Financial Statements Review
1 January – 31 December 2018

ROBIT PLC STOCK EXCHANGE RELEASE 20 FEBRUARY 2019 AT 8 A.M

ROBIT PLC FINANCIAL STATEMENTS RELEASE 1 JANUARY – 31 DECEMBER 2018: DEVELOPMENT OF NET SALES AND PROFITABILITY UNSATISFACTORY

Robit Plc's Annual Report 1 January - 31 December 2018
In text H1 refers to period 1 January - 30 June 2018 and H2 to period 1 July - 31 December 2018.
Figures from the corresponding period in 2017 are presented in brackets.
Percentages are calculated from thousands of euros

1 July - 31 December 2018 in brief

- Net sales EUR 39.6 million (45.6), change of -13.2%
- EBITDA EUR -3.9 million (0.3), change of -1 351.7%
- Comparable EBITDA EUR -3.6 million (0.6), change of -707.7%*
- EBITA EUR -6.5 million (-1.9)
- Comparable EBITA EUR -6.2 million (-1.6)*
- Operating profit as percentage of net sales (EBIT%) was –66.1 (-5.2)
- Review period net income EUR -27.0 million (-3.3)
- The result for the review period includes EUR 19.3 million of the Down the Hole goodwill impairment expenses
- Operating cash flow EUR -3.3 million (-2.1)
- Equity ratio at the end of the review period H2 49.3% (57.6)

1 January - 31 December 2018 in brief

- Net sales EUR 82.7 million (88.2), change of -6.3%
- EBITDA EUR -4.8 million (1.6), change of -394.0%
- Comparable EBITDA EUR -3.5 million (3.5), change of -200.8%*
- EBITA EUR -9.7 million (-2.7)
- Comparable EBITA EUR -8.4 million (-0.9)*
- Operating profit as percentage of net sales (EBIT%) was -36.0 (-4.1)
- Review period net income EUR -31.4 million (-5.2)
- The result for the review period includes EUR 19.3 million of the Down the Hole goodwill impairment expenses
- Operating cash flow EUR -2.2 million (-2.0)
- Earnings per share at the end of the review period -1.49 euros (-0.27).
- Equity ratio at the end of the review period 49.3% (57.6)

Key financials	H2 2018	H2 2017	Change%	1812	1712	Change%
Net sales, EUR 1,000	39 583	45 577	-13.2%	82 683	88 222	-6.3%
EBITDA, EUR 1,000	-3 834	306	-1351.7%	-4 782	1 626	-394.0%
Adjusted EBITDA*, EUR 1,000	-3 598	592	-707.7%	-3 529	3 500	-200.8%
EBITA, EUR 1,000	-6 472	-1 910	-238.8%	-9 658	-2 734	-253.2%
Adjusted EBITA*, EUR 1,000	-6 236	-1 625	-283.8%	-8 405	-861	-876.6%
Adjusted EBITA, % of net sales	-15.8%	-3.6%		-10.2%	-1.0%	
EBIT, EUR 1,000	-26 184	-2 352	-1013.1%	-29 800	-3 640	-718.6%
EBIT, % of net sales	-66.1%	-5.2%		-36.0%	-4.1%	
Result for the period, EUR 1,000	-27 014	-3 292	-720.5%	-31 384	-5 190	-504.7%

*H2 2018 items affecting comparability were restructuring costs of EUR 0.24 million.
H2 2017 items affecting comparability: advisory fees of EUR 0.2 million pertaining to business acquisitions and restructuring costs of EUR 0.1 million.
Further information about comparable items is given in paragraph 4.2 of the accounting principles.

DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2018.

ROBIT'S OUTLOOK FOR 2019

Overall, the outlook for Robit's target markets in 2019 is positive, although there are regional differences in the demand of market segments. Mining industry demand for consumables is stable and the market is expected to grow. The construction industry and underground construction are more cyclical, and regional variations are greater. The well drilling market is also expected to remain active. Low market share and the typical steady demand for consumables ensure good opportunities in 2019 for Robit to grow by gaining market share.

GUIDANCE FOR 2019

In 2019, the company's goal is to achieve positive EBITA profitability and a significant release of capital tied up in the business.

CEO ILKKA MIETTINEN:

2018 was a year of disappointments for Robit. The company's sales fell significantly short of set growth targets. In addition, we also disappointed in the management of operational activities and in the timing of investments. This was reflected in the loss-making result. The overall result for the year was negatively impacted by a write-down of goodwill for the company's Down the Hole (DTH) business.

In 2018, the global economy and Robit's target markets continued to grow well, but Robit was unable to take its share of this development. Despite a good start to the year, net sales declined by 6.3% in 2018 and by 3.3% in constant currencies. In the first half of the year, net sales were at the level of the comparison period, increasing by 1.1% and in constant currencies by 7.5%. Development in the latter half of the year was negative. Net sales were down by 13.2% compared with the corresponding period of the previous year, with this development unaffected in constant currencies.

