept included ambitious organic growth as well as further acquisitions or strategic partnerships. This strengthening through acquisitions is ongoing, but also includes organic growth together with even stronger partnerships. The current

global presence offers significantly better opportunities for working with customers and developing new products and product concepts to meet customer needs. The widest offering also enables the company to offer and deliver complete solutions to its customers. This is in line with the overall trend in which customers want more from fewer suppliers. Through digitalisation, Robit is able to offer complete solutions to its partners and customers.

In 2018, Robit will focus on planning and executing its next strategic steps, where growth is the highest priority. Sales growth through distributors and operational excellence are the key elements of the 4.0 Growth Concept.

## Robit Values

Robit's future is based on the company values it has defined. The various nationalities share common values which emphasise:



**Results  
orientation**



**Openness and  
transparency  
throughout the  
operations**



**Business  
with  
ambitious  
growth**





Robit is convinced that investments in digitalisation will provide totally new business opportunities in the future, both in the offering and in internal operations. Digitalisation can be delivered as a stand-alone solution, but Robit believes that the combined offering as a full solution will better meet customer and partner needs. Robit is company offering full solutions for any drilling needs. Working with Robit will become easier and offer an even more complete solution.

Robit has maintained a continuous investment program to promote its globalisation. It has established a platform which now stands at 21 physical sales and service points throughout the world in addition to six manufacturing plants in Finland, South Korea, Australia, North America and two units in the UK. This platform will constitute the basis for Robit's ambitious

**“Robit is convinced that investments in digitalisation will provide totally new business opportunities in the future”**

future growth strategy together with its competent and comprehensive distribution network. The increasing number of customer contacts and the close co-operation with customers from different parts of the world create the prerequisites for further service concepts and product development. The platform which has been built will also ensure availability and precise deliveries to distributors and end-users. The 21 Robit sales and service points added to the 150 professional distributors will provide an exclusive service for end-users in the four defined market segments: mining, construction, tunnelling and well drilling.



**Individual  
respect**



**Trust**

**Ultimately,  
people will  
make Robit.**



A man with short brown hair and black-rimmed glasses is wearing a dark blue suit jacket over a white button-down shirt. He is standing in a factory or industrial setting, with a blurred background showing machinery and a blue sky. In the foreground, there are large stacks of white plastic parts, possibly car components. The text "CEO's Letter" is overlaid in large white letters on the left side of the image.

# CEO's Letter



**Year 2017 was a year of many important changes in the group for strengthening the company for further growth. The year started with a new operational structure and a new way of working after the completed acquisitions of DTA and Bulroc in 2016. The management team was strengthened strongly with many experienced professionals starting work and many other new people joined Robit family, myself included. These upfront investments to new capabilities and talents increased substantially our fixed costs, but we believe that it will have a positive impact to year 2018 and beyond.**

Organic growth of the traditional Robit products produced in Finland and Korea was good in many countries and regions. The sales of North and South America grew strongly especially with Top Hammer products produced in our Korean factory. As the capacity of the Korean factory came to full use, we decided to invest in March 2017 into new fully automated factory in Korea in a new location with better logistic connections. With the new factory, we are able to reduce delivery times of certain Top Hammer products like rods and shanks dramatically and to offer our customers even better availability and service. The project is progressing as planned and the factory will be taken into use in February 2018.

Organic growth developed positively in many countries and some regions. However, the growth of newly acquired DTH businesses did not achieve its targets as a whole. Our global network utilisation can be more successful. Robit continued its structural growth strategy by acquiring Halco businesses in 2017 which, combined with earlier acquisitions, is expected to lift DTH business opportunities to the next level.

Digital Services is one of the key elements for our future. Digitalisation is clearly coming to our industry and we think that a complete solution offering is good for our partners and our end-customers. Besides affecting productivity and safety, digitalisation will also increase transparency and awareness. At the same time, digitalisation is the key element in our global supply chain development, making us more efficient and flexible. Combining Robit's unique speed and flexibility with digitalisation opportunities, the company aims to provide its partners with greater levels of satisfaction.

Growing with distributors and promising satisfaction to end-customers are key elements for Robit. Developing a close and trusted co-operation with them and sharing the same goals and ambitions can bring both parties very good success. This is what we want to achieve even more strongly as well as being a clear frontrunner and the fastest moving group. Growth together is our number one priority.

Lastly, I would like to say a big thank you to all our customers, distributors, employees and other partners for their efforts in 2017. Wishing you all good development and every success in 2018.

Lempäälä, Finland, December 2017

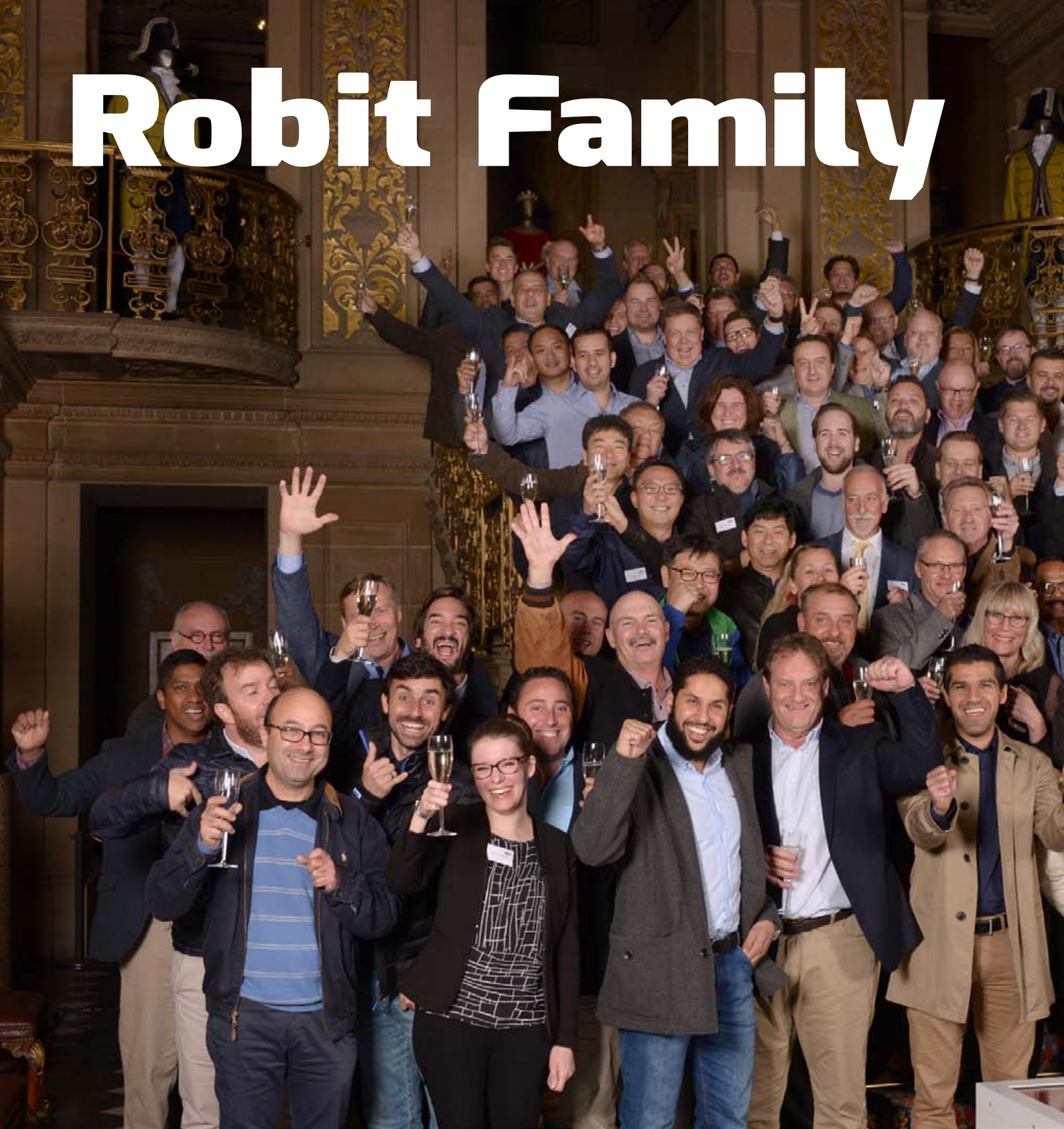


Mika Virtanen  
Group CEO



*Ilkka Miettinen, CFO – Harri Sjöholm, Chairman – Mika Virtanen, CEO*

# Robit Family



**The total number of personnel changed from 263 (December 2016) to 329 (December 2017), of which 177 were blue collar staff and 152 were white collar. The majority of white collar employees work in sales, sales support and customer service roles.**

The long-term success of Robit is driven by the skill, motivation and well-being of its people. Robit continued to work in line with its long-term HR strategic priorities which are to:

- improve existing expertise and skills
- find and source new expertise in areas such as sales, digitalisation and management
- become truly global in all areas of the international business environment



*Robit's distributors and staff at the MEGA Dealer Meeting 3.0 in United Kindom in September 2017.*



- ensure readiness for change and renewal
- expand and deepen expertise in understanding customers and partners

To improve and ensure staff expertise and skills, Robit recruited several sales and management staff, focusing on the skills and experience of the new recruits, but also resourcing young Talents. The Robit Talent program, which was started in 2015 by four Talent recruits, took on two new Talents in 2017. The

program has proved to be an excellent way of finding additional human resources for our organisation.

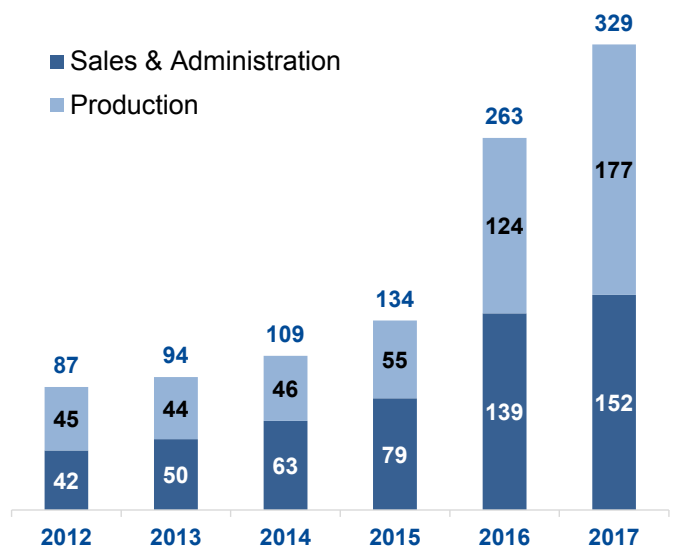
2017 was a year of many changes to Robit's personnel. In addition to rapid growth, the company moved its structure from four to five regions in order to make better use of its sales network and organisation structure to support the change.

The role of management and leadership will be even more important in the future to continue the implementation of a successful growth strategy. It is important to ensure that all employees know and understand their tasks and responsibilities and what is expected from them, and in turn receive regular feedback about their performance. Typically, employees who have completed their development discussion tend to be more satisfied with their work than employees who have not had their development discussion. Robit has enhanced the development discussion process to hold meaningful development discussions and to complete these in a timely manner. The development discussion completion rate target is 100 percent in 2018.

Furthermore, Robit has carefully reviewed the results of its latest personnel survey which was conducted in November 2017. Based on these results, teams will discuss and agree development actions which will be implemented and monitored closely during the year.

The strong focus on employee and organisation development was also clearly visible through Robit's investments in internal communications when it introduced the Robitnet intranet in 2017.

*Number of employees at the end of period.*





# Sustainability Report

## Governance of Sustainability

**At Robit, sustainability means that the company takes also environmental and social matters into account in its decision-making. Robit's sustainability strategy is to support the company's business targets. It defines where Robit should target its efforts and resources.**

Robit's Board of Directors is ultimately responsible for Robit's sustainability strategies. The Group CEO and the Global Management Team (GMT) are responsible for implementing Robit's strategies on sustainability and ethics as well as related key performance indicators and policies. They also monitor and assess their implementation.

## Governance Structure

Shareholders' meeting	External Auditing
Board of Directors Nomination Committee, Remuneration Committee, Working Committee	
Group CEO Global Management Team	

## Caring for the Wellbeing of the Robit Team

Employees' health and safety are at the forefront of all operations in the Robit Group. Keeping the Robit Family both physically and mentally safe is Robit's guiding principal as well as its common goal.

Developing a common approach, conducting fresh pair of eyes internal audits and sharing best practices between businesses delivered significant improvements in safety standards in many Group locations in 2017. Robit will keep on developing this approach and continue to add value throughout 2018. The Global Safety Team is now official and active in the business, assisting with regional data capture, supporting the development of the safety agenda, and identifying and sharing best practices through Robit's online platform. To help track progress, a reporting template has been agreed which provides the group with lead and lag indicator data to collate and share through a suite of standard safety reports. From January 2018, these will be consolidated into a Robit Group report for review by the Board of Directors and the executive team.



Robit has created a way of working safely and its benchmarked location is built on strong experience and results. As an example, the Australian business extended its LTI-free days beyond 2000 by August 2017. Everyone in the business is responsible for identifying and reporting safety issues at their locations and for making positive interventions that reduce the risk of injury and harm to their colleagues and themselves. This training and practice will continue in 2018.

### **Caring for the Environment**

The Environmental Responsibility Management ensures that a wide range of environmental issues are systematically considered and controlled, and this control effectively leads to the intended goals. Identifying environmental opportunities and risks is a cornerstone of achieving the Robit Group's targets and building a proactive process.

Eco efficiency is a driver through Robit's global value chain – from innovation and production to customer technical support on drilling sites and the recyclability of used products.

The continuous environmental improvement in Robit's product offering can be directly linked to the added value seen by customers in terms of drilling efficiency and reduced life-cycle costs. In practice, this means faster drilling, longer lifetimes of drilling consumables, reduced fuel consumption and minimal impact on the surrounding environment at drilling sites. Robit's newly launched product series is clearly showing very long-lasting performance.

Robit's production strategy and use of its factories on all continents gives Robit a significant advantage in managing its environmental impact from a logistics point of view. In 2017, Robit invested in production factories and lines strongly contributing to environmental targets. The highlights of these are the construction of a new highly automated factory in Korea, a new surface treatment line in Finland and machine fleet modernisation in Finland, the UK and Australia.

In 2017, global environmental targets and key performance indicators were defined and reporting and follow-up was started. The target for 2018 is to increase the number of locations certified under the ISO14001 system.

In the R&D function, Robit invested in resources and tools for material technology and advanced simulations. This enabled Robit to develop products that have a reduced environmental impact. One highlight of this is the new Evolution Button Bit Series with an increased lifetime and a lower environmental impact. The R&D focus has also been on evaluating possibilities







and testing additive manufacturing in Robit products. That will result in greater design freedom combined with lower material loss in production.

In 2017, Robit took a major step in increasing the technical training for sales and customers to achieve the best possible performance for the products. The correct use of drilling consumables is the key to maximised efficiency and product lifetime. This means immediately having a lower environmental impact.

Robit Sense Systems offers customers digital technology to reduce the environmental impact in the drilling and blasting process. By using Sense Systems, the customer is able to measure the drilling hole with an integrated system in the drill rig. This information enables immediate decision-making about

correcting the drill pattern and allows charging to be optimised. By using Sense technology, the customer is able to reduce the process time and make fuel consumption savings with their optimised machine fleet usage.

For 2018, the key environmental initiatives are restricting expenditure to ISO14001 certification in key locations. Robit will analyse possible investments in sustainable energy solutions. The company is targeting a reduction in the environmental impact of travelling. In 2017, Robit invested in high technology in internal communication as well as in Robit's travel policy, which is to support energy-efficient travel methods.





*Robit Sense Systems offers customers digital technology to reduce the environmental impact in the drilling and blasting process.*

## Supply Chain

Robit's target is to continuously improve its supply chain management and the transparency of its performance. Robit wants to ensure that it operates responsibly throughout the value chain, and that the procured materials comply with relevant laws and regulations.

Robit has drafted a sustainable supply chain policy covering all the sustainability concerns in Robit's supply chain. Robit follows the policy diligently within the company, but it also requires its suppliers to follow it too. Requirements will be gradually integrated into all Robit's contracts and the company will monitor implementation via its internal audits as well as its supplier audits.

**“Robit wants to ensure that it operates responsibly throughout the value chain.”**

Robit will reduce the environmental burden of its manufacturing operations as its business grows. This work will start by implementing key metrics like water and energy consumption, and production waste via the yield. Robit already has some measurements in place, but it will integrate any relevant level information at group level to obtain a holistic picture of the current situation.

Robit designs its products such that waste material is minimised in all production phases, including in subcontracted manufacturing steps. Success will be measured by the amounts of waste materials.

# Top Hammer Business

*The test results of the Evolution bit in hard Scandinavian granite were impressive, with grinding intervals up to 60 % longer and lifetime 20 % higher compared to conventional hard rock button bits.*

## Expanded Offering and Increased Production Capacity

**Robit introduced the new Evolution Bit Series and the complete range of Top Hammer drill tubes in 2017. The Evolution Bit Series was the result of the systematic use of simulation and field testing to create the new series of button bits for tunnelling, drifting and surface applications.**

Robit introduced new Evolution bit series and complete range of top hammer drill tubes. The Evolution bit series was the result of a systematic utilizing of simulation and field testing to create the new series of button bits for tunnelling, drifting and surface applications. In tunnelling and drifting, development focused especially on the needs of high power and high frequency drilling with maximum impact powers up to 40 kW and impact frequencies above 100 Hz. The best results were gained by increasing both the gauge and face button numbers as well as increasing the number of flushing holes.

In surface applications, the performance of medium to large button bits was significantly increased by improving the flushing properties. The smoother side channels along larger main grooves increased airflow, ensuring efficient flushing. Dead space across the face was significantly cut by introducing an extra flushing hole in the middle, better clearing the centre area of cuttings.

Robit's Top Hammer offering was completed with a full range of Top Hammer drill tubes, shanks and button bits. Top Hammer drill tubes are used for long-hole drilling both in underground and surface applications as a complete drill string or as a single guide tube. Drill tubes provide straighter holes, improved drilling efficiency and a better lifetime.