Sales developed rather unevenly in different market areas. Good growth in well-developed market areas such as South Africa and Russia was insufficient to offset a decline in net sales in the large market areas of Australia and North America. The changes made in our organisation and at the sales interface during the year had negative impacts on sales, particularly in the USA. In addition, certain major customers' own operational challenges, such as the collapse of one end customer's mine, indirectly had a negative impact on sales, particularly in Australia. These factors, together with costs relating to a delay in commissioning the factory in South Korea, reduced profitability. During the year, Robit renewed its brand. The company's brand promise, Further, Faster, describes Robit's desire for growth and the customer promise to be a flexible and reliable player whose products have excellent availability. The brand renewal means that the entire product offering has been brought under the same Robit brand. The reform harmonises operating practices, the growth philosophy and the building of the best customer experience.

The most important asset for business development is skilled and motivated personnel. In 2018, we invested in the development of sales and distribution channels.

In December 2018, the new Board of Directors elected by Robit Plc's Extraordinary General Meeting on 4 December 2018, together with management, launched an efficiency programme to initiate corrective measures and restore the company to profitable growth. The efficiency programme will focus on four areas: growing sales, safeguarding cash flow, developing key processes and productivity, and committing personnel and partners to the company.

By listening to the views of our customers and employees, we can to take our operations to a new level and back on to the path of profitable growth. Robit wishes to be the best partner for its customers and cooperation network, as well as an interesting and profitable investment for shareholders.

DEVELOPING THE OFFERING

Robit continued to invest in the development of its dealer network, and in 2018 new dealer and agency agreements were signed in different market areas. Sales, product and application expertise was developed during the year by training the company's own personnel, distributors and end-customers. Robit's offering was also developed in cooperation with customers and distributors.

During 2018 the Robit Online ordering service was developed and piloted, enabling distributors to place orders directly into the company's ERP system. Aimed at Robit's distributors, the goal of the service is to enhance and automate the order-delivery chain for standard products. This service will be launched gradually into the distribution network during 2019. The shorter delivery times of the South Korea factory will enable faster product deliveries to customers and will create an excellent basis for more extensive new customer acquisition and growth.

The product development successes of recent years, the Evolution Bit series and the drill tube range, expanded into new sizes, which enables us to serve a wider customer base with these products worldwide. A significant advance was also made in product development of digital services, for example in the U Sense project under way in Australia, which aims to bring drill rig-integrated hole deviation measurement into the underground mine environment.

The most significant testing projects were completed in Finland and Central Europe at the end of 2018. The results of pilot projects seem to be good and they will further strengthen the promise of added value brought by Robit's digital services in customer projects.

REVENUE AND FINANCIAL PERFORMANCE

	H2 2018	H2 2017	Change%	1812	1712	Change%
Net sales, EUR 1,000	39 583	45 577	-13.2%	82 683	88 222	-6.3%
Net sales growth, %	-	-		-6.3%	37.7%	
EBITDA, EUR 1,000	-3 834	306	-1351.7%	-4 782	1 626	-394.0%
EBITDA, % of net sales	-9.7%	0.7%		-5.8%	1.8%	
Adjusted EBITDA, EUR 1,000	-3 598	592	-707.7%	-3 529	3 500	-200.8%
Adjusted EBITDA, % of net sales	-9.1%	1.3%		-4.3%	4.0%	
EBITA, EUR 1,000	-6 472	-1 910	-238.8%	-9 658	-2 734	-253.2%
EBITA, % of net sales	-16.4%	-4.2%		-11.7%	-3.1%	
Adjusted EBITA, EUR 1,000	-6 236	-1 625	-283.8%	-8 405	-861	-876.6%
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EBIT, % of net sales	-66.1%	-5.2%		-36.0%	-4.1%	
Result for the period, EUR 1,000	-27 014	-3 292	-720.5%	-31 384	-5 190	-504.7%
Result for the period, % of net sales	-68.2%	-7.2%		-38.0%	-5.9%	
Earnings per share (EPS), EUR	-	-		-1.49	-0.27	
Return on equity (ROE), %	-	-		-41.9%	-7.3%	
Return on capital employed (ROCE), %	-	-		-27.5%	-5.8%	
Adjusted return on capital employed (ROCE), %	-	-		-26.4%	-4.2%	
Net interest-bearing debt, EUR 1,000	15 810	7 752	104.0%	15 810	7 752	104.0%
Equity ratio, %	49.3%	57.6%		49.3%	57.6%	
Equity per share EUR	-	-		2.74	4.37	-37.3%
Net gearing, %	27.4%	8.4%		27.4%	8.4%	
Gross investments, EUR 1,000	528	7 485	-92.9%	4 630	13 341	-65.3%
Gross investments, % of net sales	-	-		5.6%	15.1%	
Gross investments, excl. acquisition, EUR 1,000	-	-		4 630	11 139	-58.4%
R&D costs, EUR 1,000	316	710	-55.4%	1 228	1 482	-17.2%
R&D costs, percentage of sales	0.4%	1.6%		1.5%	1.7%	
Average number of employees	288	327	-11.9%	308	296	3.9%
Number of employees at the end of period	286	329	-13.1%	286	329	-13.1%
Dividend, euro *				0	0.10	
Dividend% of the result				0.0%	-37.0%	
Effective dividend yield				0.0%	1.5%	

Price / Earnings				-1	-37	
Share price at the end of the period				1.64	6.47	
Lowest				1.58	6.42	
Highest				8.18	11.73	
Market capitalisation, million EUR				34.6	135.9	

*H2 2018 items affecting comparability were restructuring costs of EUR 0.3 million.
H2 2017 items affecting comparability: advisory fees of EUR 0.2 million pertaining to business acquisitions and restructuring costs of EUR 0.1 million.
Further information about comparable items is given in paragraph 4.2 of the accounting principles.

NET SALES AND FINANCIAL PERFORMANCE: JULY – DECEMBER 2018

The Group's net sales for the review period totalled EUR 39.6 million (45.6), decrease of 13.2% compared to the comparative period it remained at the previous year's level in the first half of 2018. The exchange rates had no significant impact in the result.

EUR 17.7 million (22.1) of net sales in the review period came from the Top Hammer business and EUR 21.9 million (23.5) from the Down the Hole business. Net sales for the Digital Services business remain small as it continues to focus primarily on developing reference cases with key customers. The decline in DTH net sales was due to, among other things, the collapse of a mine of a certain customer and slower than expected acquisition of new customers. The significant decline in Top Hammer net sales in the latter part of the year resulted from customer losses, which the company was unable to replace in short term.

EUR 15.3 million (17.6) of net sales came from the EMEA region, EUR 8.6 million (12.1) from Australia, EUR 6.0 million (5.2) from Asia, EUR 6.3 million (8.3) from the Americas, and EUR 3.4 million (2.3) from the East.

EBITA was EUR -6.5 million (-1.9). Comparable EBITA was EUR -6.2 million (-1.6), which is -15.8% (-3.6) of net sales. Items affecting comparability are restructuring costs of EUR 1.3 million due to structural and business model changes at several Group companies. In addition, the company increased the provision for doubtful receivables by EUR 1.2 million and the inventory obsolescence provision by EUR 1.3 million. During the financial year, the provision was reduced by EUR 2.2 million on the basis of scrappage.

EBIT for the review period was EUR -26.2 million (-2.4). This was -66.1% (-5.2) of the review period net sales. The operating result includes EUR 19.3 million of Down the Hole goodwill impairment. The impairment recognition was made because the revenue and profitability development of the cash-generating unit in question has not materialised as planned.

Net financial expenses totalled EUR 0.7 million (1.6), and EUR 0.4 million of this was interest expenses and EUR 0.2 million exchange rate losses. The result before taxes was EUR -26.9 million (-3.9) and taxes were EUR 0.1 million (0.7). The impact of exchange rate differences on business operations was negative during the review period.

NET SALES AND FINANCIAL PERFORMANCE: JANUARY – DECEMBER 2018

The Group's net sales for the review period totalled EUR 82.7 million (88.2), decrease of 6.3% compared to the comparative period. The effect of exchange rates was -3%.

EUR 36.6 million (38.2) of net sales in the review period came from the Top Hammer business and EUR 46.1 million (50.0) from the Down the Hole business. Net sales for the Digital Services business remain small as it continues to focus primarily on pilot and reference cases.

EUR 32.0 million (32.3) of net sales came from the EMEA region, EUR 19.9 million (24.7) from Australia, EUR 11.6 million (11.3) from Asia, EUR 12.9 million (15.3) from the Americas, and EUR 6.3 million (4.5) from the East.

EBITA was EUR -9.7 million (-2.7). Comparable EBITA was EUR -8.4 million (-0.9), which is -10.2% (-1.0) of net sales. Items affecting comparability are restructuring costs due to structural and business model changes at several Group companies (1.3 million euros).

EBIT for the review period was EUR -29.8 million (-3.6). This was -36.0% (-4.1) of the review period net sales.

Net financial expenses totalled EUR 1.6 million (2.4), and EUR 0.7 million (0.5) of this was interest expenses and EUR 0.8 million (1.7) exchange rate losses. The result before taxes was EUR -31.4 million (-6.1) and taxes were EUR 0.0 million (0.9). The impact of exchange rate differences on business operations was negative during the review period.