**"Drill tubes provide straighter holes, improved drilling efficiency and a better lifetime."**



*The offering of Top Hammer drill tubes, shanks and bits was completed and now all common lengths and diameters are available.*



# 38.2 ME

Net sales of Top Hammer SBU



As a result of the strong growth in sales of drilling rods and shanks, Robit took the biggest manufacturing investment decision in its history in March 2017 to build a new state-of-art, automated factory in South Korea. This will further support the company's growth and delivery capability. Production in the new factory starts in January 2018 and will triple production capacity.

Meeting customers' special needs in the button bit offering ensured an increase in bit sales as well. Small batch manufacturing together with a fully automated Lempäälä factory allowed Robit to supply constant, high volumes of threaded bits to keep up with demand. The high level of automatization and robotization in production allowed Robit to further improve cost competitiveness and secure manufacturing efficiency.

Additional investments were made in a new blackening line and a new automated ring bit production line.

The increase in sales in the Top Hammer business for 2017 was 13 percent. As a result of Robit continuously developing and collaborating with its distribution network and the quality of its Top Hammer products, the company was able to win new customers and increase its sales above all in USA, Europe, Africa and Australia. The Top Hammer offering portfolio was increased with the new Evolution Bit Series and the drill tubes supporting the organic growth of all Top Hammer products. Customers worldwide have approved Robit® quality in surface drilling and face drilling, both in large tunnelling sites and mining as well as in long hole and bolting applications.



*The new factory in Hwaseong is state-of-the-art unit with high automation and modern production technologies.*



# Down the Hole Business

50.0 ME

Net sales of Down the Hole SBU

## Driving Growth Through New Markets and Wider Scope

The Down the Hole (DTH) SBU includes all activities related to Robit's drilling consumables business based on Down the Hole and rotary drilling principles. Its DTH offering is used by four major customer segments: mining for blast hole drilling and exploration, quarries for blast hole drilling, civil construction for piling and anchoring applications as well as for thermal or water well drilling. Three main customer segments have different macro-economic drivers and this gives Robit's business natural diversification. Robit has an extensive portfolio of drilling consumable solutions for all target customer segments and applications.

DTH SBU net sales growth in 2017 was driven by acquisitions. The traditional Robit DTH offering was growing strongly. By contrast, the newly acquired companies failed to meet Robit's growth targets due to integration issues and lower pricing levels caused by competitive pressure in some key markets. During the second half of the year especially, Robit made clear progress with globalising its Australian-based Robit-DTA offering for blast hole and RC application in quarries and mines around the world with great customer feedback. The construction piling market was active in Nordic countries i.e. Finland, Sweden and Norway and Robit's leading market position helped the company to capture significant growth in these markets for the segment. Robit's wide offering, strong references and application expertise also helped the company to enter new markets related to the construction piling segment during 2017. Robit expects that this positive development supporting its organic growth efforts will continue next year. Robit is expanding its offering to well thermal and water well drilling customers and is launching several new products in the segment over the coming months.





Robit is continuously working on sales channel development and saw good progress on this initiative throughout 2017. Robit's widest drilling consumables offering in the industry allows the company to attract strong distribution partners focusing on given customer segments. In specific market areas and customer segments this gives the company much better access to major customers by leveraging the existing business relationships of its new distribution partners.

The focus of the offering development was to expand Robit's offering to existing customers and alongside this to continue to work on longer term research and development initiatives to ensure the competitiveness of the core offering. Robit expects to see short-term results through expansion of the scope which allows the company to increase its share of spend from the existing customers. Robit is also currently introducing the results of its longer-term R&D work as a new product in some of the bestselling product categories.

To summarise, Robit saw much good progress during 2017 in integrating its offering by companies acquired in 2016 into one Robit Group global offering with clear offering strategies for each target customer segment. This is allowing the company to accelerate globalisation of the new acquired offerings and to leverage acquired assets effectively to drive growth moving forward.

*Down the Hole hammers from 1" up to 33"*







**2017 can be divided into two parts in Digital Services. Robit is moving ahead positively with its references in digitalisation. The Digital business is becoming an increasingly larger part of the drilling business. Safety is becoming ever more important and Robit's digitalisation has a solution which shows what the customer can gain when working with unique Sense Systems.**

In line with Robit Group's overall global growth prospects, the digitalisation revolution showed no signs of slowing in 2017. Throughout the industries Robit is linked to, digital solutions are enhancing the gathering of relevant data, speeding up its analysis and transforming processes and business models in their wake. In the drilling consumables sector for mining, quarrying and construction, Robit has, since the mid-2000s, been diligently building its positive and aggressive market disruptor role by tying digital intelligence to high-quality drill string components.

From the perspective of the drilling-related customer process canvas, the Digital Services current main product family, Sense Systems, integrates Robit into digital solutions and tools both up and down-stream. Simply expressed, drilling tools and the resulting holes influence both the preceding planning phase and the following stages of what is done with the holes, be it blasting, piling or well applications.

The initial evidence of this market pioneer role can be seen in the S and M Sense deviation measurement systems. The S Sense solution for Top Hammer surface applications has – as a world's first – succeeded in making deviation measurements during the percussive drilling process. The M Sense hand-held system supports S Sense by bringing improved usability, visibility and integration properties to client processes compared to similar conservative manual systems on the market. For M Sense, 2017 saw the first commercial co-operations begun with selected customers in various global regions. For S Sense, long-standing



# Digital Services Business

**0.1 ME**

Net sales of Digital Services SBU

testing partnerships with valued customers are ending in 2017 and are set to continue as commercial collaborations in 2018. In addition, new large fully commercial cases were started during the second half of 2017 and are to be transformed into defining reference cases during 2018.

Overall, in 2017 the work for digitalisation has gone a long way towards perfecting M and S Sense products ready for full global market launch, but just as importantly has worked on ensuring the linkages of produced intelligence to customer processes. Many such integrations are in the pipeline and will ensure Robit's unique way of producing deviation data will be fully and easily usable by global clients.

As witnessed in the existence and vision of digitalisation, Robit is fully committed to transforming the drilling consumables business. Information gained in multiple drilling-related processes by Sense System products all supports cutting edge

R&D in traditional Robit products, and drive the company to identify key issues and create value within the ever-growing complexity of customer processes. In the end, the data, its analysis and the widest and most efficient drilling consumables range on the market will guarantee that Robit customers get drilling right – every time.





# Financial Statements 2017





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## Investment MOU

September 15, 2017 · Lempä



Governor of Gyeonggi-Do, Nam Kyung-Pil and Chairman, Harri Sjöholm on 15th September concerning signing ceremony of Robit Plc's major productional investment in the Foreign Investment area in Gyeonggi-Do, South Korea

### Financial year in a nutshell

- Net sales grew 38 % to EUR 88.2 million (prior year 64.1 million euro)
- EBITDA missed the target clearly and was EUR 1.6 million (7.5)
- EBITA was EUR -2.7 million (4.7)
- EBIT EUR -3.6 million (4.3), -4.1 % (6.7)
- Result for the financial years was unsatisfactory EUR -5.2 million (4.1)
- Adjusted EBITDA EUR 3.5 million (10.3)
- Adjusted EBITA EUR -0.9 million (7.5)
- Robit listed on the official list of the Helsinki Stock Exchange. The total proceeds of the share issue were EUR 49.5 million and net proceeds EUR 46.7 million.
- Robit expanded its offering by acquiring assets and inventories from Halco USA in January and 51 percent of shareholding of Halco UK companies in February 2017.
- Korean new plant will be operational in February 2018.





# Signing Ceremony

äälä (Tampere region), Finland



# Report of the Board of Directors

- Robit PLC has 31st of December breached financial covenant net debt/EBITDA in its loan agreement. Because of this reason, EUR 28 million loans has been shown as short term loans in the financial statements. The company has discussed this issue with its lender and the situation will be cured. The company has EUR 42,2 million liquid funds as per 31st December 2017 and thus can maintain full debt service and liquidity in any circumstances.

## CEO review

The company's sales grew strongly with 38 percent in 2017, but was not in line with the sales target set for the year. Besides net sales being lower than expected, the result of the financial year 2017 was also pressed by the integration of new acquired units, one-time costs relating to global implementation of the ERP system and intense personnel investments to ensure the company's planned growth, which appear as a significant growth of fixed costs in 2017. In addition, the profit was pressed

by negative foreign exchange impact as well as write-offs made to stock value according to current assets' valuation policy.

Year 2017 was a year of many important changes in the group to strengthen the group for the further growth in the coming years. Year started with new operational structure and a new way of working after the completed acquisitions of DTA and Bulroc in 2016. The management group was strengthened strongly with many experienced professionals starting work and many other new people joined to Robit family, myself included. These upfront investments to new capabilities and talents increased substantially our fixed costs, but we believe that it will have a positive impact to year 2018 and beyond.

Organic growth of the traditional Robit products produced in Finland and Korea was good in many countries and regions. The sales of North and South America grew strongly especially with Top Hammer products produced in our Korean factory. As the

capacity of the Korean factory came to full use, we decided to invest in March 2017 into new fully automated factory in Korea in a new location with better logistic connections. With the new factory, we are able to reduce delivery times of certain Top Hammer products like rods and shanks dramatically and to offer our customers even better availability and service. The project is progressing as planned and the factory will be taken into use in February 2018.

The acquired DTH businesses' (DTA and Bulroc in 2016) growth did not reach the set targets as the integration impacts have been slower than expected. In Australia, the performance of DTA was also impacted by strong competition from new market entrants. The sales of DTA decreased with 13 percent and Bulroc increased 4 percent.

Robit acquired Halco businesses in USA and United Kingdom early 2017 to create a second brand under the group to serve

## Key figures

	H2 2017	H2 2016	Change %	2017	2016	Change %
Net sales, EUR 1.000	45 577	42 974	6,1 %	88 222	64 050	37,7 %
EBITDA, EUR 1.000	306	5 308	-94,2 %	1 626	7 495	-78,3 %
Adjusted EBITDA, EUR 1.000	592	8 064	-92,7 %	3 500	10 251	-65,9 %
EBITA, EUR 1.000	-1 910	3 213	-159,5 %	-2 734	4 721	-157,9 %
Adjusted EBITA, EUR 1.000	-1 625	5 960	-127,3 %	-861	7 468	-111,5 %
Adjusted EBITA, percent of sales	-3,6 %	13,9 %		-1,0 %	11,7 %	
EBIT, EUR 1.000	-2 352	2 754	-185,4 %	-3 640	4 262	-185,4 %
EBIT, percent of sales	-5,2 %	6,4 %		-4,1 %	6,7 %	
Result for the period, EUR 1.000	-3 292	2 581	-227,6 %	-5 190	4 040	-227,1 %

*\*) The items affecting H2 2017 comparability are: expenses relating to acquisitions EUR 161 thousand and business re-organizing measures EUR 115 thousand*

*\*) Full year items are: share issue expenses EUR 1.290 thousand, acquisition-related expenses EUR 469 thousand, business re-organizing expenses 115*

*\*) In 2016 full years items affecting comparability were: acquisition-related expenses EUR 2.756 thousand*

certain market segments where Robit has low presence. The acquired Halco units' performance did not meet the expectations in 2017 and thus was unprofitable. We have started measures to strongly improve the performance and to speed up the alignment of Halco and all the other acquired units.

The company continued to operate through its three business units, Top Hammer, Down the hole and Digital Services. Close co-operation within business units increased in 2017. Strengthening regional decision-making closer to customers and partners and more complete offering required businesses close co-operation.



Digital Services is one of key elements for our future growth. Digitalization is also impacting the industries in which we are operating. With products like Sense we are able to improve customers' productivity and safety. During 2017 we carried out long development projects together with several important customers to demonstrate the business benefits. At the same time, digitalization is a key element in our global supply chain development, making us more efficient and flexible and able to serve the customers with better availability and competitive prices.

Growth with and through the distributors is the key element for Robit growth strategy. Real close and trusted co-operation with sharing the same targets will benefit the distributors as well as Robit and improve further market penetration and market knowledge. We have invested strongly in 2017 to develop the business with current distributors and starting up relationship with new stronger and bigger distributors. This is the element we want to come even more stronger and be clearly frontrunner and fast-moving group.

### **Net sales and financial performance: January – December 2017**

The group's net sales of the financial year were EUR 88.2 million (64.1), an increase of 38 percent from the comparison period, which was mainly due to structural growth. Though the growth was the biggest in Robit history, the net sales development was not in line with expectations. Full year net sales development of the companies DTA and Bulroc acquired in summer 2016, was weaker than expected and fell short of the set targets especially in Asia. Halco business, acquired in January 2017, fell also short of the set targets. The rest of Robit Plc's units continued their growth.

EUR 38.2 million (33.7) of the review period net sales came from the Top Hammer business, where especially Korean rod and shank product demand was good. EUR 50.0 million (30.4) of net sales came from the Down the Hole business. The Digital Services business did not yet generate significant net sales and focused mainly on reference deliveries.

EMEA accounted for EUR 32.3 million (29.1), Australasia, EUR 24.7 million (12.2), Asia 11.3 (10.9), Americas EUR 15.3 million (8.5) and East EUR 4.5 million (3.3) of the group's net sales.

EBITDA was EUR 1.6 million (7.5), 1.8 (11.7) percent and EBITA EUR – 2.7 million (4.7) -3.1 (7.4) percent. Profitability was affected by adjusted items that are specified below:

- EUR 1.3 million of listing costs were expensed and EUR 1.5 million were posted to the equity - amount of listing expenses totaled EUR 2.8 million.

- acquisition-related expenses amounted to EUR 0.5 million
- re-organizing expenses EUR 0.1 million

Adjusted EBITDA was EUR 3.5 million (10.3), 4.0 percent (16.0) of the net sales. Adjusted EBITA was EUR -0.9 million (7.5), -1.0 (11.7) percent of net sales.

In addition to these adjustments, EBITDA and EBITA were pressed by the integration of new units, costs relating to global implementation of the ERP system and intense personnel investments to ensure the company's planned growth, which appeared as a significant growth of fixed costs in 2017. In addition, the profit was pressed by negative foreign exchange impact, write-offs made to stock and bad debts. The adverse impact of these items was EUR 4,9 million in total.

The group's EBIT for the review period was EUR -3.6 million (4.3). The EBIT-percent was – 4.1 percent (6.7) of the net sales for the review period. The group's net financial expenses were EUR 2.4 million (0.9 income), of which interest expenses were EUR 0.5 million and exchange rate difference 1.7 million negative. Result before taxes was EUR -6.1 million (5.2) and taxes EUR 0.9 million (-1.1).

### **Financial targets**

The company will continue as a growth company. Growth is targeted with an average annual organic growth rate of at least 15 percent over the cycle.

During the review period, the company's growth was 37,7 percent to comparative period. Growth of the company without the Impact of acquired units, DTA, Bulroc and Halco was 10 %. The company's targets to grow through acquisitions were implemented in the beginning of the year, when Robit acquired assets, inventories and IPRs from Halco International LLC and Halco America LLC on January 12, 2017 as well as a majority of Halco Brighthouse Ltd's shares on February 16, 2017.

The long-term strategic goal is to achieve an EBITA margin of over 13 percent over the economic cycle. Completed integration projects will further enhance the importance of optimizing the product range, inventory turnover, lead times and logistics efficiency. The company will intensify its management of working capital, while maintaining the good service of customers in the globally chosen market segments in the future.

### **Financing and investments**

The group's net cash flow from operating activities before financing and taxes for the review period was EUR -0.2 million (1.5). The effect of changes in working capital was EUR -3.2 million (-6.2). In the reporting period, the change in working

capital during the review period was mainly due to increase in receivables of EUR 3.7 million and inventories EUR 1.8 million. The increase in non-interest-bearing liabilities was EUR 2.2 million. The trend in the working capital was far from target despite continuous efforts. Robit will continue pursuing more efficient working capital management. Net working capital amounted to EUR 40.1 million (38.7) at the end of the review period.

Net cash flow from investing activities was EUR 13.3 million (58.0). Gross investments without acquisitions were EUR 11.6 million (2.6). Of the investments, EUR 6.9 million related to the Korean new plant's investment and EUR 2.2 million to acquired Halco assets. Net cash flow from financing activities EUR 47.0 million (34.9) consists of EUR 46.7 million of the share issue and EUR 0.5 million net change in loans and utilized overdraft limits. Robit has paid EUR 0.7 million financial leases that were received in Halco acquisition.

Liquid assets at the end of the review period totaled EUR 42.2 million (10.5) and interest-bearing financial liabilities totaled EUR 49.9 million (47.4). The group's equity at the end of the review period was EUR 92.1 million (50.1).

At the end of the review period, the group's equity ratio was 57.6 per cent (43.9) and the net debt to equity ratio was 8.4 percent (73.7) as a result of the company's good financial position after share issue.

Depreciations and amortizations were 5.2 (3.2) million. The growth of depreciation of EUR 2.1 million was mainly due to the increase in the depreciation through the companies acquired in 2016 and 2017, and EUR 0.9 million to the amortization of the purchase price allocations of the acquisitions.

## Offering development

For the Top Hammer product line, growth was still driven by providing customers with one-stop shopping. The significance of the South Korean factory was high and the volume of shanks and rods produced in Korea developed favorably. To support growth, it was decided on a new state-of-art factory investment in Korea. The Top Hammer business volume was EUR 38.2 million (EUR 33.6 million in the comparison period 2016).

Down the Hole products of the acquired companies represented a significant part of the DTH SBU sales. SBU competitiveness will be improved by actions getting higher volumes and improving efficiency. The DTH business volume was EUR 49.9 million (30.5). The integration of the DTH product offering to the Robit sales network was slower than expected especially in second half of the year.

Digital Services business area made its first customer deliveries during the review period. During the review period, several long-term tests were carried out with end-customers in different drilling environments. Currently, the focus is on deliveries and testing of reference sites and refine the data with our customers in order to align this with their business targets. Technology and related service have gained great interest in the market. The first deliveries for M-Sense and S-Sense were completed during the review period.

## Future outlook

Robit management is estimating that the good market conditions, which started in 2017 will continue and even improve. World's economic growth is expected to speed up and thus fuel the demand. There has been a strong cyclical change in the demand especially in the mining industry after several slow years. The increased demand in the capital product is estimated to impact consumables with certain delay. All the other customer segments of Robit are expected to continue in the good level.