FINANCIAL TARGETS

Due to unsatisfactory performance in 2018, the Board of Directors of Robit Plc has decided to temporarily abandon the long-term financial targets, i.e. average 15% growth in net sales and 13% EBITA margin. In 2019, our goal is to achieve a positive EBITA result and a significant release of committed capital.

FINANCING AND INVESTMENTS

The Group's net cash flow from operations January – December 2018 totalled EUR -2.2 million (-2.0). Changes in working capital had an impact of EUR 0.4 million (-3.2). The change in working capital during the review period were mainly caused by the EUR 5.3 million decrease in receivables including changes in bad debt provisions of EUR 1.2 million and decrease in non-interest-bearing debts by the EUR 2.6 million.

Net working capital was EUR 36.8 million (41.5) at the end of the review period.

The net cash flow for investment activities was EUR 4.6 million (13.3). Gross investments in production during the review period totalled EUR 4.0 million (11.6). EUR 3.5 million of these were for the new Korean production facility. The net cash flow from financing activities was EUR -7,6 million (47.0), comprising the payment of dividends and net changes in loans.

The company's covenant condition interest-bearing net debt/EBITDA was not met at 31 December 2018 and the company has obtained the consent of its main financing bank to breach the covenant. In the same context, covenant conditions were agreed for financial year 2019, when the covenant condition will be EBITDA. The interest rate margin was raised with average 1.1%, which will return to the normal level when the covenant condition interest-bearing net debt/EBITDA meets the conditions of the original financing agreement.

At the end of the review period the Group had liquid assets totalling EUR 27.5 million (42.2) and interest-bearing financing loans totalling EUR 43.3 million (49.9). Interest-bearing net debt was EUR 15.8 million (7.8).

The Group's equity at the end of the review period was EUR 57.8 million (92.1).

The Group's equity ratio was 49.3% (57.6%) and its net debt to equity ratio (gearing) was 27.3% (8.4%).

Depreciation and amortisations totalled EUR 25.0 million (5.3). EUR 0.9 million of this related to amortisations of customer relationships and brand value from business acquisitions and EUR 19.3 million to impairments of goodwill.

PERSONNEL AND MANAGEMENT

The number of personnel decreased by 43 at the end of the comparison period and at the end of the review period the company's personnel numbered 286 (329) of which 77% (76%) were located outside Finland.

On 14 March 2018, the company completed the structural and operating model changes it had announced on 29 January 2018. The company moved from being a matrix organisation to a line organisation. With the new organisational model, the company aims to bring its expertise and decision-making closer to its customers' business, offering faster and more effective implementation. As part of reforming the structural and operating model, the company will also invest in improving the effectiveness and increasing the flexibility of the supply chain. The company also announced it would begin cost-cutting measures affecting the entire organisation. As a result of the structural changes, the company announced it would be cutting 60 jobs during 2018. Savings on an annual level were estimated to be around EUR 3 million.

During the review period the company formed a new Management Team. As from 14 March 2018 the company's Management Team comprises: CEO Mika Virtanen, EVP Tommi Lehtonen, CFO Ilkka Miettinen, Head of Supply Chain Jukka Pihamaa and Head of HR Jaana Rinne.

Mika Virtanen was released on his duties on 7 December 2018 and CFO Ilkka Miettinen is acting as the company's interim CEO. The company's Board of Directors has commenced the selection process for a new CEO.

SHARE-BASED INCENTIVE SCHEME

Share-base incentive scheme 2017-2019

In April 2017, Robit's Board of Directors decided on a share-based incentive scheme for the Group's management and key personnel. The scheme is for three years and it covers the period 2017–2019. The scheme has three parts: a key individual's own investment in the company, the company's additional share incentive and a performance-based additional share scheme. In September 2018, a total of 18,672 shares and EUR 67 thousand in cash was paid as rewards based on the scheme. The scheme covers 13 key personnel.

Share-base incentive scheme 2018-2021

In June 2018, Robit's Board of Directors decided on a new share-based incentive scheme for the Group's management and key personnel. The scheme has three parts: a key person's own investment in the company, a performance-based additional share scheme and an additional share scheme. The prerequisite for receiving a reward on the basis of the share scheme is that the key individuals acquire Robit shares.

The additional share scheme has two commitment periods, which begin on 1 September 2018 and 1 September 2019. For shares subject to the share ownership conditions, the key individuals will receive shares as a reward after a commitment period of around three years. Receiving the shares is dependent on the continuation of the employment or service contract at the time of payment of the reward. The rewards payable on the basis of the commitment period starting on 1 September 2018 will correspond to the value of a maximum of 24,000 Robit Plc shares, also including the component payable in cash.

The performance-based additional share scheme covers the calendar years 2018–2020 and 2019–2021. The possible reward of the performance period 2018–2020 is based on the Robit Group's cumulative earnings per share (EPS) and cumulative net sales. The rewards payable on the basis of the performance period 2018–2020 will correspond to the value of a maximum of 100,000 Robit Plc shares, also including the component payable in cash.
The incentive scheme covers 11 key personnel.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

On 28 March 2018, Robit Plc's Annual General Meeting approved the proposed financial statements for 1 January - 31 December 2017 and decided that a dividend of EUR 0.10 per share would be distributed. The dividend date of record was 3 April 2018 and payment date 10 April 2018.

The AGM decided to discharge the members of the Board of Directors and the CEO from liability.

The AGM decided that the Board of Directors would comprise six members. The following were re-elected to the Board: Tapio Hintikka, Mammu Kaario, Hannu-Kalle Reponen and Harri Sjöholm, and Heikki Allonen and Kai Seikku were elected as new members. Heikki Allonen was elected Chairman of the Board of Directors. Board member Matti Kotola stepped down as a member of the Board.

Authorised Public Accountants Ernst & Young Oy were elected as the company's auditor, with Authorised Public Accountant Mikko Järventausta as Chief Auditor.

The AGM authorised the Board of Directors to decide on using the company's unrestricted equity to acquire a maximum of 2,108,390 of the company's shares in one or several instances. The maximum number of shares that can be acquired is equal to 10% of all shares in the company at the time of the notice to the AGM being given. However, the company and its subsidiaries cannot at any time own more than 10% of the total shares of the company. This authorisation entitles the purchase of shares only using available unrestricted equity. The previous authorisation given to the Board on 20 April 2017 to acquire shares was revoked. This authorisation is valid until the end of the next Annual General Meeting, and in any case until 30 June 2019 at the latest.

The AGM authorised the Board of Directors to decide on the issuing of shares and of special rights entitling to shares, as referred to in chapter 10 section 1 of the Limited Liability Companies Act, in one or several instances and with or without consideration. The number of shares to be issued, including shares issued on the basis of special rights, can be a maximum of 3,000,000 shares, which is the equivalent of around 14% of all shares in the company at the time of notice to the AGM being given. The Board can decide to issue new shares or to release shares currently owned by the company. The authorisation is in force until the end of the next AGM, and in any case until 30 June 2019 at the latest. The authorisation revokes previous, unused authorisations to issue shares, options or other special rights to obtain shares.

THE EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting was held in accordance with Five Alliance Oy's proposal on 4 December 2018. As proposed by Five Alliance Oy, Mammu Kaario, Hannu-Kalle Reponen and Kai Seikku were re-elected as members of the Board of Directors, and Harri Sjöholm and Mikko Kuitunen were elected as new members of the Board of Directors. Heikki Allonen and Tapio Hintikka left the Board. Harri Sjöholm was elected as the Chairman of Board.

SHARES AND SHARE TURNOVER

On 31 December 2018 the company had 21,083,900 shares. On 31 December 2018 the company had 2,484 shareholders.

The company holds 27,507 of its own shares (0.13% of total shares). On 31 December 2018 the market value of the company's shares was EUR 34.6 million (share price EUR 1.64).

RISKS AND BUSINESS UNCERTAINTIES

The risks and uncertainties to which the company is exposed relate to any changes in the company's business environment, and to global economic and political developments.

Other uncertainties include fluctuations in currency exchange rates, the functioning and commissioning of new information systems, successful integration of acquisitions, risks relating to delivery reliability and logistics, and IPR risks. Changes in the tax and customs regulations of export countries can hamper the company's export sales or affect its profitability. Risks relating to data security and cyber threats may also have a harmful impact on Robit's business operations. Any changes in the business environment may have a negative impact on our customers' payment behaviour and may increase the risk of legal procedures and demands as well as disputes relating to Robit's products and other operations.

CHANGES IN GROUP STRUCTURE

During the review period the company has established a new company, Robit Asia Limited in Hong Kong, and has purchased the remaining 49% of shares in Halco Brighouse Limited.

OTHER EVENTS DURING THE REVIEW PERIOD

On 18 January 2018, the company appointed Tommi Lehtonen (b. 1970) as Robit Plc's Executive Vice President.
On 29 January 2018, the company's Board of Directors purchased the remaining shares in its subsidiary Halco Brighouse Ltd. that were owned by the company's management. The purchase price for the shares was around GBP 0.075 million (around EUR 0.086 million).