The expanded product offering from Halco acquisition and previous acquisitions combined with the company's expanded and more developed distribution network will enable good growth opportunities for the group. The professional, efficient and customer-oriented distribution network is essential for the future organic growth of the company.

Digitalization is improving the offering base to support important key elements to our customers e.g. productivity and safety. According to the management estimate, the above-mentioned factors create good conditions for strengthening the company's market share and market position in the future.

Robit announced in January 29, 2018 that it will start the negotiations with the employee representatives to adjust its business model and organization and move to line structure. This will clarify the structure and increase organizational efficiency and thus drive improved financial performance. The changes may lead to reductions of personnel.

The company continues to evaluate suitable potential acquisition targets as part of the global consolidation trend in the industry, which the company's management expects to continue further.

## Environment

Robit's goal is to reduce the environmental burden caused by the operation and to minimize the environmental impact of the products throughout their life cycle. In addition to continuous improvement and streamlining of operations, environmental work is guided by enabling customers to improve efficiency



of their operations. Robit works everywhere according to local laws and regulations. The environmental impacts of Robit's operations are mainly due to raw materials, energy needed in production and waste generated in production. Environmental requirements have been taken into account since the early stages of product development. The aim is to maximize the use of raw materials, energy and other resources such as packaging materials and transport services. The Group is systematically focusing on reducing the amount of waste. The company continuously develops its product range, not only environmental issues, but also aspects of social responsibility.

Most of the products are made of different metals, metal compounds, additives and paints. There is little risk that production plants will get harmful substances in the environment. Robit's environmental risks are being managed as part of production control through quality and environmental management systems. Reducing environmental impacts requires long-term development work, where key performance indicators for different business units and units plays an important role. Robit's goal is that in the future there will be more comprehensive information on the impact of operations in the future. This way, Robit can also focus development efforts efficiently and maximize their impact. Robit will develop environmental metrics during 2018.

### Shares and share turnover

The volume of the Robit shares traded in the Nasdaq Helsinki stock Exchange during the fiscal year was 6 166 583 shares, which is 32,7 % of the average outstanding shares. The highest share price during the financial period was EUR 11.73, the lowest EUR 6.42 and the trading volume weighted average quoted EUR 9.71. The closing price for the first trading day of January 3, 2017 was EUR 7.96 and the closing price of the last trading day on 29 December 2017 was EUR 6.47. The market capitalization of the company on December 31, 2017 was EUR 136 million. EUR.

The number of shares on December 31, 2017 was 21,083,900 shares. The number of shareholders on December 31, 2017 was 2 178.

The company held 86,320 treasury shares (0.4 percent of the number of shares) on December 31, 2017.

The market capitalization on December 31, 2017 was EUR 136 million (share price was EUR 6.47).

During the review period, the company made a directed share issue to institutional investors, which were issued 5,000,000 new shares. The issue price was EUR 9.90 per share and a total of EUR 49.5 million of new capital was collected.



Shareholdings of the management Dec 31, 2017	Shares	Share
Holdings of the board members	4 436 661	21,04 %*
CEO	4 000	0,02 %
Other GMT members	9 772	0,05 %
<b>Total</b>	<b>4 450 433</b>	<b>21,11</b>

\*20,9 % owned by Harri Sjöholm via Five Alliance Oy

Shareholdings by owner class (shares)	Owners	Owners %	Shares	Votes %
1-100	736	33,79	39 155	0,19
101-500	884	40,59	242 413	1,15
501-1000	251	11,52	207 681	0,99
1001-5000	237	10,88	514 277	2,44
5001-10000	29	1,33	208 457	0,99
10001-50000	12	0,55	294 923	1,40
50001-100000	8	0,37	633 575	3,01
100001-500000	12	0,55	3 104 402	14,72
500001-	9	0,41	15 839 017	75,12
<b>Total</b>	<b>2178</b>	<b>100,00</b>	<b>21 083 900</b>	<b>100,00</b>
In administrative registration	9		4 473 244	21,22
In waiting list				
Shared accounts				
On special purpose accounts total				
<b>Shares in total</b>			<b>21 083 900</b>	<b>100,00</b>

## Announcement of a change in shareholding according to Chapter 9, Section 10 of the Finnish Securities Market Act

Robit Plc has on 13 October 2017 received a notification pursuant to the Finnish Securities Market Act Chapter 9, Section 5 of the Finnish Securities Market Act from OP Fund Management Company Ltd, according to which the ownership of shares and votes in Robit Plc of OP-Suomi investment fund, managed by OP Fund Management Company Ltd, has exceeded the threshold of 5% following a merger of investment funds on 21 September 2017. OP-Focus special investment fund and OP-Delta investment fund were merged into OP-Suomi Arvo investment fund on 21 September 2017 and, concurrently, the name of OP-Suomi Arvo investment fund was changed into OP-Suomi investment fund. No changes in the aggregate positions of the funds managed by OP Fund Management Company Ltd have given rise to the notification obligation. OP Fund Management Company Ltd holds 9.58% of all shares and votes in Robit Plc and following the merger OP-Suomi investment fund holds 6.56%.

Robit Plc has on 26 May 2017 received a notification from Didner & Gerge Fonder AB in accordance with the Finnish Securities Market Act Chapter 9, Section 5. According to the

announcement, the total number of Robit shares owned by Didner & Gerge Fonder AB increased above five (5) per cent of the shares of Robit Plc on 26 May 2017. (Position before the notification 0 and after 7,83 %).

Robit Plc has on 24 May 2017 received a notification from Varma Mutual Pension Insurance Company ("Varma") in accordance with the Finnish Securities Market Act Chapter 9, Section 5. According to the announcement, the total number of Robit shares owned by Varma increased above five (5) per cent of the shares of Robit Plc on 24 May 2017. (Position before the notification 0 and after 7,86 %).

Robit Plc has on 24 May 2017 received a notification from Elo Mutual Pension Insurance Company ("Elo") in accordance with the Finnish Securities Market Act Chapter 9, Section 5. According to the announcement, the total number of Robit shares owned by Elo increased above five (5) per cent of the shares of Robit Plc on 24 May 2017. (Position before the notification 0 and after 6,75 %).

Robit Plc has on 24 May 2017 received a notification from Harri Sjöholm in accordance with the Finnish Securities Market Act



Chapter 9, Section 5. According to the announcement, the total number of Robit shares owned by Harri Sjöholm and the company controlled by him, Five Alliance Oy, decreased below twenty-five (25) per cent of the shares of Robit Plc on 24 May 2017. Total position of Harri Sjöholm and the company controlled by him, Five Alliance Oy, subject to the notification before the notification 40,3 and after 20,93 %).

## Personnel and management

At the end of the review period, the company's personnel amounted to 329 (263) and total salary amount was EUR 15.514 (9.057) thousand. The increase in the number of employees was due to the personnel of the companies acquired during the previous financial year and the period under review. During the review period, the number of employees grew by 66, two thirds of which came from acquisitions and one third through additional recruitment. Of the company's personnel, 76 percent were outside Finland.

Company strengthened its management with the following persons: Group CEO Mika Virtanen, Group CFO Ilkka Miettinen, VP Down the Hole Tommi Lehtonen, VP East Jorma Juntunen, VP EMEA Kari Alenius, VP Americas Mikko Vuojolainen, VP Supply Jukka Pihamaa and Head of HR Jaana Rinne. VP Top Hammer Olli Kuismanen, VP Americas Mikko Mattila and HR Manager Terhi Mäkinen left the company.

The Board of Directors of Robit decided on April 20, 2017 on new share-based incentive plan for the Group management and Group key employees. The plan is divided in two; to Performance Share Plan and Matching Share Plan. The aim of the new plans is to combine the objectives of the shareholders and the persons participating in the plans in order to increase the value of the company in the long-term, to bind the participants to the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

CEO has an additional pension agreement, where Robit pays EUR 8 thousand annually. When CEO leaves the company, the accumulated pension shall be granted to him.

## Resolutions and authorization decisions of General Meetings

Robit Plc's Annual General Meeting on March 28, 2017 approved the presented financial statements for January 1 - December 31, 2016 and decided that a dividend of EUR 1 598 922.60 to be paid. It was resolved to discharge the members of the Board of Directors from liability for the financial period of 2016 and the CEO for the financial period of 2016.

The following persons were elected as the Board of Directors: Mammu Kaario as a new member and Tapio Hintikka, Matti Kotola, Hannu-Kalle Reponen and Harri Sjöholm as old members. Anni Ronkainen was no longer available for re-election to the Board of Directors. It was resolved to elect Harri Sjöholm as Chairman of the Board of Directors.

Ernst & Young Oy, an Authorized Public Accounting firm, was elected as the company's auditor and Authorized Public Accountant Mikko Järventausta as the auditor-in-charge.

Robit Plc's Extraordinary General Meeting held on 20 April 2017 made the following key resolutions:

The Extraordinary General Meeting resolved to authorize the Board of Directors to decide on the acquisition of a maximum of 1,608,390 own shares, in one or several tranches, using the Company's unrestricted shareholder's equity. The maximum number of shares to be acquired equals to approximately 10percent of all shares in the Company at the date of the notice to the EGM. However, the Company, together with its subsidiary companies, may not at any point own more than 10percent of all the shares in the Company. Own shares may be purchased under the authorization using only the unrestricted shareholders' equity.

The shares are acquired otherwise than in proportion to the share ownership of the shareholders in public trading arranged by Nasdaq Helsinki Ltd at the market price on the date of the acquisition or otherwise at a price formed on the market. The Company's own shares may be acquired, for instance, to carry out possible corporate transactions or as part of share-based incentive systems, or for other purposes as decided by the Board of Directors, as well as otherwise for further transfer, retention or cancellation. The Board of Directors is authorized to decide on all other terms and conditions regarding the acquisition of the Company's own shares.

The Extraordinary General Meeting resolved that this authorization cancels the authorization granted by the Annual General Meeting on 18 March 2016 to decide on the acquisition of own shares. The authorization is in force until the end of the following Annual General Meeting, however not longer than until 30 June 2018.

The Board of Directors resolved to authorize the Board of Directors to decide on the issuance of shares and special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act, in one or more tranches, either with or without consideration.



The number of shares to be issued, including the shares to be issued on the basis of special rights, may not exceed 7,000,000, which equals to approximately 43.5 percent of all the shares in the Company at the date of the notice to the EGM. The Board of Directors may decide to issue either new shares or to transfer any own shares held by the Company.

The authorization entitles the Board of Directors to decide on all terms of the share issue and transfer of special rights entitling to shares, including the right to deviate from the shareholders' pre-emptive right. The authorization may be used to finance the Company's growth, as consideration in corporate transactions, as part of the Company's incentive systems, or for other purposes as decided by the Board of Directors.

The authorization remains in force for five years from the end of the Extraordinary General Meeting. This authorization cancels any previous unused authorizations to decide on the share issue and issuance of options or other special rights entitling to shares.

### **Changes in Group structure**

During the review period, the company acquired 51 percent of Halco UK's shareholding (Halco Brighthouse Ltd, Halco Drilling Tools Ltd). A new subsidiary, Robit LLC, was established in the USA, which acquired Halco USA's assets. In addition, the company established a new subsidiary in Kazakhstan (TOO Robit).

### **Risks and business uncertainties**

The company's risks and uncertainties are related to the company's operating environment, its possible changes and global economic development.

In addition, uncertainty factors include exchange rate developments, the functioning and introduction of new information systems, the integration of acquisitions, security of supply and logistics risks, IPR risks and uncertainties associated with the company's operations. In addition, changes in tax and customs legislation in the export countries may harm the export trade or profitability of the company.

The possible realization of the risks is expected to have a negative impact mainly on the company's growth, financial position and profitability as well as the image. The company's management does not expect these risks and uncertainties to be significant at the time of the review.

### **Other events during the review period**

Mika Virtanen, M.Sc. Engineering, (43), was appointed the new Group CEO of Robit Plc in May 1, 2017. Virtanen has made a career of over 20 years in several management positions in metal



and automation industry. He worked since 2002 for Cargotec Corporation in international operations before joining Robit.

Company listed on Nasdaq Helsinki main list on May 17, 2017. The listing enabled a new share issue for institutional investors. The gross proceeds from the issue totaled EUR 49.5 million to finance growth.

## Events after the review period

On January 29th, 2018 Robit group announced a press release, according to which the organization model will be changed to apply line organization to be closer to the customer operations. This will clarify the structure and increase organizational efficiency and thus drive improved financial performance. On the other hand, the changes may result to reductions of the positions in the group. Required local negotiations have been commenced early February 2018.

Robit announced in January 29th, 2018 that it has acquired the remaining 49 percent of the shares of Halco Brighthouse Ltd from the members of Halco management team with a total consideration of 75.000 GBP.

## Financial guidance

Company has set the following key targets transcending the economic cycle:

- to increase its net sales organically on average by a minimum of 15 per cent per annum (CAGR)
- to achieve an EBITA margin of above 13 per cent
- During 2017 Robit made following changes in the profit guidance:

In May 2017, the company's management estimated that the company's percentage profitability (excluding adjustment items) will remain in 2017 at the 2016 level if market demand remains at current level and there are no other disturbances in the market. On August 17th, 2017 Robit changed profit guidance as follows: According to the current view of company's management, the relative EBITA profitability (excluding comparable items) will be lower if market demand is maintained at current level and there are no other disturbances in the market.

On December 18th, 2017 Robit changed profit guidance as follows: According to management's current estimation, Robit Plc's EBITA for year 2017 (without items affecting comparability) will be zero or slightly negative provided that the market demand stays at the current level and there are no unpredictable market disruptions.

Year 2018 EBITA as percentage of net sales (without items

affecting comparability) will be significantly higher than year 2017 provided that the market demand stays at the current level and there are no unpredictable market distractions in 2018.

With the strengthening of the personnel and increased distributors co-operations during 2017 combined with new modern capacity Robit will improve group's financial performance significantly in 2018. Planned new strategy and actions will enhance the profitability improvement in 2018.

## Dividend proposal

The distributable funds of the parent company at December 31, 2017 are EUR 93 428 331,99. The Board of Directors proposes a dividend distribution of 0.10 euro per share to be paid on the outstanding 20 997 580 shares, resulting in a total proposed dividend of EUR 2 099 758 euros.

The Board proposes the dividend to be payable from 10 April 2017. All the shares existing on the dividend record date are entitled to the dividend for 2017 except for the own shares held by the parent company (86.320 shares).

## Annual General Meeting

The Annual General Meeting is scheduled to be held on March 28th, 2018 at 2.00 p.m. Finnish time in Tampere-talo, Yliopistonkatu 55, FI33200 Tampere.

## Financial information events and reporting schedule in 2018

An analyst and press conference in connection with the publication of the financial statements release will be held in English for analysts, investors and media representatives on Tuesday 20th February 2018 at 2.00 p.m. Finnish time. The conference will take place in Helsinki at Event Arena Bank (meeting room 22), Unioninkatu 22, FI00130 Helsinki. Doors will open at 1.30 p.m.

Robit will present its net sales figures from the time period January 1, – March 31, 2018 on April 19th, 2018 and January 1, - September 30, 2018 on October 18th, 2018. Half-year financial statements Jan 1 – June 30, 2018 will be released on August 16th, 2018.

Robit Corporate Governance Statement for 2017 has been published as a separate statement on be found Robit website <https://www.robitgroup.com/investors/administration>. Also, Robit remuneration review for 2017 has been published in the same address.

## Key figures summary (EUR 1.000 unless other stated)

	2017	2016	2015
Net Sales, EUR 1.000	88 222	64 050	45 573
Net Sales growth, percent	37,7 %	40,5 %	19,1 %
EBITDA, EUR 1.000	1 626	7 495	3 903
EBITDA, percent of sales	1,8 %	11,7 %	11,1 %
Adjusted EBITDA, EUR 1.000	3 500	10 251	3 903
Adjusted EBITDA, percent of sales	4,0 %	16,0 %	11,1 %
EBITA, EUR 1.000	-2 734	4 721	2 758
EBITA, percent of sales	-3,1 %	7,4 %	7,6 %
Adjusted EBITA, EUR 1.000	-861	7 468	2 758
Adjusted EBITA, percent of sales	-1,0 %	11,7 %	7,6 %
EBIT, EUR 1.000	-3 640	4 262	2 758
EBIT, percent of sales	-4,1 %	6,7 %	7,6 %
Result for the period, EUR 1.000	-5 190	4 083	1 804
Result for the period, percent of sales	-5,9 %	6,4 %	4,0 %
Earnings per share (EPS), EUR	-0,27	0,26	0,13
Return on equity (ROE), percent	-7,3 %	9,9 %	7,4 %
Return on capital employed (ROCE), percent	-5,8 %	4,7 %	5,3 %
Adjusted return on capital employed (ROCE), percent	-4,2 %	7,8 %	5,3 %
Net interest-bearing debt, EUR 1.000	7 752	36 910	-21 824
Equity ratio, percent	57,6 %	43,9 %	70,5 %
Net gearing, percent	8,4 %	73,7 %	46,9 %
Gross investments, EUR 1.000	13 341	58 027	3 926
Gross investments, percent of sales	15,1 %	90,6 %	8,6 %
Gross investments, excl.acquisition, EUR 1.000	11 139	2 641	3 926
R&D costs, EUR 1.000	1 482	1 505	1 367
R&D costs, percentage of sales	1,7 %	2,3 %	3,0 %
Average number of employees	296	199	124
Number of employees at the end of period	329	263	134
Dividend, euro *	0,10	0,10	0,07
Dividend % of the earning	-37,0 %	34,5 %	23,5 %
Effective dividend yield	1,5 %	1,3 %	0,7 %
Price / Earnings	-37	20	53
Share price at the end of the period	6,47	7,90	5,68
Lowest	6,42	5,20	5,41
Highest	11,73	9,40	6,24
Market capitalization	135,9	124,7	89,7

\*) Dividend for 2017 is proposal of the board





## Comparable EBITDA and EBITA

EBITDA and comparable EBITDA	H2/2017	H2/2016	2017	2016
<b>EBIT / Operating profit</b>	-2 352	2 754	-3 640	4 262
Depreciation and amortisation	2 659	2 554	5 267	3 233
<b>EBITDA</b>	306	5 308	1 626	7 495
<b>Items affecting comparability</b>				
Expenses of list change and share issue			1 290	
Reversal of inventory step-up		2 195		
M&A expenses	161	561	469	2 756
Reorganising expenses	115		115	
<b>Items affecting comparability in total</b>	<b>286</b>	<b>2 756</b>	<b>1 874</b>	<b>2 756</b>
<b>Comparable EBITDA</b>	<b>592</b>	<b>8 064</b>	<b>3 500</b>	<b>10 251</b>
<b>EBITA</b>				
<b>1 000 euro</b>				
<b>EBIT / Operating profit</b>	<b>-2 352</b>	<b>2 754</b>	<b>-3 640</b>	<b>4 262</b>
Amortizations of acquisitions	451	459	907	459
<b>EBITA</b>	<b>-1 901</b>	<b>3 213</b>	<b>-2 733</b>	<b>4 721</b>
<b>Comparable EBITA</b>				
<b>1 000 euro</b>				
<b>EBIT / Operating profit</b>	<b>-2 352</b>	<b>2 754</b>	<b>-3 640</b>	<b>4 262</b>
<b>Items affecting comparability</b>				
Reversal of inventory step-up		2 195		2 195
M&A expenses	161	561	467	552
Expenses of list change and share issue			1 290	
Reorganising expenses	115		115	
<b>Comparable EBIT</b>	<b>-2 076</b>	<b>5 510</b>	<b>-1 768</b>	<b>7 009</b>
Amortizations of acquisitions	451	450	907	459
<b>Comparable EBITA</b>	<b>-1 625</b>	<b>5 960</b>	<b>-861</b>	<b>7 468</b>



# Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income			
EUR thousand	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
<b>Net sales</b>		<b>88 222</b>	<b>64 050</b>
Changes in inventories of finished goods and work in progress	2.2	-2 649	-67
Work performed by the Group and capitalized		43	201
Other operating income	2.4	1 482	241
Materials and services			
Purchases during the period		-36 758	-20 290
Change in stocks		2 683	-634
External services and subcontracts total		-13 885	-11 727
Materials and services	2.2	-47 960	-32 651
Employee benefit expense	2.3	-18 943	-11 113
Depreciation, amortization and impairment	2.5	-5 267	-3 233
Other operating expenses	2.4	-18 568	-13 167
<b>EBIT (Operating profit)</b>		<b>-3 640</b>	<b>4 262</b>
Finance income and costs			
Finance income	4.5	1 333	3 316
Finance cost	4.5	-3 758	-2 411
Finance income and costs net		-2 425	906
<b>Profit before income tax</b>		<b>-6 065</b>	<b>5 168</b>
Income taxes			
Current taxes		-238	-1 100
Change in deferred taxes		1 113	-28
Income taxes	6.2	875	-1 128
<b>Result for the period</b>		<b>-5 190</b>	<b>4 040</b>
Attributable to:			
Owners of the parent		-5 190	4 040
Non-controlling interest		0	0
		<b>-5 190</b>	<b>4 040</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	4.1	-1 301	43
<b>Other comprehensive income, net of tax</b>		<b>-1 301</b>	<b>43</b>
<b>Total comprehensive income</b>		<b>-6 492</b>	<b>4 083</b>
Attributable to:			
Owners of the parent		-6 492	4 083
Non-controlling interest		0	0
		<b>-6 492</b>	<b>4 083</b>
<b>Earnings per share attributable to the owners of the parent during the year:</b>			
Basic and diluted earnings per share	4.2	-0,27	0,26

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



# Consolidated Balance Sheet

Consolidated Balance Sheet			
EUR thousand	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	3.1	25 029	25 469
Other intangible assets	3.2	8 088	8 333
Property, plant and equipment	5.1	26 280	16 611
Loan receivables	4.4	517	720
Other receivables	4.4, 5.3	3	157
Deferred tax assets	6.2	1 903	720
<b>Total non-current assets</b>		<b>61 820</b>	<b>52 011</b>
<b>Current assets</b>			
Inventories	5.2	30 141	30 176
Account and other receivables	4.4, 5.3	25 921	21 248
Loan receivables	4.4	17	48
Income tax receivable	6.2	139	0
Cash and cash equivalents	4.4	42 172	10 519
<b>Total current asset</b>		<b>98 391</b>	<b>61 991</b>
<b>Total assets</b>		<b>160 211</b>	<b>114 002</b>

EUR thousand		31-Dec-17	31-Dec-16
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	4.1	705	705
Share premium	4.1	202	202
Reserve for invested unrestricted equity	4.1	82 502	32 368
Cumulative translation difference	4.1	-1 157	144
Retained earnings	4.1	15 057	12 597
Profit for the year	4.1	-5 190	4 040
<b>Total equity</b>		<b>92 118</b>	<b>50 056</b>
<b>Total equity</b>		<b>92 118</b>	<b>50 056</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	4.3	3 511	36 601
Deferred tax liabilities	6.2	2 241	2 093
Derivative financial instruments	4.5, 4.6	0	0
Employee benefit obligations	2.3	988	947
<b>Total non-current liabilities</b>		<b>6 740</b>	<b>39 641</b>
<b>Current liabilities</b>			
Borrowings	4.3	46 413	10 828
Derivative financial instruments	4.5, 4.6	0	38
Advances received	5.5	324	282
Income tax liabilities	6.2	70	736
Account payables and other liabilities	5.4	14 546	12 421
<b>Total current liabilities</b>		<b>61 353</b>	<b>24 305</b>
<b>Total liabilities</b>		<b>68 093</b>	<b>63 946</b>
<b>Total equity and liabilities</b>		<b>160 211</b>	<b>114 002</b>

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

# Consolidated Statement of Changes in Equity

## Consolidated Statement of Changes in Equity

EUR thousand	Note	Share capital	Share premium	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total
<b>Equity at 1.1.2016</b>		<b>705</b>	<b>202</b>	<b>32 322</b>	<b>101</b>	<b>13 229</b>	<b>46 559</b>
Profit for the period						4 040	4 040
Other comprehensive income							
Translation differences					43		43
<b>Total comprehensive changes</b>					<b>43</b>	<b>4 040</b>	<b>4 083</b>
Dividend distribution						-631	-631
Share issue						-	-
Use of treasury shares to BoD compensation				46		-	46
<b>Total transactions with owners, recognized directly in equity</b>						<b>-631</b>	<b>-585</b>
<b>Equity at 31.12.2016</b>	<b>4.1</b>	<b>705</b>	<b>202</b>	<b>32 368</b>	<b>144</b>	<b>16 638</b>	<b>50 057</b>

EUR thousand	Note	Share capital	Share premium	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total
<b>Equity at 1.1.2017</b>		<b>705</b>	<b>202</b>	<b>32 368</b>	<b>144</b>	<b>16 638</b>	<b>50 057</b>
Profit for the period						-5 190	-5 190
Other comprehensive income							
Translation differences					-1 301		-1 301
<b>Total comprehensive changes</b>					<b>-1 301</b>	<b>-5 190</b>	<b>-6 492</b>
Dividend distribution						-1 599	-1 599
Halco share issue				1 797			1 797
Share issue				48 271			48 271
Share-based payments to employees						19	19
Use of treasury shares to BoD compensation				66			66
<b>Total transactions with owners, recognized directly in equity</b>		<b>0</b>	<b>0</b>	<b>50 134</b>	<b>0</b>	<b>-1 580</b>	<b>48 554</b>
<b>Equity at 31.12.2017</b>	<b>4.1</b>	<b>705</b>	<b>202</b>	<b>82 502</b>	<b>-1 157</b>	<b>9 868</b>	<b>92 119</b>

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



# Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows			
EUR thousand	Note	31 Dec 2017	31 Dec 2016
<b>Cash flows from operating activities</b>			
Profit before income tax		-6 065	5 168
Adjustments			
Depreciation, amortization and impairment charges	2.5	5 267	3 233
Finance income and finance costs	4.5	2 425	-906
Share-based payments to employees	2.3	19	0
Loss (+) on sale of property, plant and equipment	2.4	110	135
Disposals (+) on sale of property, plant and equipment	5.1	525	0
Other non-cash transactions		703	46
Cash flows before changes in working capital		2 983	7 677
Change in working capital			
Increase (-) in account and other receivables		-3 714	-8 187
Increase (-) / decrease (+) in inventories		-1 753	-37
Increase (+) in account and other payables		2 247	2 048
Cash flows from operating activities before financial items and taxes		-238	1 456
Interest and other finance expenses paid		-1 010	-737
Interest and other finance income received		146	20
Income taxes paid		-926	-521
<b>Net cash inflow (outflow) from operating activities</b>		<b>-2 027</b>	<b>264</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	5.1	-10 155	-1 749
Purchases of intangible assets	3.3	-1 494	-892
Proceeds from the sale of property, plant and equipment		424	77
Proceeds from loan receivables	4.4	86	2
Proceeds from currency forward contracts	4.5	0	1 156
Acquisition of subsidiaries, net of cash acquired	3.1	-2 202	-56 622
<b>Net cash inflow (outflow) from investing activities</b>		<b>-13 341</b>	<b>-58 027</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issues, net of expenses	4.1	46 709	0
Acquisition of own shares	4.1	0	0
Proceeds from loans		11 314	36 815
Repayments of loans		-10 811	-1 871
Change in bank overdrafts	4.3	2 070	636
Payment of finance lease liabilities (*)	4.3	-701	-67
Distribution of dividend	4.3	-1 599	-631
<b>Net cash inflow (outflow) from financing activities</b>		<b>46 982</b>	<b>34 881</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>		<b>31 613</b>	<b>-22 862</b>
Cash and cash equivalents at the beginning of the financial year	4.4	10 519	33 310
Exchange gains/losses on cash and cash equivalents		40	91
<b>Cash and cash equivalents at end of the year</b>	<b>4.4</b>	<b>42 172</b>	<b>10 519</b>

\*) Halco UK finance lease assets (acquired in February 2017) have been refinanced by inter-company loan granted by Robit Plc. 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 21 offices and active sales networks in 115 countries. Robit has production units in Finland, South Korea, Australia, US and two in the UK. The Group acquired Drilling Tools Australia Pty Ltd (“DTA”) and Bulroc (UK) Ltd (“Bulroc”) during 2016 in accordance with its growth strategy and Halco Brighthouse Ltd in February 2017 as well as Halco assets in the US in January 2017.

Robit Corporation is a publicly listed company and its shares are listed on the NASDAQ OMX Helsinki Ltd main list 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.robitgroup.com](http://www.robitgroup.com).

The Board of Directors of Robit Plc has approved these consolidated financial statements for issue on February 20th, 2018. 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 2017. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

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 of 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.

Parent company Robit Plc financial statements have been prepared according to Finnish Accounting Standards (FAS).

## 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 require 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 represent additional value for the client like technical support, training etc. and are distinct from the supply of the products. Consequently, such contracts represent 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 from the beginning of 1 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 2017	1 Jan - 31 Dec 2016
Top Hammer	38 183	33 692
Down the Hole	49 979	30 358
Digital services	61	0
<b>Total</b>	<b>88 222</b>	<b>64 050</b>

#### 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 2017	1 Jan - 31 Dec 2016
Europe, Middle East and Africa	32 299	29 124
North and South America	15 328	8 519
Asia	11 344	10 924
Australasia	24 737	12 194
Russia and CIS countries	4 515	3 289
<b>Total</b>	<b>88 222</b>	<b>64 050</b>

One of the Robit's customer generated more than 10 per cent of the Group's revenue for the year ended 31 December 2017 and none in 2016.

#### Segment information

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 and distributor organizations 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-Pacific, Australasia and Russia / CIS). Six manufacturing units, Finland, South Korea, 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, which 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 2017 amounted to EUR 47 960 thousand (2016: EUR 32 651 thousand). Materials and services include purchases of raw materials such as steel, copper, tungsten carbide, trading products and subcontracting services inventories.



In the financial statements 2016 acquired 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 goods 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).

Robit key employees are obliged to take part into a long-term incentive plan based on initial investment to Robit shares. The expense is accrued to the period as far as the employee able to utilize the benefit.

#### 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 2017	1 Jan - 31 Dec 2016
Wages and salaries	-15 514	-9 057
Pension costs - defined contribution plans	-1 577	-932
Social security expenses	-696	-424
Share-based payments	0	-
Other long-term benefits	-227	-522
Other employee benefit expenses	-929	-178
<b>Total</b>	<b>-18 943</b>	<b>-11 113</b>

Robit's number of personnel increased in 2017 by 66 persons from year end 2016, with the total number of personnel being 329 at the end of the period under review. The number of personnel increased by 52 due to acquisition of Halco entities. Personnel growth has been as planned, to enable Robit to grow further. Robit's average number of personnel was 296 persons during the financial period 2017 and 199 in 2016.

Robit has both defined contribution plans and defined benefit plans. All pension plans are defined contribution plans. In Australia, the employees are entitled to be 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 292 thousand for the year ended 31 December 2017 (2016: EUR 361 thousand). The liability related to long-service fee amounted to EUR 346 thousand as at 31 December 2017 (31.12.2016: EUR 414 thousand).

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 144 thousand for the year ended 31 December 2017 (2016: EUR 161 thousand). The employee benefit obligation recognized for severance payment plan amounted to EUR 644 thousand as at 31 December 2017 (31.12.2016: EUR 532 thousand).

Wages and salaries include EUR 16 thousand related to employee benefit from the shareholder loans (2016: EUR 5 thousand). Shareholder loans are described in note 4.4. For more information regarding share-based payments recognized during 2016, please refer to note 6.3.

#### *Long-term Remuneration: Share-based Incentive Plan*

The Board of Directors of Robit decided in April 2017 on new share-based incentive plan for the Group management and Group key employees. The plan is divided in two; to Performance Share Plan and Matching Share Plan. The aim of the new plans is to combine the objectives of the shareholders and the persons participating in the plans in order to increase the value of the company in the long-term, to bind the participants to the company, and to offer them competitive reward plans based on earning and accumulating the company's shares. The person participating in the program receives equal number of shares as the person has invested after one year from the investment.

#### *Matching Share Plan*

The Matching Share Plan includes one year vesting period, calendar year 2017. The prerequisite for receiving reward, on the basis of this plan, is that a person participating in the plan owns or acquires the company's shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of participant's employment or service upon reward payment. Global Management Team members and some other key employees belong to the target group of the Matching Share Plan. The rewards are to be paid on the basis of the Matching Share Plan correspond to the value of an approximate maximum total of 28.000 Robit Group shares, of which the maximum portion of the Chairman of the Board & CEO would be the value of 5.000 shares, Global Management Team members 3.000 shares and other Key employees 1.000 shares. The taxes and other expenses related to the granted shares will be covered by Robit Group. The management acquired the shares from the public trading or used current shareholdings.

#### *Performance Share Plan*

The Performance Share Plan includes currently one vesting period, calendar year 2017. The Board of Directors will decide separately on new vesting periods. In addition, the Board of Directors will decide on the Plan's performance criteria and required performance levels for each criterion as well as the participating persons at the beginning of an earnings period. The Performance Share Plan is directed to approximately 24 people. The potential reward of the Plan from the performance period 2017 will be based on the Robit Group's net sales and earnings per share. If the set criteria are reached, person participating will receive the original investment at maximum in fivefold.

## **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 2017	1 Jan - 31 Dec 2016
Administration costs	-6 028	-2 690
Travel expenses	-2 316	-1 489
Marketing and advertising costs	-904	-355
Operating lease payments	-1 975	-278
Premise expenses	-1 262	-1 322
Cost of sales	-3 050	-3 234
Loss on sale of property, plant and equipment	-110	-135
Transaction costs related to the acquisitions	-383	-561
Other operating expenses	-2 540	-3 102
<b>Total</b>	<b>-18 568</b>	<b>-13 167</b>

### Auditor's fees

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Statutory fees	-281	-143
Tax consultancy	-7	-27
Other services	-90	-157
<b>Total</b>	<b>-378</b>	<b>-327</b>

Ernst & Young -company portion of statutory fees is 231 thousand euros for auditing.

## 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 2017	1 Jan - 31 Dec 2016
<b>Depreciation by class</b>		
Buildings and constructions	-137	-133
Machinery and equipment	-3 398	-2 001
Other tangible assets	-137	-107
<b>Total</b>	<b>-3 672</b>	<b>-2 241</b>

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
<b>Amortization by class</b>		
Customer relationships and brand	-906	-459
Intangible rights	-119	-43
Other intangible assets	-570	-490
<b>Total</b>	<b>-1 595</b>	<b>-991</b>

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

## 3. Acquisitions and intangible assets

### 3.1 Acquisitions 2017

#### Accounting policies

Robit applies the acquisition method to account for business acquisitions. Identifiable assets acquired and liabilities in 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 the applied estimates and assumptions are sufficiently reliable for determining fair values.

#### Acquisitions in 2017

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 ("Halco US") as at 12 January 2017. With this Robit acquired manufacturing capacity in the Americas and secures better service and availability for distributors and direct customers.

In February 2017 Robit purchased a majority (51%) of Halco Brighthouse Ltd's shares, which is the Halco 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 ("Halco UK"). 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.

These acquisitions strengthen Robit's Down the Hole business and complement the acquisition that were executed in Australia and UK in 2016.



Total consideration for the acquisitions amounted to EUR 4 078 thousand, of this EUR 1 798 thousand was settled by issuing shares in Robit, EUR 1 812 thousand was settled in cash at closing. Deferred consideration amounting to EUR 468 thousand was settled in cash on April. The exercise price of the option to acquire 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 the deal of Halco UK included obligation to purchase rest of the shares (49%) in Halco Brighthouse Ltd from the key employees of Halco Brighthouse Ltd, the company has been consolidated in full to the Robit Group. The price for the remaining shares is tied to the adjusted sales of Halco Brighthouse Ltd and is considered as employee benefit.

EUR thousand	Fair value
Intangible rights	187
Property, plant and equipment	3 472
Inventories	338
Account receivables and other receivables	813
Cash and cash equivalents	78
Deferred tax liabilities	-239
Financing liabilities	-622
Advances received	-72
Account payables and other current liabilities	-630
<b>Net identifiable assets acquired</b>	<b>3 324</b>
Goodwill	754
<b>Total consideration paid</b>	<b>4 078</b>

Acquisition-related costs (EUR 467 thousand) have been charged to administrative expenses in the consolidated income statement for the period ended 31 Dec 2017.