On 29 January 2018, the Board formed an Audit Committee and at its constituent meeting after the AGM chose the following Board members for the committee: Mammu Kaario (Chairman), Hannu-Kalle Reponen and Kai Seikku.
The company reorganised its Management Team on 14 March 2018. The Management Team comprises Mika Virtanen (CEO), Tommi Lehtonen (EVP), Ilkka Miettinen (CFO), Jukka Pihamaa (Head of Supply Chain) and Jaana Rinne (Head of HR).

The constituent meeting of the company's Board of Directors was held on 28 March 2018, when the Board elected members for the following committees from among its members: Remuneration Committee, Nomination Committee, Working Committee and Audit Committee. The following were elected to the Remuneration Committee: Heikki Allonen (Chairman), Mammu Kaario and Kai Seikku. The following were elected to the Nomination Committee: Heikki Allonen (Chairman), Kai Seikku and Harri Sjöholm. The following were elected to the Working Committee: Heikki Allonen (Chairman), Kalle Reponen and Tapio Hintikka. The following were elected to the Audit Committee: Mammu Kaario (Chairman), Kalle Reponen and Kai Seikku. In addition, Mammu Kaario was elected as Vice-Chairman of the Board.

On 14 March 2018, the company completed the structural and operating model changes it had announced on 29 January 2018. The company moved from being a matrix organisation to a linear organisational model. With the new organisational model the company seeks to bring its expertise and decision making closer to its customers' business, offering faster and more effective implementation. As part of reforming the structural and operating models, the company will also invest in improving the effectiveness and increasing the flexibility of the supply chain. The company also announced it would begin cost-cutting measures affecting the entire organisation globally. As a result of the structural changes the company announced it would be cutting 60 jobs worldwide during 2018. This brings annual savings of over EUR 3 million.

On 8 February 2018, the company opened a major production facility near Seoul in South Korea, which will enable it to meet more effectively the growing demand for the Top Hammer line of rods and shanks. The total investment in the facility was around EUR 10 million.

According to Robit's revised guidance on 15 June 2018 euro-denominated EBITA for year 2018 (without items affecting comparability) will be slightly lower than the level of previous year 2017 provided that the market demand stays at the current level and there are no unpredictable market disruptions.

Previous guidance was: According to Robit's estimation, EBITA as percentage of net sales for year 2018 (without items affecting comparability) will improve significantly from the EBITA level of year 2017 provided that the market demand stays at the current level and there are no unpredictable market disruptions

Robit updated the guidance given on June 15 2018 on 15 October 2018. According to Robit's revised estimation, euro-denominated EBITA for year 2018 (without items affecting comparability) will be significantly lower than the level of previous year provided that the market demand stays at the current level and there are no unpredictable market disruptions.

On 15 October 2018, the company made a EUR 19.3 million impairment charge on the goodwill of the Down the Hole cash-generating unit. The impairment recognised at exchanges rates on 15 October was EUR 18.9 million, but due to exchange rate fluctuations the impact of the impairment was EUR 19.3 million at 31 December 2018. The impairment recognition had no impact on cash flow.

On 4 December 2018, the Board of Directors elected from among its number members to serve on Robit Plc's Remuneration Committee, Nomination Committee and Working Committee. The Board of Directors considers that all members of the Board of Directors, with the exception of Harri Sjöholm, are independent of the company and its key shareholders. Harri Sjöholm (Chairman), Mammu Kaario and Kai Seikku were elected as members of the Remuneration Committee. Harri Sjöholm (Chairman), Kai Seikku and Kalle Reponen were elected as members of the Nomination Committee. Harri Sjöholm (Chairman), Kalle Reponen and Mikko Kuitunen were elected as members of the Working Committee. Mammu Kaario (Chairman), Kalle Reponen and Kai Seikku continue to serve as members of the Audit Committee.

On 7 December 2019, Robit Plc's CEO Mika Virtanen and Robit's Board of Directors jointly agreed that Mika Virtanen would leave the company with immediate effect. The company's Board of Directors has commenced the selection process for a new CEO. CFO Ilkka Miettinen has been appointed as the company's interim CEO. The Chairman of the Board of Directors Harri Sjöholm will support Robit's management fulltime until the new CEO starts in his or her position.

On 31 December 2018, Robit Plc agreed on the restructuring of EUR 35 million in loans with its main financing bank. The covenant of the company's financing agreement, interest-bearing net debt/EBITDA, did not meet the requirements of the financing agreement at 31 December 2018. The company has obtained the consent of the financing bank to breach this covenant. In the new agreement, Robit has also agreed with the main financing bank that in financial period 2019 the covenant to be followed will be EBITDA in the periods 1 January - 30 June 2019 and 1 January - 31 December 2019, after which the former covenant will be restored. Of the loans granted under the agreement, EUR 5 million will be repaid in both January and April 2019 and the margin on the loans will be increased by, on average, 1.1 percentage points. The loan margins will be restored to the level specified in the financing agreement when the original level of the covenant under the financing terms, interest-bearing net debt in relation to EBITDA, is achieved. The company will make the repayments from its liquid funds. The company published a stock exchange release on the agreement on 3 January 2019.