The fair value of the 200 thousand ordinary shares issued as the consideration paid for Halco UK was based on the published share price on 16 February 2017. There were no significant issuing costs.

## Acquisitions 2016

### Acquisition of Drilling Tools Australia

Robit signed a Sale and Purchase Agreement on 19 May 2016 to acquire 100 % of the shares of Drilling Tools Australia Pty Ltd ("DTA"), 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
<b>Net identifiable assets acquired</b>	<b>24 797</b>
Goodwill	19 413
<b>Total consideration paid</b>	<b>44 209</b>

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
<b>Net identifiable assets acquired</b>	<b>6 430</b>
Goodwill	5 476
<b>Total consideration paid</b>	<b>11 906</b>

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 flows.

If the acquisitions of DTA and Bulroc would have taken place on 1 January 2016, the Group's net sales for the fiscal year 2016 would have been approximately EUR 79 million and operating profit approximately EUR 6 million. These amounts have been calculated using the out carved income statement data available to the DTA and Bulrocin income statement data that have been adjusted to reflect Robit's accounting policies and the depreciation that would have been made if the acquisitions had taken place on 1 January 2016. Management has used discretion and made estimates and assumptions when calculating figures for DTA's economic history, as the figures include uncertainties. The figures do not reflect the Group's future financial performance.

### **Purchase consideration – cash outflow**

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

<b>EUR thousand</b>	<b>2016</b>
Cash consideration	56 659
Cash acquired	-37
Outflow of cash to acquire subsidiaries, net of cash acquired	56 622

## **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, but also acquisition of Halco in 2017. 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 and Halco as separate business forming and an independent CGU. 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.

The table below presents the movements of goodwill:

EUR thousand	2017	2016
Carrying value at 1 January	25 469	88
Acquisition of subsidiaries	754	25 136
Exchange differences	-1 107	246
<b>Carrying value at 31 December</b>	<b>25 116</b>	<b>25 469</b>
The table summarizes the allocation of goodwill to business units:		
EUR thousand	2017	2016
Down the hole	24 275	25 382
Halco	754	
Top Hammer	88	88
<b>Total</b>	<b>25 117</b>	<b>25 469</b>

The goodwill allocated to Top Hammer and Halco cash-generating units has been tested for impairment and no impairment has been recognized. The recoverable amounts of Top Hammer and Halco cash-generating units are 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 24 133 thousand, equalling 47 % 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 15.4 % during the three-year forecast period. Net sales is expected to increase due to the synergies related to business combinations after training of the distribution networks has been completed and continued positive trend on the market.
EBITDA-margin	Average EBITDA-margin is expected to be 12.7 % during the three year forecasting period. The long-term EBITDA is expected to be 14.3 % of the net sales. This is in line with the past performance and management's expectations of future development and will be supported capacity adjustment initiatives in 2018.
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 9.8 %. 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):

	<b>2017</b>	
	<u>From</u>	<u>To</u>
Average annual net sales growth during the three year forecast period	15,4 %	10,8 %
Average EBITDA-margin during the three year forecast period	12,7 %	10,5 %
Average EBITDA-margin (exceeding the three year forecasting period)	14,3 %	12,0 %
Long-term growth rate (exceeding three year forecasting period)	1,5 %	0,6 %
Pre-tax discount rate	9,8 %	13,3 %

### 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:

	<u>Years</u>
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.

#### 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 development projects may decrease, if the expected returns from new services change.

Key judgements and estimates related to intangible assets acquired in connection with business combinations are discussed in section Acquisitions.

EUR thousand	Customer relationships	Brand	Intangible rights	Other intangible assets	Total
<b>2017</b>					
Cost at 1 January	6 271	864	213	2 492	9 840
Acquisition of subsidiaries	0	0	0	0	0
Reclassifications	0	0	91	1 164	1 254
Additions	0	0	262	1 342	1 604
Exchange differences	-294	-30	-1	-9	-334
Cost at 31 December	5 977	834	565	4 989	12 365
Accumulated amortization and impairment at 1 January	-429	-29	-98	-950	-1 506
Amortization	-850	-57	-119	-570	-1 596
Reclassifications	0	0	-38	-1 191	-1 229
Disposals And impairment	0	0	0	0	0
Exchange differences	52	2	0	1	55
Accumulated amortization and impairment at 31 December	-1 227	-83	-255	-2 711	-4 276
<b>Net book amount at 1 January</b>	<b>5 842</b>	<b>835</b>	<b>115</b>	<b>1 542</b>	<b>8 334</b>
<b>Net book amount at 31 December</b>	<b>4 750</b>	<b>751</b>	<b>310</b>	<b>2 278</b>	<b>8 089</b>

#### Other intangible assets

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

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 include 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 1 482 thousand in 2017 and EUR 1 505 thousand in 2016. Robit has, among others, developed the Robit Sense Systems technology designed for monitoring and measuring drilling results. Capitalized development expenses amounted to EUR 533 thousand as at 31 December 2017 (31.12.2016: EUR 1 106 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.

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

Shares	Number
At 1 Jan 2016	15 784 333
Use of treasury shares to BoD compensation	4 893
<b>At 31 Dec 2016</b>	<b>15 789 226</b>
Share issue (Halco acquisition)	200 000
Share issue	5 000 000
Use of treasury shares to BoD compensation	8 354
<b>At 31 Dec 2017</b>	<b>20 997 580</b>

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	Number
At 1 Jan 2016	99 567
Use of treasury shares to BoD compensation	-4 893
<b>At 31 Dec 2016</b>	<b>94 674</b>
Use of treasury shares to BoD compensation	-8 354
<b>At 31 Dec 2017</b>	<b>86 320</b>

#### 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 2017 and 2016.

The share issue in connection with the IPO in May 2017 increased the invested unrestricted equity reserve by EUR 49 500 thousand deducted with the transaction costs of EUR 1 538 thousand considering the tax effect of EUR 307 thousand.



## Dividends

The annual general meeting resolved the dividend payment of 0,10 euros per share in 2016a totalling EUR 1 599 thousand. In the previous year dividend distribution was EUR 631 thousand.

## 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 2017 and 2016.

	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
Profit attributable to the owners of the parent company (euros)	-5 190 464	4 040 045
Weighted average number of shares (number of shares)	18 922 377	15 784 333
<b>Basic and diluted earnings per share</b>	<b>-0,27</b>	<b>0,26</b>

## 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	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
<b>Non-current borrowings</b>		
Loans from credit institutions	1 818	35 787
Other loans	637	702
Finance lease liabilities	1 132	113
<b>Total non-current borrowings</b>	<b>3 511</b>	<b>36 601</b>
<b>Current borrowings</b>		
Loans from credit institutions	41 606	8 162
Other loans	75	0
Bank overdrafts	4 647	2 585
Finance lease liabilities	85	81
<b>Total current borrowings</b>	<b>46 413</b>	<b>10 828</b>
<b>Total borrowings</b>	<b>49 924</b>	<b>47 429</b>

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 variable 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 have not been significant changes in credit risk since the loans were drawn-down.

#### Loans from credit institutions

In March 2017, Robit entered into a new loan agreement. The arrangement included facility amounting to EUR 6 000 thousand. The facility is revolving credit line in order to finance working capital requirements. The interest of Facility was Euribor + 1,4%.

Facility, total of EUR 32.000 thousand, is 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 Adjusted EBITDA ratio is gradually decreased from 4,0 as at 31 December 2016 to 2,5 as at 30 June 2018 onwards.

Robit PLC has 31st of December breached financial covenant net debt/EBITDA in its loan agreement. Because of this reason, EUR 28.0 million loans has been shown as short term loans in the financial statements. The company has discussed this issue with its lender and the situation will be cured. The company has EUR 42,2 million liquid funds as per 31st December 2017 and thus can maintain full debt service and liquidity in any circumstances.

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. Fixed rate loans were in Korea EUR 358 thousand (31.12.2016: EUR 394 thousand) with an interest rate of 2%, in UK EUR interest rate of 2,5%, and South Africa interest rate of 11,75%.

#### Other loans

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.

#### Bank overdrafts

The Group had EUR 4 647 thousand liability as at 31 December 2017 (31.12.2016: EUR 4 585 thousand) related to its credit facility agreement including one Finnish bank limit and two foreign limits. The maximum amount at 31 December 2017 was EUR 4 845 thousand (31.12.2016 EUR 4 845 thousand).

#### Finance lease liabilities

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	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
No later than one year	456	91
Later than 1 year and no later than 5 years	805	119
<b>Total</b>	<b>1 261</b>	<b>210</b>
Future finance charges on finance lease liabilities	-102	-17
<b>Present value of finance lease liabilities</b>	<b>1 159</b>	<b>193</b>

The present value of finance lease liabilities is as follows:

EUR thousand	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
No later than 1 year	422	81
Later than 1 year and no later than 5 years	737	113
<b>Total</b>	<b>1 159</b>	<b>193</b>

Note to the cash flow statement:

EUR thousand	1 Jan – 31 Dec 2017		1 Jan – 31 Dec 2016	
Cash and cash equivalents	42 172		10 519	
Current loans	-46 413		-10 828	
Non-current loans	-3 511		-36 601	
<b>Net debt</b>	<b>-7 752</b>		<b>-36 910</b>	
Cash	42 172		10 519	
Gross debt - fixed interest rate	-1 518		-394	
Gross debt - variable interest rate	-48 406		-47 035	
<b>Net debt</b>	<b>-7 752</b>		<b>-36 910</b>	

EUR thousand	Cash / bank overdraft	Current finance leases	Non- current finance leases	Current loans	Non- current loans	Total
<b>Net debt as at 31 December 2016</b>	<b>7 934</b>	<b>-81</b>	<b>-113</b>	<b>-8 162</b>	<b>-36 488</b>	<b>-36 910</b>
Cash flows	29 552		701	-5 519	6 023	30 757
Acquisitions			-610			-610
Foreign exchange adjustments	40	-4	-73		11	-26
Other non-cash movements			-961	-28 000	28 000	-961
<b>Net debt as at 31 December 2017</b>	<b>37 526</b>	<b>-85</b>	<b>-1 056</b>	<b>-41 681</b>	<b>-2 455</b>	<b>-7 752</b>
<b>Net book amount at 1 January</b>	<b>7 934</b>	<b>-81</b>	<b>-113</b>	<b>-8 162</b>	<b>-36 488</b>	<b>-36 910</b>
<b>Net book amount at 31 December</b>	<b>37 526</b>	<b>-85</b>	<b>-1 056</b>	<b>-41 681</b>	<b>-2 455</b>	<b>-7 752</b>

## 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.

EUR thousand	31-Dec-17	31-Dec-16
<b>Carrying amounts of loans and receivables</b>		
Loan receivables	17	48
Account and other receivables	25 921	19 003
Cash and cash equivalents	42 172	10 519
<b>Total current</b>	<b>68 111</b>	<b>29 570</b>
Loan receivables	517	720
Other receivables	0	157
<b>Total non-current</b>	<b>517</b>	<b>877</b>
<b>Total</b>	<b>68 628</b>	<b>30 447</b>



#### Loan receivables

Loan receivables amounted to EUR 534 thousand as at 31 December 2017 (31.12.2016: EUR 768 thousand). In previous years 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 instalments, 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.

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 2017	1 Jan - 31 Dec 2016
<b>Finance income</b>		
Foreign exchange gains on financing activities	1 187	3 220*
Other finance income	128	75
Interest income on cash equivalents	18	21
<b>Finance income total</b>	<b>1 333</b>	<b>3 316</b>
<b>Finance cost</b>		
Foreign exchange losses on financing activities	-2 802	-1 614
Interest expenses on borrowings	-735	-546
Interest expense on deferred consideration	-69	-207
Other finance costs	-151	-43
<b>Finance cost total</b>	<b>-3 758</b>	<b>-2 411</b>
<b>Finance income and costs total</b>	<b>-2 425</b>	<b>906</b>

\* 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 program 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 2017 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.

At 31 December 2017, 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 2 021 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian dollar-denominated loan amounted to EUR 20 163 thousand granted by the parent company to the Australian subsidiary.

As 31 December 2017, 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 714 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated loan amounted to EUR 3 588 thousand and US dollar denominated account receivables from group companies amounting to EUR 641 thousand.

As 31 December 2017, if the EUR has weakened/strengthened by 10% against the Korean won with all other variables held constant, the recalculated post-tax profit for the year would have been EUR 676 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of Korean won -denominated loan amounted to EUR 6 704 thousand.

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 variable interest rate which expose the Group to cash flow interest rate risk. Subsidiaries in UK, Korea and South Africa have loans fixed rate and amounted to EUR 1 518 thousand as at 31 December 2017 (31.12.2016: EUR 394 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 2017, 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 250 thousand (2016: EUR 188 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 has 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.

**(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 analyse 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 analysing 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. Group has recognized a write-down based on actual information relating to the receivable in question. 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 aging of the account receivables is as follows:

EUR thousand	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
Not due	13 304	10 552
Overdue by		
Less than 30 days	3 757	2 795
30-60 days	1 613	1 298
61-90 days	982	1 698
More than 90 days	2 484	1 922
<b>Total</b>	<b>22 140</b>	<b>18 266</b>



Write-down of account receivables amounted to EUR 295 thousand for the year ended 31 December 2017 and EUR 10 thousand for the year ended 31 December 2016.

### (c) Liquidity risk

Cash flow forecasting is performed in the Group's finance function. Group finance function monitors the Group's liquidity requirements monthly 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 42 172 thousand as at 31 December 2017 (31.12.2016: EUR 10 519 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. We are referring to note 4.3 information on the covenant breach.

The Group's equity ratio 58 % as at 31 December 2017 (31.12.2016: 44%) 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
<b>31-Dec-17</b>							
<b>Non-derivatives</b>							
Account payables	9 333	1				9 334	9 334
Finance lease liabilities	87		369	805		1 261	1 121
Loans from credit institutions	38 555	3 391	2 290			44 236	43 434
Bank overdrafts	669	3 977				4 647	4 647
Other loans	78	4	82	530	27	722	637
<b>Total non-derivatives</b>	<b>48 723</b>	<b>7 373</b>	<b>2 659</b>	<b>1 355</b>	<b>27</b>	<b>60 200</b>	<b>59 173</b>
<b>31-Dec-16</b>							
<b>Non-derivatives</b>							
Account payables	9 322	134	0	0	0	9 456	9 456
Finance lease liabilities	46	46	77	42	0	210	193
Loans from credit institutions	5 545	3 355	6 249	30 806	152	46 108	43 949
Bank overdrafts	2 585	0	0	0	0	2 585	2 585
Other loans	4	4	165	166	402	740	702
<b>Total non-derivatives</b>	<b>17 502</b>	<b>3 538</b>	<b>6 491</b>	<b>31 014</b>	<b>553</b>	<b>59 099</b>	<b>56 885</b>
<b>Derivatives</b>							
Interest rate swaps	3	3	7	0	0	13	7
Currency forwards contracts	31	0	0	0	0	31	31
<b>Total derivatives</b>	<b>34</b>	<b>3</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>38</b>

## Capital management

Robit defines capital as equity plus borrowings as shown on the balance sheet (31.12.2017 EUR 142 042 thousand, 31.12.2016 EUR 97 485 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 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 58 (31.12.2016: 44) per cent and the ratio of net debt to adjusted was 4,7 as at 31 December 2017. We are referring to note 4.3 information on the covenant breach.

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	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
Guarantees and mortgages given on own behalf:		
Enterprise mortgages	42 169	42 169
Real estate mortgages	3 856	3 856
<b>Total</b>	<b>46 025</b>	<b>46 025</b>
EUR thousand	31-Dec-17	31-Dec-16
Pledges:		
Pledged bank accounts	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
EUR thousand	31-Dec-17	31-Dec-16
Other guarantees:		
Other guarantee liabilities	517	763
<b>Total</b>	<b>517</b>	<b>763</b>

### 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 vary 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	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
No later than 1 year	1 455	634
Later than 1 year and no later than 5 years	3 957	2 073
Later than 5 years	3 066	465
<b>Total</b>	<b>8 478</b>	<b>3 172</b>

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 131 thousand as at 31 December 2017.

Robit liable to revise the value added tax reductions, if the purpose of the building construction started in 2017 use of the building for VAT-deductible purposes reduces in the future. The last review year is 2026 and the maximum liability is EUR 162 thousand.

#### Other commitments

The Group commitment to complete the new Korean plant and machinery is totaling 3.089 thousand (excl. VAT). The facility will be operational and rest of the payments will be made during Q2 2018 the latest.

## 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
<b>2017</b>						
Cost at 1 January	163	4 593	17 802	724	515	23 797
Acquisition of subsidiaries			3 472			3 472
Additions		33	3 070	353	7 669	11 125
Disposals			-768	-42		-810
Reclassifications		721	222	384	-679	647
Exchange differences	0	-1	-689	-38	-23	-751
Cost at 31 December	163	5 346	23 109	1 381	7 482	37 481
Accumulated depreciation and impairment at 1 January		-1 556	-5 211	-419		-7 186
Depreciation		-137	-3 398	-137		-3 672
Reclassifications		0	-509	-285		-795
Disposals And impairment		0	266	20		285
Exchange differences		0	151	15		166
Accumulated depreciation and impairment at the end of period		-1 693	-8 702	-807		-11 202
<b>Net book amount at 1 January</b>	<b>163</b>	<b>3 037</b>	<b>12 662</b>	<b>199</b>	<b>515</b>	<b>16 611</b>
<b>Net book amount at 31 December</b>	<b>163</b>	<b>3 653</b>	<b>14 407</b>	<b>574</b>	<b>7 482</b>	<b>26 280</b>

EUR thousand	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
<b>2016</b>						
Cost at 1 January	149	4 515	7 353	616	62	12 696
Acquisition of subsidiaries			9 291	35		9 325
Additions	14	77	1 129	66	503	1 789
Disposals			-235			-235
Reclassifications			52		-52	0
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			-19	-4		-23
Accumulated depreciation and impairment at 31 December		-1 556	-5 211	-419		-7 186
<b>Net book amount at 1 January</b>	<b>149</b>	<b>3 093</b>	<b>4 139</b>	<b>309</b>	<b>62</b>	<b>7 752</b>
<b>Net book amount at 31 December</b>	<b>163</b>	<b>3 037</b>	<b>12 591</b>	<b>306</b>	<b>515</b>	<b>16 611</b>

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 include mainly Korean leasehold improvements.

#### *Assets leased under finance leases*

Robit leases laptops, cars and some production machinery in UK and 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 1.141 thousand as at 31 December 2017 (31.12.2016: EUR 360 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.

EUR thousand	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
Materials and supplies	6 571	8 311
Work in progress	2 655	3 598
Finished goods	20 915	18 266
<b>Total</b>	<b>30 141</b>	<b>30 176</b>

The inventories include mainly raw materials used in the production and finished products, such as button bits, drilling rods and casing systems. Inventory of finished goods include obsolescence provision of EUR 3.629 thousand of which majority has been accounted due to acquisitions. Increase of the provision was EUR 852 thousand and release EUR 1.465 thousand mainly due to sale of slow moving inventories. In the comparison year there were no write-downs of inventories affecting income statement.

## 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.

The current account and other receivables comprised of the following:

EUR thousand	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
Account receivables	22 140	18 266
Prepayments and accrued income	473	912
Rental deposits	0	19
Other receivables*	3 308	2 052
<b>Total</b>	<b>25 921</b>	<b>21 248</b>

\* Incl. mainly VAT receivables EUR 2.385 thousand.

Movements in the provision for impairment of trade receivables that are assessed for impairment are as follows:

EUR thousand	2017	2016
At 1 January	121	0
Provision for impairment recognised during the year	295	121
Receivables written off during the year as uncollectable	-159	0
Unused amounts reversed	0	0
At 31 Dec	257	121

During the year, the following gain/(losses) were recognised in profit or loss in relation to impaired receivables.

EUR thousand	2017	2016
<b>Impairment losses</b>		
Individually impaired receivables	-55	0
Movement in provision for impairment	-240	-121
Reversal of previous impairment losses	0	0

## 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	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
Account payables	9 334	9 456
Accrued expenses	3 235	2 308
Other	1 973	657
<b>Total</b>	<b>14 542</b>	<b>12 421</b>

Material items included in accrued expenses:

EUR thousand	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
Accrued salaries	1 058	895
Accrued social security costs	326	430
Accrued interests	21	58
Other *	1 830	925
<b>Total</b>	<b>3 235</b>	<b>2 308</b>

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 324 thousand as at 31 December 2017 (31.12.2016: EUR 282 thousand). Advance payments are usually required from clients that are not creditworthy. In normal course of business advance payments are not an usual way of doing business.



## 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 2017	1 Jan - 31 Dec 2016
Included in EBIT /operating profit	-957	348
In finance income and expenses	-1 615	1 363
<b>Total</b>	<b>-2 572</b>	<b>1 711</b>



**Group's subsidiaries as at 31 December 2017 and 2016 were as follows:**

	Parent %	Parent %	Group %	Group %
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Robit 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 USA LLC 100%, parent company Robit INC.			100 %	100 %
Robit SA, South Africa	96 %	96 %	96 %	96 %
Robit S.A.C, Peru 1)	99 %	99 %	99 %	99 %
Robit Africa Holdings Ltd, South Africa 2)	100 %	100 %	100 %	100 %
Robit Finland Oy Ltd, Finland	100 %	100 %	100 %	100 %
Robit Australia Holdings Ltd, Australia	100 %	100 %	100 %	100 %
Drilling Tools Australia Pty Ltd, Australia			100 %	100 %
Bulroc Ltd, UK	100 %	100 %	100 %	100 %
TOO Robit, Kazakhstan	100 %	0 %	100 %	0 %
Robit Plc-BFC, Dubai 2)	100 %	100 %	100 %	100 %
Robit UK Ltd, UK	100 %	0 %	100 %	0 %
Halco Drilling Ltd UK, Parent Robit UK			100 %	100 %
Halco Brighthouse Ltd, UK, Parent Robit UK			51 %	51 %

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.

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 2017	1 Jan – 31 Dec 2016
Current tax:		
Current tax on profits for the year	-210	-1 093
Adjustments in respect of prior years	-28	-6
<b>Total current tax expense</b>	<b>-238</b>	<b>-1 100</b>
Deferred tax:		
Decrease (-) / increase (+) in deferred tax assets	1 004	-249
Decrease (+) / increase (-) in deferred tax liabilities	143	220
Adjustments in respect of prior years	-52	0
<b>Total deferred tax expenses</b>	<b>1 096</b>	<b>-29</b>
<b>Income tax expense</b>	<b>858</b>	<b>-1 128</b>

EUR thousand	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
<b>Profit before tax</b>	<b>-6 065</b>	<b>5 168</b>
Tax calculated at Finnish tax rate	-1 213	1 034
Tax effect of:		
Effect of other tax rates for foreign subsidiaries	-436	-74
Expenses not deductible for tax purposes	485	205
Income not subject to tax	-115	-42
Unrecognized deferred tax assets from tax losses	379	111
Utilization of previously unrecognized tax losses	-164	-90
Other adjustments	127	-23
Adjustment in respect of prior years	80	6
<b>Taxes in income statement</b>	<b>-858</b>	<b>1 128</b>

In 2017 taxes posted to directly equity were EUR 307 thousand. In 2016 all taxes were posted to income statement.



### 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 alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized.

The Group's management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The amount of current income tax liabilities for identified uncertain tax positions is recognized when it is probable that certain tax positions will be challenged and may not be fully sustained upon review by tax authorities.



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

EUR thousand	2017	2016
<b>As at 1 of January</b>	<b>-1 371</b>	<b>339</b>
Recognized in profit or loss	1 113	-28
Recognized in equity	192	-
Acquisition of subsidiaries	-239	-1 663
Exchange rate differences	-32	-20
<b>As at 31 of December</b>	<b>-337</b>	<b>-1 373</b>

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	Recognized directly to equity	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
<b>2017</b>						
<b>Deferred tax assets</b>						
Inventories	219	-60	0	0	0	158
Reserve for invested unrestricted equity			0	0	0	0
Employee benefits	338	35	0	0	-11	362
Property, plant and equipment	369	157	0	0	-18	507
Tax losses	0	699	308	0	0	1 007
Other	107	174	-92	0	-11	178
<b>Total</b>	<b>1 033</b>	<b>1 004</b>	<b>216</b>	<b>0</b>	<b>-40</b>	<b>2 212</b>
Set-off of deferred taxes						-309
<b>Deferred tax assets, net</b>						<b>1 903</b>

EUR thousand	At 1 Jan	Recognized in profit or loss	Recognized directly to equity	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
<b>2017</b>						
<b>Deferred tax liabilities</b>						
Property, plant and equipment	508	53	0	239	-5	796
Intangible assets	1 833	-258	0	0	0	1 575
Inventories	23	-4	0	0	0	18
Other items	40	117	23	0	-4	176
<b>Total</b>	<b>2 404</b>	<b>-91</b>	<b>23</b>	<b>239</b>	<b>-9</b>	<b>2 566</b>
Set-off of deferred taxes						-309
<b>Deferred tax liabilities, net</b>						<b>2 257</b>

EUR thousand	At 1 Jan	Recognized in profit or loss	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
<b>2016</b>					
<b>Deferred tax assets</b>					
Inventories	149	35	34	1	219
Reserve for invested unrestricted equity	451	-451	0	0	0
Employee benefits	90	32	211	5	338
Property, plant and equipment	0	128	236	5	369
Other	51	7	48	1	107
<b>Total</b>	<b>741</b>	<b>-249</b>	<b>529</b>	<b>12</b>	<b>1 033</b>
Set-off of deferred taxes					-313
<b>Deferred tax assets, net</b>					<b>720</b>

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

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.

### 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 2017 was 20,9 % (40,3% as at 31 December 2016). 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 90 thousand in 2017 (2016: EUR 12 thousand). There were no payables at 31 December 2017 and EUR 9 thousand as at 1 January 2016 related to these transactions. 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 2017 and 2016 to the Board of Directors were as follows:

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Harri Sjöholm	54	41
Tapio Hintikka	41	27
Mammu Kaario	38	0
Matti Kotola	47	36
Kalle Reponen	54	37
Anna-Maria Ronkainen	0	22
Pekka Pohjoismäki	0	2

Remuneration to the Chairman of the Board of Directors is EUR 45 thousand per year and to each member of the Board of Directors EUR 30 thousand per year. In addition, members of the board receive EUR 500 for each meeting they attend and members of the working committee EUR 750 per month. 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 8 354 shares were granted to the Board of Directors in 2017 (2016 4 893 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 2017 to the CEO, Mika Virtanen, amounted to EUR 206 thousand (2016: former CEO, Mikko Mattila EUR 183 thousand). Harri Sjöholm was acting CEO during January-April 2017 and the compensation for the period was EUR 80 thousand. In addition, there was an additional voluntary pension payment of EUR 8 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 three (3) months salary 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 2017 and 2016 were as follows:

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Salaries and other short-term employee benefits	-1 472	-593
Other long-term benefits	0	-10
Share-based payments	0	0
<b>Total</b>	<b>-1 472</b>	<b>-603</b>

Some of 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 8 thousand for the year ended 31 December 2017 (2016: EUR 10 thousand). Of this, EUR 8 thousand relates to the plan for the CEO (2016: EUR 3 thousand).

### Share-based payments and shareholder loans

April 2017 The Board of Directors of Robit decided on new share-based incentive plan for the Group management and Group key employees. The plan is divided in two; to Performance Share Plan and Matching Share Plan. Current board of directors has no company issued loans.

### Share holdings of the board of directors and the management

The total number of shares was 21 083 900 as at 31 December 2017. The shareholding of the management was as follows:

Shareholding of management as at 31.12.2017	Shares	Percentages of shares
Members of the Board of directors	4 436 661	21,04 %*
CEO	4 000	0,02 %
Other members of the management team	9 772	0,05 %
<b>Total</b>	<b>4 450 433</b>	<b>21,11 %</b>

\*20,9 owned by Harri Sjöholm through Five Alliance Oy

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 %
<b>Total</b>	<b>6 692 875</b>	<b>42,2 %</b>

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

## 6.4 Subsequent events

### Acquisitions

January 19, 2018 Robit board decided to exercise the call option to acquire 49% of the shares in Halco Brighthouse Ltd is linked to the net sales in 2017 and the agreed compensation is GBP 75.000.

### Production investment in South Korea

Robit Plc's Board of Directors decided as at 23 March 2017 on a major production investment in South Korea. By this resource company will significantly increase Top Hammer product line's rod and shank manufacturing capacity. The company estimates that the total investment related to the production facility is approximately EUR 10 million. The new facility was taken in use in February 2018 and the production will be fully operational in April 2018.

### Other

January 2018 Robit decided to investigate the option to change operational model to apply line organization. This will streamline the information flow in the organization and bring Robit operations closer to the customer business.

## 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*

IFRS 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.





# Robit Plc Parent Company

## Accounts Jan 1st – Dec 31st 2017

### Income statement

Robit Plc (parent company accounts)

Business ID: 0825627-0

Robit Plc Parent company

Income Statement	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
	€	€
<b>Net sales</b>	<b>5 577 313,42</b>	<b>44 245 790,36</b>
Changes in stocks of finished goods and work in progress	319 226,00	1 259 852,60
Manufacturing for own use	42 658,35	201 263,05
Other operating income	460 170,36	411 725,75
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-1 030 634,56	-15 969 792,19
Change in stocks	50 542,00	229 689,13
External services	-92 576,26	-17 347 592,58
Total materials and services	-1 072 668,82	-33 087 695,64
Personnel expenses		
Wages and salaries	-2 076 777,53	-3 063 955,71
Indirect personnel expenses		
Pension expenses	-379 279,83	-546 281,96
Other indirect security expenses	-150 697,06	-221 573,12
Total personnel expenses	-2 606 754,42	-3 831 810,79
Depreciation and amortisation		
Depreciation according to plan	-1 552 452,63	-1 201 119,04
Other operating expenses	-4 979 397,21	-5 136 274,47
<b>OPERATING PROFIT (LOSS)</b>	<b>-3 811 904,95</b>	<b>2 861 731,82</b>
Financial income and expenses		
Other interest and financial income		
To group companies	1 120 748,80	437 399,70
From others	944 190,51	2 604 128,68
Interest and other financial expenses		
To others	-3 221 545,20	-1 847 509,41
Total financial income and expenses	-1 156 605,89	1 194 018,97
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>	<b>-4 968 510,84</b>	<b>4 055 750,79</b>
Appropriations		
Change in depreciation difference, increase (-) or decrease (+)	-78 521,96	-84 286,43
Group contributions	2 045 000,00	0,00
Income taxes	4 319,28	-454 146,87
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>-2 997 713,52</b>	<b>3 517 317,49</b>

# Balance Sheet Parent Company

## Assets

Balance Sheet Parent Company	31 Dec 2017	31 Dec 2016
ASSETS	€	€
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Development costs	1 232 664,21	1 106 377,93
Intellectual property rights	323 081,88	114 697,59
Other non-current expenses	4 678 174,32	2 110 653,80
Total non-current assets	6 233 920,41	3 331 729,32
Tangible assets		
Land and waters areas	163 040,87	163 040,87
Buildings and structures	3 520 134,22	2 894 899,84
Machinery and equipment	304 708,63	238 152,88
Other tangible assets	69 846,28	4 513,20
Advance payments and purchases in progress	0,00	323 100,00
Total tangible assets	4 057 730,00	3 623 706,79
Investments		
Shares in group companies	59 329 224,92	42 096 792,10
Other shares and interests	16,81	16,81
Total investments	59 329 241,73	42 096 808,91
<b>Total non-current assets</b>	<b>69 620 892,14</b>	<b>49 052 245,02</b>
<b>CURRENT ASSETS</b>		
Finished products/goods	369 768,00	5 630 115,47
Advance payments	0,00	12 272,72
<b>Total inventories</b>	<b>369 768,00</b>	<b>5 642 388,19</b>
Receivables		
Long-term		
Receivables from group companies	33 729 841,26	26 618 206,03
Loan receivables	355 513,41	696 500,99
<b>Receivables total</b>	<b>34 085 354,67</b>	<b>27 314 707,02</b>
Short-term		
Trade receivables	254 530,74	8 793 897,75
Receivables from group companies	27 681 427,95	14 725 974,79
Loan receivables	37 693,07	42 944,54
Other receivables	251 892,57	817 886,18
Accrued income	432 857,76	355 125,66
<b>Total short-term</b>	<b>28 658 402,09</b>	<b>24 735 828,92</b>
Financial deposits		
Cash deposits at banks	34 999 960,00	0,00
Financial deposits total	34 999 960,00	0,00
Cash and cash equivalents	311 128,86	6 781 345,40
<b>Total Current assets</b>	<b>98 424 613,62</b>	<b>64 474 269,53</b>
<b>TOTAL ASSETS</b>	<b>168 045 505,76</b>	<b>113 526 514,55</b>

# Balance Sheet Parent Company

## Equity and Liabilities

Balance Sheet Parent Company	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES	€	€
<b>Equity</b>		
Share capital	705 025,14	705 025,14
Share premium reserve	201 825,51	201 825,51
Invested unrestricted equity reserve	84 944 588,28	33 738 591,68
Retained earnings (loss)	12 714 121,44	10 795 726,55
Profit (loss) for the financial year	-2 997 713,52	3 517 317,49
Total equity	95 567 846,85	48 958 486,37
<b>Accrued appropriations</b>		
Depreciation difference	406 510,63	327 988,67
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Loans from financial institutions	5 884 243,89	37 783 168,32
Total long-term liabilities	5 884 243,89	37 783 168,32
<b>Short-term liabilities</b>		
Loans from financial institutions	39 429 813,32	5 612 749,46
Advances received	97 982,85	205 190,24
Accounts payable	978 768,33	1 770 310,47
Payables to group companies	24 641 460,31	17 907 843,51
Other liabilities	503 004,92	171 848,85
Accrued liabilities	535 874,66	788 928,66
Total short-term liabilities	66 186 904,39	26 456 871,19
<b>Creditors total</b>	72 071 148,28	64 240 039,51
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>168 045 505,76</b>	<b>113 526 514,55</b>



# Cash Flow Statement

## Parent Company

Cash Flow Statement Parent Company	31 Dec 2017	31 Dec 2016
<b>Cash flow from operations:</b>		
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-4 968 511	4 055 751
Adjustments:		
Depreciation according to plan	1 552 453	1 201 119
Financial income and expenses	1 156 606	-1 194 019
Other adjustments	0	0
<b>Cash flow before changes in working capital</b>	<b>-2 259 452</b>	<b>4 062 851</b>
Changes in working capital:		
Increase (-) or decrease (+) in trade and other receivables	-20 784 067	-8 914 055
Increase (-) or decrease (+) in inventories	-369 768	-1 501 814
Increase (-) or decrease (+) in trade payables	20 114 457	5 972 444
Cash flow from operations before taxes	-3 298 831	-380 574
Interest paid and other finance costs from operations	-3 221 545	-821 910
Interests and other financial income from operations	2 064 939	754 549
Direct income taxes paid	-388 579	-159 585
Cash flow before extraordinary items	-4 844 015	-607 520
<b>Cash flow from operations (A)</b>	<b>-4 844 015</b>	<b>-607 520</b>
<b>Cash flows from investing activities</b>		
Investments in tangible and intangible items	-2 060 667	-1 456 313
Investments in group companies	-4 857 391	-35 036 480
Financial income from investments	0	2 286 979
Interest paid and other finance costs from investments	0	-1 025 599
Granted loans	-7 111 635	-23 310 159
Changes in long-term receivables	346 239	-2 076
<b>Cash flow from investments (B)</b>	<b>-13 683 454</b>	<b>-58 543 648</b>
<b>Cash flow before financing (A+B)</b>	<b>-18 527 470</b>	<b>-59 151 168</b>
<b>Cash flows from financing</b>		
Proceeds from issuance of share capital	46 737 997	45 998
Investments in other short term financial instruments	-34 999 960	0
Change of short-term loans	5 817 064	3 650 524
Change of long-term loans	-3 898 924	31 855 715
Dividends and other profit distribution	-1 598 923	-631 483
<b>Cash flow from financing (C)</b>	<b>12 057 253</b>	<b>34 920 753</b>
<b>Change in cash and cash equivalents (A+B+C)</b>	<b>-6 470 217</b>	<b>-24 230 415</b>
<b>increase (+)/decrease (-)</b>		
Cash and cash equivalents at beginning of financial year	6 781 345	31 011 760
Cash and cash equivalents at end of financial year	311 129	6 781 345
<b>Change in Cash and cash equivalents the balance sheet</b>	<b>-6 470 217</b>	<b>-24 230 415</b>

# Notes to the Financial Statements

## Accounting Principles for Financial Statements

### Scope of the Financial Statements

Robit Oyj is a company listed in Nasdaq OMX Helsinki Ltd main list Finland marketplace with trading code ROBIT.