EVENTS AFTER THE REVIEW PERIOD

Robit Plc has on 8 Jan 2019 received a notification from Athanase Industrial Partner Ltd. in accordance with the Finnish Securities Market Act Chapter 9, Section 5.

According to the announcement, the total number of Robit shares owned by Athanase Industrial Partner Ltd. increased above five (5) % of the shares of Robit Plc on 8 Jan, 2019.

Lempäälä, 19 February 2019

ROBIT PLC
Board
Further information:
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Harri Sjöholm, Chairman of the Board
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Robit is a global growth company that sells drilling consumables globally to its customers in the following market segments: mining, construction and contracting, tunnelling and well drilling. The company's offering is divided into three product and service areas: Top Hammer, Down The Hole and Digital Services. The company has 16 own sales and warehousing facilities around the world and an active sales network across 115 countries. Robit has production facilities in Finland, South Korea, Australia, England and the USA.
Distribution:
Nasdaq Helsinki Oy
Key media
www.robitgroup.com

SUMMARY OF FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	1 Jul - 31 Dec 2018	1 Jul - 31 Dec 2017	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Net sales	**39 583**	**45 577**	**82 683**	**88 222**
Other operating income	823	1 372	1 187	1 482
Materials and services	-24 795	-27 169	-50 248	-50 265
Employee benefit expense	-8 327	-9 884	-19 168	-18 943
Depreciation, amortisation and impairment	-22 350	-2 659	-25 018	-5 267
Other operating expenses	-11 118	-9 590	-19 236	-18 869
EBIT (Operating profit)	**-26 184**	**-2 352**	**-29 800**	**-3 640**
Finance income and costs				
Finance income	347	694	1 630	1 333
Finance cost	-1 056	-2 283	-3 253	-3 758
Finance income and costs net	-708	-1 589	-1 623	-2 425
Profit before income tax	**-26 893**	**-3 941**	**-31 423**	**-6 065**
Income taxes				
Current taxes	-385	-28	-385	-238
Change in deferred taxes	263	678	424	1 113
Income taxes	-121	649	39	875
Result for the period	**-27 014**	**-3 292**	**-31 384**	**-5 190**
Attributable to:				
Owners of the parent	-27 014	-3 292	-31 384	-5 190
Non-controlling interest	0	0	0	0
	-27 014	**-3 292**	**-31 384**	**-5 190**
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences	-145	-315	-814	-1 301
Other comprehensive income, net of tax	**-145**	**-315**	**-814**	**-1 301**
Total comprehensive income	**-27 159**	**-3 608**	**-32 198**	**-6 492**
Attributable to:				
Owners of the parent	-27 159	-6 492	-32 198	-6 492
Non-controlling interest	0	2 884	0	0
	-27 159	**-3 608**	**-32 198**	**-6 492**

Earnings per share attributable to the owners of the parent during the year:

Basic and diluted earnings per share	-1,49	-0,27

* Changes in inventories of finished goods and work in progress are included in Materials and services- figures and Work performed by the Group and capitalised are included in Other operating expenses.

CONSOLIDATED BALANCE SHEET

EUR thousand	31-Dec-18	31-Dec-17
ASSETS		
Non-current assets		
Goodwill	5 159	25 029
Other intangible assets	6 923	8 088
Property, plant and equipment	25 824	26 280
Loan receivables	334	517
Other receivables	3	3
Deferred tax assets	1 443	1 903
Total non-current assets	**39 686**	**61 820**
Current assets		
Inventories	30 808	30 141
Account and other receivables	18 640	25 921
Loan receivables	222	17
Income tax receivable	170	139
Cash and cash equivalents	27 470	42 172
Total current asset	**77 310**	**98 391**
Total assets	**116 996**	**160 211**

EUR thousand	31-Dec-18	31-Dec-17
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	705	705
Share premium	202	202
Reserve for invested unrestricted equity	82 266	82 502
Cumulative translation difference	-1 983	-1 157
Retained earnings	7 958	15 057
Profit for the year	-31 384	-5 190