Robit Oyj is parent company. Subsidiaries, which have been combined to the consolidated financial statement are listed below in notes "the shares held by the company of which the ownership exceeds 20 %".

Copy of Consolidated financial statement is available at Robit Oyj, Vikkiniityntie 9, FI-33880 Lempäälä, Finland.

### Essential transactions during the financial year

As part of the change in the Group structure and the transfer pricing process, Robit Oyj's sales, marketing and trading functions were transferred on 1.1.2017 to Robit Finland Oy according to Finland's tax legislation section EVL52d§. Earlier in July 2015, a manufacturing functions was transferred to Robit Finland Oy. Robit Oyj is a group management company.

For the above reasons ended financial year is not comparable to the previous financial year.

## Accounting Principles for the Financial statement

### Valuation Principles of Non-Current Assets

Variable costs resulting from acquisition and manufacture of assets have been included in the acquisition cost of the non-current assets. The non-current assets will be depreciated during their useful life according to plan.

In the previous financial year, depreciation according to plan were introduced in depreciation of buildings and movable tangible assets. Buildings and movable tangible assets are depreciated during their economic life.

### Depreciation periods

Development costs	5 years	Straight-line depreciation
Other long-term expenses	5 - 7 years	Straight-line depreciation
Capitalized listing expenses	5 - 10 years	Straight-line depreciation
Goodwill	5 years	Straight-line depreciation
Buildings	30 years	Straight-line depreciation
Machinery and equipment of buildings	15 years	Straight-line depreciation
Structures	10 years	Straight-line depreciation
Machinery and equipment	5 - 10 years	Straight-line depreciation
Other tangible assets	5 - 10 years	Straight-line depreciation

The depreciation time of development expenses and other tangible assets vary between 5 to 7 years and they are in line with management's view of the economic lifetime.

The classification of the development expenses has been changed to meet the amended paragraph in the Finnish Accounting standards. Earlier the development expenses were capitalized as long-term expenditure and in the current and prior year as development expenses. The prior year balances have been reclassified to correct line in the balance sheet.

### Investments

Investments are valued by acquisition price.

### ***Valuation of Inventories***

Inventories are presented variable acquisition cost or lower probable sale price. Variable direct costs have been included in the acquisition cost of inventories.

### ***Items in Foreign Currencies***

Receivables and payables in foreign currencies have been converted to Finnish currency by using the respective exchange rate at the closing date.



**Net sales by geographical market area:**

	31.12.2017	31.12.2016
Finland	1 649 570	8 548 326
Community countries	664 460	6 097 850
Other countries	3 263 283	29 599 615
Total	5 577 313	44 245 790

**Personnel information**

Amount of personnel on average		
Clerical workers	21	49

**Salaries of Members of the Board of Directors and managing director**

Managing Director Mikko Mattila (> 31.12.2016)	0	182 973
Managing Director Mika Virtanen (1.5.2017 > )	205 974	0
	205 974	182 973

**Members of the Board of Directors**

Harri Sjöholm x) (Group CEO 1.1-30.4.2017)	53 996	40 500
Tapio Hintikka	41 200	27 100
Matti Kotola	47 000	35 500
Pekka Pohjoismäki > 18.3.2016)	0	1 500
Kalle Reponen	54 150	36 500
Anna-Maria Ronkainen (> 28.3.2017)	500	22 000
Mammu Kaario (28.3.2017 >)	38 000	0
	234 846	163 100

x) Details in note "transactions with related companies"

**Auditors' itemised fees**

1 Auditing	121 530	49 970
2 Assignments according to the audit law 1,1 § section 2, of the Finnish Auditing Act	0	0
3 Tax consultancy	3 950	6 500
4 Other services	59 150	124 521
	184 630	180 991

**Depreciation according to plan by balance sheet items**

Development costs	406 372,86	346 036,95
Intellectual property rights	100 313,83	42 721,80
Other non-current expenses	845 863,85	641 963,23
Buildings	128 470,27	125 028,28
Machinery and equipment	68 656,14	43 505,42
Other tangible assets	2 775,68	1 863,36
	1 552 452,63	1 201 119,04

**Tangible and intangible assets****Development costs**

undepreciated balance on 1 Jan.	1 452 414,88	0,00
increases	532 659,14	618 371,78
reclassification	0,00	834 043,10
book value on 31 Dec.	1 985 074,02	1 452 414,88
cumulative depreciations 1.1.	-346 036,95	0,00
depreciation for the financial period	-406 372,86	-346 036,95
book value on 31 Dec.	1 232 664,21	1 106 377,93



**Intellectual property rights**

undepreciated balance on 1 Jan.	213 164,39	148 229,39
increases	308 698,12	64 935,00
reclassification	0,00	0,00
book value on 31 Dec.	521 862,51	213 164,39
 cumulative depreciations 1.1.	 -98 466,80	 -55 745,00
depreciation for the financial period	-100 313,83	-42 721,80
book value on 31 Dec.	323 081,88	114 697,59

**31.12.2017****31.12.2016****Other non-current expenses**

undepreciated balance on 1 Jan.	3 541 529,03	4 176 901,22
increases x)	3 413 384,37	198 670,92
reclassification	0,00	0,00
book value on 31 Dec.	6 954 913,40	4 375 572,14
 cumulative depreciations 1.1.	 -1 430 875,23	 -788 912,00
reclassification	0,00	-834 043,11
depreciation for the financial period x)	-845 863,85	-641 963,23
book value on 31 Dec.	4 678 174,32	2 110 653,80

\*) Part of the expense related to the initial public offering 2.282.050 € and depreciation 685.601,92€. Prior year depreciation 520.632,36€.

**Land and water areas**

undepreciated balance on 1 Jan.	163 040,87	149 114,99
increases	0,00	13 925,88
decreases	0,00	0,00
book value on 31 Dec.	163 040,87	163 040,87

**Buildings and structures**

undepreciated balance on 1 Jan.	4 425 645,76	4 349 045,59
increases	753 704,65	76 600,17
book value on 31 Dec.	5 179 350,41	4 425 645,76
 cumulative depreciations 1.1.	 -1 530 745,92	 -1 405 717,64
depreciation for the financial period	-128 470,27	-125 028,28
book value on 31 Dec.	3 520 134,22	2 894 899,84

**Machinery and equipment**

undepreciated balance on 1 Jan.	2 136 350,46	1 975 640,72
increases	135 211,89	160 709,74
book value on 31 Dec.	2 271 562,35	2 136 350,46
 cumulative depreciations 1.1.	 -1 898 197,58	 -1 854 692,16
depreciation for the financial period	-68 656,14	-43 505,42
book value on 31 Dec.	304 708,63	238 152,88

**Other tangible assets**

undepreciated balance on 1 Jan.	9 316,80	9 316,80
increases	68 108,76	0,00
book value on 31 Dec.	77 425,56	9 316,80
 cumulative depreciations 1.1.	 -4 803,60	 -2 940,24
depreciation for the financial period	-2 775,68	-1 863,36
book value on 31 Dec.	69 846,28	4 513,20

**Advance payments and purchases in progress**

undepreciated balance on 1 Jan.	323 100,00	0,00
increases	0,00	323 100,00
decrease / reclassification	-323 100,00	0,00
book value on 31 Dec.	<u>0,00</u>	<u>323 100,00</u>

**Shares in group companies**

book value on 1.1.	42 096 792,10	7 060 312,01
increases x)	17 232 432,82	35 036 480,09
decreases	0,00	0,00
book value on 31 Dec.	<u>59 329 224,92</u>	<u>42 096 792,10</u>

x) Robit Finland Oy, change on group structure, equity investment 10,7meur

x) Robit Korea, equity investment 3,8meur

x) Acquisitions Halco UK 2,6meur and establishing subsidiary Robit Kazakhstan 0,1meur

**The shares held by the company of which the ownership exceeds 20 %**

	Proportion, %	Proportion, %
Robit Ab, Sweden	100 %	100 %
Robit Korea LTD, South Korea	100 %	100 %
Robit OOO, Russia	100 %	100 %
Robit Inc. USA	100 %	100 %
Robit SA, South Africa	100 %	100 %
Robit S.A.C, Peru 1)	99 %	99 %
Robit Africa Holdings Ltd, South Africa 2)	100 %	100 %
Robit Finland Oy Ltd, Finland	100 %	100 %
Robit Australia Holdings Ltd, Australia	100 %	100 %
Bulroc Ltd, UK	100 %	100 %
TOO Robit, Kazakhstan	100 %	0 %
Robit Plc-BFC, Dubai 2)	100 %	100 %
Robit UK Ltd, UK	100 %	0 %

Ownership exceeds 20% owned by subsidiaries.

Drilling Tools Australia Pty Ltd, Australia 100%, parent company Robit Australia Holdings Pty Ltd.

Robit USA LLC 100%, parent company Robit INC.

Halco Drilling Ltd UK 100%, parent company Robit UK Ltd.

Halco Brighthouse Ltd, UK 51%, parent company Robit UK Ltd.

1) Robit INC:n, USA ownership 1%

2) Robit Africa Holdings (Pty) Ltd, South Africa (ownership 100 %) and Robit Plc-BFC (ownership 100%) are dormant and has not been combined to the consolidated financial statement.

Robit AB is dormant company

Robit Oyj has a branch in Thailand, Robit Thailand.

## Material items of accrued income

Items included in accrued income are deemed conventional accruals in financial statements.

	31.12.2017	31.12.2016
<b>Receivables from group companies</b>		
Trade receivables	6 215 064,08	10 433 656,02
Group loan receivables	33 729 841,26	26 618 206,03
Other group receivables	21 466 363,87	4 292 318,77
	<u>61 411 269,21</u>	<u>41 344 180,82</u>
<b>Loans from group companies</b>		
Accounts payable	662 771,80	12 736 815,69
Other loans	23 978 688,51	5 171 027,82
	<u>24 641 460,31</u>	<u>17 907 843,51</u>
<b>Material items in receivables carried forward</b>		
Accrual of staff expenses	415 997,03	431 359,46
Accrual of taxes	0,00	294 562,21
Other accrual liabilities	119 018,66	63 006,99
	<u>535 015,69</u>	<u>788 928,66</u>
<b>Increases and decreases in items of equity during the financial period</b>		
Share capital 1.1	705 025,14	705 025,14
Share capital 31.12	705 025,14	705 025,14
Share premium reserve	201 825,51	201 825,51
Invested unrestricted equity reserve 1.1	33 738 591,68	33 692 594,08
Share issue with consideration x)	51 205 996,60	45 997,60
Invested unrestricted equity reserve 31.12	<u>84 944 588,28</u>	<u>33 738 591,68</u>
Retained earnings of previous financial periods on 1 Jan.	10 795 726,55	9 566 998,54
Profit/loss of the previous financial period, carry forward	3 517 317,49	1 860 211,33
Distribution of dividend	-1 598 922,60	-631 483,32
Retained earnings of previous financial periods on 31 Dec	12 714 121,44	10 795 726,55
Profit (loss) for the financial year	<u>-2 997 713,52</u>	<u>3 517 317,49</u>
	9 716 407,92	14 313 044,04
Restricted equity	906 850,65	906 850,65
Unrestricted shareholders' equity	<u>94 660 996,20</u>	<u>48 051 635,72</u>
<b>Equity</b>	<b>95 567 846,85</b>	<b>48 958 486,37</b>

x) IPO 49,5meur, Halco Drilling Ltd's share compensation 1,64meur and the board's share fees 0,06meur

**Distributable equity**

Invested unrestricted equity reserve	84 944 588,28	33 738 591,68
Retained earnings of previous financial periods	12 714 121,44	10 795 726,55
Profit (loss) for the financial year	-2 997 713,52	3 517 317,49
Development costs	-1 232 664,21	-1 106 377,93
<b>Total</b>	<b>93 428 331,99</b>	<b>46 945 257,79</b>

**Accrued appropriations**

	<b>31.12.2017</b>	<b>31.12.2016</b>
Depreciation difference, buildings	325 387,54	291 055,49
Depreciation difference, machinery and equipment	81 123,09	36 933,18
	<b>406 510,63</b>	<b>327 988,67</b>

**The amount of shares in the company by their class of share and main provisions concerning each class of share**

	<b>31.12.2017</b>	<b>31.12.2016</b>
All shares are of the same class	21 083 900	15 883 900 shares

**Loans, liabilities and contingent liabilities to related parties and their main provisions**

	<b>31.12.2017</b>	<b>31.12.2016</b>
Total of related-party loans	393 206,48	724 742,36

The loans have been used for subscription of shares in the company in a share issue with consideration, and the total amount of shares acquired by means of loans is 403.200 shares, which have been pledged as a security for the loans and which proportion of votes is 1,91 %.

**Loans maturing in more than 5 years**

	<b>31.12.2017</b>	<b>31.12.2016</b>
Loans from financial institutions	24 850,00	149 100,00

**Pledges and mortgages and mortgages pledged as a security for debt as well as bills of exchange, guarantee and other liabilities and contingent liabilities**

	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Of own debts</b>		
Business mortgages pledged as a security	42 168 787,90	42 168 787,90
Real estate mortgages pledged as a security	3 856 000,00	3 856 000,00
	<b>46 024 787,90</b>	<b>46 024 787,90</b>
<b>Amount of loan</b>		
Loans from financial institutions	45 314 057,21	43 395 917,78



### ***The covenants relating to loans***

The Company has financial institution loans of 38.000.000 € related with following covenants:

- 1) Group equity ratio must be over 32,5%
  - 2) The Company has prohibition of the security for business mortgages pledged. (Negative pledge)
  - 3) Net debt to adjusted EBITDA ratio is less than three as of December 31, 2017
- Adjusted EBITDA is calculated using annualized net sales acquired subsidiaries during the year

The covenant net debt/EBITDA was in breach December 31, 2017. The situation has been negotiated with the finance institution and it has been cured. Due to this breach EUR 28.0 million has been accounted as short term debt. Company follows the covenants on regular basis.

### ***Lease liabilities***

Items to be paid pursuant to the lease agreements

During the following financial period	57 910,76	141 839,59
Subsequently to be paid	49 155,04	112 728,90
Total	<u>107 065,80</u>	<u>254 568,49</u>

The company lease liabilities related to company cars and computers. These terms of contract are in line with general practices in this field.

### ***Other liabilities***

Other guarantee liabilities	516 921,25	763 118,46
-----------------------------	------------	------------

### ***Derivate liabilities***

Pursuant to the agreements, the variable rate of the company's loans is changed into fixed rate. Agreements has ended during the previous financial period.

	31.12.2017	31.12.2016
Current value	0,00	-7 498,00
Value of underlying commodity	0,00	367 032,00

### ***Investments in real estate***

The company is obligated to revise the deductions of value added tax 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 131.299,69.

The company is obligated to revise the deductions of value added tax it has made for the real estate investment during the period in case the taxable use of the real estate diminishes during the revision period. The last revision year will be 2026. The maximum amount of the liability amounts to EUR 162.800,20.

### ***Transactions with related companies***

The company has bought Group CEO services from a consultant company partly owned by the Chairman of the Board from 1 January to 30 April 2017, when the Chairman of the Board was in charge of the CEO's duties. The service charge has been € 20,000 per month, a total of € 80,000. Other consultancy services have been bought for € 10,800. Transactions with related party companies are equal to transactions with independent parties.

# Signatures to the Financial Statements and the Board of Directors' Report

*(Translation of the Finnish original)*

## Date and Signatures

In Helsinki on 20 February 2018

Harri Sjöholm  
Chairman of the Board

Mammu Kaario  
Member of the Board

Tapio Hintikka  
Member of the Board

Matti Kotola  
Member of the Board

Kalle Reponen  
Member of the Board

Mika Virtanen  
Group CEO

## Auditor's Notation

Today, a report has been given of the conduct of the audit.

In Helsinki on 23 February 2018

Ernst & Young Oy  
Authorized Public Accountants

Mikko Järventausta  
APA

## List of accounting books and record formats and storage methods.

### Accounting Books

	Method of storage
Journal	CD
General Ledger	CD
VAT calculations	CD
Cash journal	CD
Accounts Receivable	Computerised partial bookkeeping
Accounts Payable	CD
Payroll accounting	Computerised partial bookkeeping, lists of transactions wage slips and pay sheets on CD
Balance sheet book	Separately bound
Itemisations of balance sheet	Separate binder

### Voucher

		Method of storage
Accounting voucher	00	Paper documents
Projects	01	Paper documents
Sampo USD	09	Paper documents
Nordea	10	Paper documents, statements of account on CD
Cash vouchers	11	Paper documents, statements of account on CD
Nordea USD -193	12	Paper documents
Nordea -211	13	Paper documents, statements of account on CD
Nordea -823	14	Paper documents, statements of account on CD
Sampo	16	Paper documents, statements of account on CD
Sampo CAD	17	Paper documents
Handelsbanken	18	Paper documents
Osuuspankki	19	Paper documents, statements of account on CD
VAT vouchers	20	CD
Sales invoices	30	Paper documents
Account sales, non-ledger	32	Paper documents
Account sales, payments	35	Paper documents
Purchasing invoices, WF	53	CD
Salaries	60	Paper documents
Financial statement receipts	95	Paper documents

### Accounting data storage

Accounting records have to be archived for 10 years and the accounting records data for the financial period has to be archived for 6 years at the company's office in Lempäälä, Finland.

## AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Robit Plc

### Report on the Audit of Financial Statements

#### Opinion

We have audited the financial statements of Robit Plc (business identity code 0825627-0) for the year ended 31 December, 2017. 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, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

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.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

#### 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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4 to the consolidated financial statements.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Revenue recognition</b> <i>We refer to the Group's accounting principles and the note 2.1.</i></p> <p>The consolidated revenues of Robit amounted to 88 million euros in the financial year 2017. The Group focuses on revenue as a key performance measure which could create the incentive for revenue to be recognized too early. Revenue on product sales is recognized when the risks and rewards of the underlying products have been transferred to the customer. Revenue recognition was a key audit matter because of the risk of correct timing of revenue recognition (cut off).</p> <p>This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).</p>	<p>Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others:</p> <ul style="list-style-type: none"> <li>• We assessed the reasonableness of the Group's accounting policies over revenue recognition and compliance with applicable accounting standards.</li> <li>• We assessed the process and methods for revenue recognition.</li> <li>• We tested the recorded sales transactions during the year against underlying documents on a sample basis.</li> <li>• We tested the sales cut off on either side of the balance sheet date on a sample basis.</li> <li>• We obtained confirmations of open accounts receivable balances at year end from customers and analyzed credit invoices issued after the balance sheet date.</li> <li>• We performed analytical procedures on revenues.</li> <li>• We considered the appropriateness of the Group's disclosures in respect of revenues.</li> </ul>
<p><b>Goodwill valuation</b> <i>We refer to the Group's accounting principles and the note 3.3.</i></p> <p>At the balance sheet date, the value of goodwill amounted to 25 million euros representing 16 % of total assets and 27 % of total equity. Goodwill valuation was a key audit matter because the impairment testing imposes estimates and judgment. The Group management uses assumptions in respect of determining weighted average cost of capital and future market and economic conditions such as economic growth, revenue and margin developments.</p>	<p>We performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We involved our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group in the testing, in particular those related to the determination of weighted average cost of capital.</li> <li>• We focused on the sensitivity in the available headroom by cash generating unit and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We tested the allocation of the assets, liabilities, revenues and expenses to each of the cash generating units.</li> <li>• We assessed retrospectively the outcome of the management's historical estimates.</li> <li>• We considered the appropriateness of the Group's disclosures in respect of impairment testing.</li> </ul>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Valuation of trade receivables</b> <i>We refer to the Group's accounting principles and the notes 4.6 and 5.3</i></p> <p>Valuation of trade receivables was a key audit matter because of the significance of overdue trade receivables to the financial statements as a whole. As of balance sheet date December 31, 2017, the carrying value of trade receivables amounted to 22 million euros, of which 2.484 thousand euros were trade receivables overdue for more than 90 days. Carrying value of trade receivables is a result of gross receivables, which is netted by a provision for bad debts based on management's judgment. The resulting net value is the carrying value in the balance sheet. Valuation of trade receivables at year end requires management to evaluate probability of the recoverability of receivables and to record a provision based on judgment for receivables for which payment is not probable.</p>	<p>We performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We evaluated the valuation methods applied on valuation of trade receivables as well as performed analyses of overdue and undue gross receivable balance development and corresponding movement in bad debt reserve during the year.</li> <li>• We sent receivable balance confirmation requests to the Group's customers and compared trade receivable balances subsequent cash receipts.</li> <li>• We analysed management's assessment of the recoverability of the most significant aged and overdue receivables considering historical payment patterns as well as recent communications with the counterparties and dunning procedures.</li> <li>• We considered the appropriateness of the Group's disclosures in respect of trade receivables.</li> </ul>

### 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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. 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 parent company's or 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 parent 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 26.3.2013. Robit Plc become a public interest entity on 17 May 2017. We have been the company's auditor for the time it has been a public interest entity.

## Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 23 February 2018

Ernst & Young Oy  
Authorized Public Accountant Firm

Mikko Järventausta  
Authorized Public Accountant



# Board of Directors

**Harri Sjöholm** has been Chairman of the Board of Directors of the Company since 1998. He has also acted as a Member of the Management Team of the Company (1998–2017). In addition, he has participated in the Company's operative activities since 1989 as well as been the Company's Group CEO (1–4/2017). Mr. Sjöholm was a Management Consultant at Oy Swot Consulting Harri Sjöholm Ltd, a company founded by him, in 1988–2002, and has been a Management Consultant at Oy Swot Consulting Finland Ltd in 2002–2006. Oy Swot Consulting Finland Ltd has been a subsidiary of Five Alliance Oy. Mr. Sjöholm has also been CEO (2000–2005) and Chairman of the Board of Directors (1993–1999) of Fast Henkilöstöpalvelut Oy. Mr. Sjöholm was in different tasks and at the end as a Sales and Marketing Manager at Tamrock Corporation (1980–1987). Mr. Sjöholm has been Chairman of the Board of Directors of Kehitysyhtiö Tulevaisuus Oy (2008–2012) and Oy Winrock Technology Ltd (1992–2001) as well as a member of the Board of Directors of Tasowheel Oy (2015–2016). Mr. Sjöholm holds a Master of Science degree in Engineering. He is a Member of Robit Plc's Nomination, Remuneration and Working Committee.

**Mammu Kaario** has been a Member of the Company's Board of Directors since 2017. She has a long experience from private equity investments and investment banking. Mammu Kaario is a Member of the Board of Directors in the following companies: Aspo Oyj (2012–), Suomen Hoivatilat Oyj (2016), CapMan (2017–) and Kastelli Group Oy (2017–). In addition, she is a Vice Chairman of the Board of Directors in Ponsse Oyj (2010–) as well as a Chairman of the Board of Directors in SstatzZ Oy (2015–) and PerusTerveys Suomi Oy (2017–). Mammu Kaario is a Master of Law and an MBA.



**Matti Kotola** has been a Member of the Company's Board of Directors since 2015. Mr. Kotola has long experience in the mining and construction industries. Mr. Kotola has previously held management positions at Sandvik AB (1998–2012) and at Tamrock Oy (1979–1997). Mr. Kotola holds a Master of Science Degree in Engineering. He is a Member of Robit Plc's Working Committee.

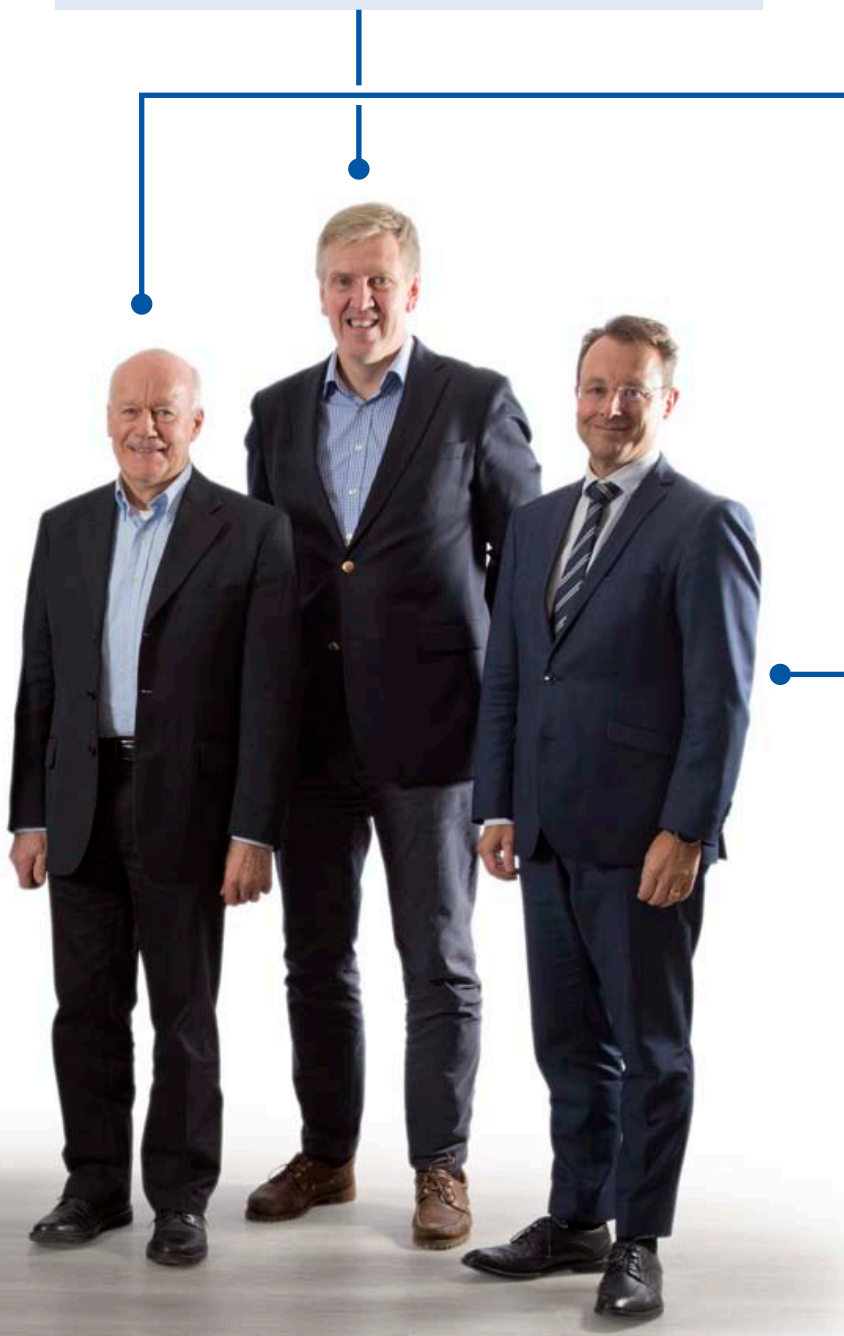
**Kalle Reponen** has been a Member of the Company's Board of Directors since 2012. Currently, he is a professional Board Member and independent Consultant. Mr. Reponen has previously been Group Strategy Manager at Metso Corporation (2006–2013) and Partner at MCF Corporate Finance (2003–2006), and has been employed in the Corporate Finance Unit of Nordea Bank Finland Plc (2000–2003) and at Metra Oy (1988–2000). He has been a Member of the Board of Directors of Premix Oy, Koskitukki Oy and Suomen taideteollisuusyhdistyksen 100-vuotissäätiö since 2014, BMH Technology Oy, Vexve Oy, Black Bruin Oy, Heatmasters Group Oy and Planex Oy since 2016, as well as Hydroline Oy and Tekniseri Group Oy since 2017. Mr. Reponen holds a Master of Science Degree in Economics. He is a Chairman of the Board Premix Oy and Heatmaster Group. He is a Member of Robit Plc's Working Committee.

**Tapio Hintikka** has been a Member of the Company's Board of Directors since 2008. He is a professional Board Member. He has previously been Chief Executive Officer of Hackman Oyj (1997–2002). He has also been a Member of the Board of Management (1990–1996) of Oy Nokia Ab and other positions including Manager of General Communication Products Unit and other management positions at Rauma-Repola Oy (1982–1990). Mr. Hintikka has been Chairman of the Board of Directors of Emtele Ltd in 2006–2011 and since 2015, as well as of Aina Group Oy (2009–2012), Teleste Corporation (2003–2009), TeliaSonera Ab (2002–2004) and Sonera Oyj (2001–2002). In addition, he has been Vice Chairman of Teleste Corporation (2001–2002). Mr. Hintikka has been a Member of the Board of Directors at companies including Aspocomp Group Plc (2007), Teleste Corporation (2001–2003), Onninen Oy (2000–2005) and Evli Bank Plc (2003–2010). Mr. Hintikka holds a Master of Science Degree in Engineering. He is a Member of Robit Plc's Nomination and Remuneration Committee.

**In addition to the members of the Board of Directors, the following attend the Board of Directors meetings:**

**Jari Gadd** has served as a Secretary to the Company's Board of Directors since August 2015, mainly focusing on Corporate Governance and juridical issues. Mr. Gadd is the Head of Borenius Attorneys Ltd Tampere office. Mr. Gadd holds a Master of Laws Degree.

**Kai Öistämö** has served as a Board Advisor since October 2015. Mr. Öistämö was a Member of the Nokia Group Executive Board during 2006–2014. He has also led Nokia's business development and served the company in an advisory role. Mr. Öistämö is a Member of the Board of Directors in Sanoma (2011–), InterDigital (2014–), QT Group (2016–) and Mavenir (2017–). He is also a Chairman of the Board of Directors in Oikian Solution (2014), Fastems (2014–) and Helvar (2015–). He is a Member of Robit Plc's Remuneration Committee. (not in the picture)



# Management Team



**Mika Virtanen** has worked for Robit as a Group CEO since May 2017. He acts also as a VP Asia and VP Digital Services. Mr. Virtanen has made a career of over 20 years in several senior management positions in metal and automation industry. He has worked since 2002 for Cargotec Corporation in international operations, where his positions have been among others President (Bromma), Senior Vice President Spreader Division (Kalmar), Vice President Kalmar Intelligent Solutions (Kalmar), Vice President Kalmar STS & RTG Cranes Business (Kalmar) and Managing Director (Bromma Malaysia). Mr. Virtanen has been responsible for e.g. business management and development, management by results, R&D, structural renewals as well as production management. He has also worked a long period at Outokumpu Poricopper Oy. Mr. Virtanen has gained international experience by operating in Malaysia, China and Singapore. Mr. Virtanen holds a Master of Science degree in Engineering.



**Tommi Lehtonen** has worked for Robit as a VP Down the Hole since March 2017. He has made a long career by acting in several business and sales management positions in Metso both in Finland and abroad in USA and France among others as a VP of Mining Business Line, Senior Vice President, Crushing and Screening Business Line, Senior Vice President, Mobile Equipment Business Unit. Mr. Lehtonen holds a Master of Science degree in Engineering.



**Tuomo Niskanen** has worked for Robit as a VP Top Hammer since August 2016. Mr. Niskanen has acted in several management positions in Finland and abroad, where he also worked for 15 years in South Africa, Germany and Hong Kong. His previous management positions have been among others in Sandvik, Outokumpu and Alstom corporations. Mr. Niskanen's education is M.Sc. (Mining). He has also graduated from eMBA Program.



**David Mildren** (MBA and B.Sc.Eng) has worked for Robit since March 2017. He acts as a Director for Robit's operations in UK. He is also responsible for developing Halco business globally. Mr. Mildren has made a long career with Sandvik in the USA and Australia, where he led the global DTH business, managed sales & marketing as well as global manufacturing. Most recently, Mr. Mildren worked as a Management Consultant at Pricewaterhouse Coopers LLP in London as part of their Deals Team specializing in due diligence and post-deal operational improvement.



**Jorma Juntunen** has acted as a VP Region CIS & Eastern Europe since March 2017. Mr. Juntunen has an extensive work experience of CIS countries. Mr. Juntunen has acted in numerous management positions among others in Normet (2010–2017) and Sandvik–Tamrock (1984–2010). Mr. Juntunen is a Master of Business Administration as well as a Master of Science.



**Kari Alenius** has acted as a VP Region EMEA since May 2017. He has previously operated in the following management positions in Finland and abroad: Sales Director (Teknikum Group) in Finland, Sales Manager (IMI Fabi S.p.A.) in Italy, Sales Director Asia Pacific (Rio Tinto Minerals & Luzenac) in Singapore, Business Development Manager (Rio Tinto Minerals & Luzenac) in France as well as Industry Manager (Rio Tinto Minerals & Luzenac) in Belgium. Mr. Alenius has also worked for Tamfelt Corporation and United Paper Mills. He holds a Master of Science Degree in Engineering.

**Mikko Vuojolainen** has worked for Robit as a VP Americas since October 2017. In the past 20 years he has held various leadership positions in Cargotec, latest as a VP Crane Upgrades. Mr. Vuojolainen has extensive global business experience and has been based most of his career in the USA and Singapore. He has proven track record especially in developing sales and service business of industrial goods. Mr. Vuojolainen holds a Master of Science degree in Engineering. He also holds MBA degree from University of Hull, Singapore branch.



**Brian Bowler** has worked for Robit as a VP Australasia since September 2017. Mr. Bowler is a management professional with 30 years' global experience working with US, Japanese and European based businesses. He has operated among others in the following management positions: DTA General Manager (Ausdrill Ltd), State Manager (Dunlop Foams Ltd WA) as well as Operations and Supply Chain Manager (PepsiCo International).



**Jukka Pihamaa** has worked for Robit as a VP Supply Chain since October 2017. In the past 25 years, he has held various key positions in global engineering and technology groups such as Nokia, Metso and the latest in Valmet Technologies, Inc as VP Supply Chain. Mr. Pihamaa has an extensive experience in developing logistics and supply chain in global environment. Mr. Pihamaa holds a Master of Science degree in Engineering. He also holds MBA degree from Helsinki School of Economics.



**Antti Leino** has acted as a VP R&D since February 2016. He has worked for Robit since 2011. Previously Mr. Leino was working as an R&D Manager and a Member of Management Team in Abloy Oy Tampere factory (2006–2011). Before that he worked for Moventas Oy and Metso Oyj (2000–2006). Mr. Leino holds a Master of Science Degree in Engineering.



**Ilkka Miettinen** has acted as a Group CFO since February 2017. Mr. Miettinen has a long experience and career in corresponding CFO positions as well as in business development i.a. in the following companies: Vexve Oy, Metso Mining and Construction HQ, Pilkington Group, Kvaerner Hydro and as an auditor and Authorized Public Accountant in PWC. Mr. Miettinen holds a Master Degree in Economics.



**Jaana Rinne** has acted as a Group HR Director since September 2017. Mrs. Rinne has over 20 years' experience of several HR management positions in Konecranes corporation, and in Pöyry corporation as SVP, HR. She has a comprehensive competence in developing global organisations' HR strategies, processes and capacity. Mrs. Rinne holds a Master Degree in Economics.





# Definitions of Key Financial Figures

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

*Quarry in UAE where DTARobit's drilling consumables are in use.*



# Investor Information

## Annual General Meeting 2018

The Annual General Meeting 2018 will be held on 28 March 2018 at 2.00 p.m. (Finnish time) at Tampere-talo, Yliopistonkatu 55, FI-33100 Tampere, Finland.

## Dividend

The Board of Directors proposes to the Annual General Meeting 2018 that a dividend of EUR 0,10 per share will be paid for the financial year 2017.

## Interim Reports 2018

Interim Report from January–June 2018 will be published on 16 August 2018.

## Share information

Listing: Nasdaq Helsinki Ltd

Trading symbol: ROBIT

No. of shares: 21 083 900 (December 31, 2017)

Sector: Industrials; Tools & accessories

ISIN: FI4000150016

## Analysts

Analysts following Robit:

EVLI, OP, Carnegie, Goldman Sachs Group, Nordea, SEB

## Investor relations contact

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