Total equity	**57 763**	**92 118**

Total equity	**57 763**	**92 118**
Liabilities		
Non-current liabilities		
Borrowings	25 862	3 511
Deferred tax liabilities	1 551	2 241
Employee benefit obligations	1 123	988
Total non-current liabilities	**28 535**	**6 740**
Current liabilities		
Borrowings	17 419	46 413
Advances received	142	324
Income tax liabilities	240	70
Account payables and other liabilities	12 740	14 546
Provisions	156	0
Total current liabilities	**30 697**	**61 353**
Total liabilities	**59 233**	**68 093**
Total equity and liabilities	**116 996**	**160 211**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	**1 Jul - 31 Dec 2018**	**1 Jul - 31 Dec 2017**	**1 Jan - 31 Dec 2018**	**1 Jan - 31 Dec 2017**
Cash flows from operating activities				
Profit before income tax	-26 893	-3 941	-31 423	-6 065
Adjustments				
Depreciation, amortisation and impairment charges	22 350	2 658	25 018	5 267
Finance income and finance costs	687	1 589	1 623	2 425
Share-based payments to employees	52	19	85	19
Loss (+) on sale of property, plant and equipment	59	490	95	635
Other non-cash transactions	2 750	703	3 014	703
Cash flows before changes in working capital	-994	1 518	-1 588	2 983
Change in working capital				
Increase (-) in account and other receivables	4 931	-1 438	5 341	-3 714
Increase (-) / decrease (+) in inventories	1 314	459	-2 370	-1 753
Increase (+) in account and other payables	-8 035	-2 086	-2 582	2 247
Cash flows from operating activities before financial items and taxes	-2 785	-1 547	-1 199	-238
Interest and other finance expenses paid	-490	-453	-887	-1 010
Interest and other finance income received	29	-27	64	146

Income taxes paid	-33	-77	-188	-926
Net cash inflow (outflow) from operating activities	**-3 279**	**-2 103**	**-2 210**	**-2 027**
Cash flows from investing activities				
Purchases of property, plant and equipment	-560	-6 902	-4 082	-10 155
Purchases of intangible assets	-96	-733	-555	-1 494
Proceeds from the sale of property, plant and equipment	216	424	243	424
Proceeds from loan receivables	-89	-274	-236	86
Acquisition of subsidiaries, net of cash acquired	0	0	0	-2 202
Net cash inflow (outflow) from investing activities	**-528**	**-7 485**	**-4 630**	**-13 341**
Cash flows from financing activities				
Proceeds from share issues, net of expenses	0	-1 253	0	46 709
Proceeds from loans	1 112	5 314	1 112	11 314
Repayments of loans	-2 346	-7 279	-5 445	-10 811
Change in bank overdrafts	-678	998	-803	2 070
Payment of finance lease liabilities	-145	-572	-356	-701
Distribution of dividend	0	-21	-2 100	-1 599
Net cash inflow (outflow) from financing activities	**-2 056**	**-2 812**	**-7 592**	**46 982**
Net increase (+) / decrease (-) in cash and cash equivalents	-5 864	-12 401	-14 432	31 613
Cash and cash equivalents at the beginning of the period	33 589	54 697	42 172	10 519
Exchange gains/losses on cash and cash equivalents	-255	-124	-270	40
Cash and cash equivalents at end of the period	**-6 119**	**-12 526**	**27 470**	**42 172**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	**Share capital**	**Share premium**	**Reserve for invested unrestricted equity**	**Cumula-tive transla-tion diffe-rence**	**Retained earnings**	**Total**
Equity at 1.1.2017	**705**	**202**	**32 368**	**144**	**16 638**	**50 057**
Profit for the period					-5 190	-5 190
Other comprehensive income						
Translation differences				-1 301		-1 301
Total comprehensive changes				**-1 301**	**-5 190**	**-6 492**
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

Total transactions with owners, recognised directly in equity	**0**	**0**	**50 134**	**0**	**-1 580**	**48 554**
Equity at 31.12.2017	**705**	**202**	**82 502**	**-1 157**	**9 868**	**92 119**

EUR thousand	Share capital	Share premium	Reserve for invested unrestricted equity	Cumula-tive transla-tion diffe-rence	Retained earnings	Total
Equity at 1.1.2018	**705**	**202**	**82 502**	**-1 157**	**9 868**	**92 119**
Profit for the period					-31 384	-31 384
Other comprehensive income						
Translation differences				-826		-826
Total comprehensive changes				**-826**	**-31 384**	**-32 210**
Dividend distribution					-2 100	-2 100
Deferred tax revaluations			-308		57	-250
Share-based payments to employees					133	133
Use of treasury shares to BoD compensation			72			72
Total transactions with owners, recognised directly in equity	**0**	**0**	**-236**	**0**	**-1 909**	**-2 145**
Equity at 31.12.2018	**705**	**202**	**82 266**	**-1 983**	**-23 426**	**57 764**

NOTES

Contents

1. SCOPE AND PRINCIPLES OF THE INTERIM REPORT

We have prepared these financial statements in accordance with IAS 34 Interim Financial Reporting applying the same accounting principles as financial statements 2018. The figures presented in the stock exchange release are based on the audited financial statements for 2018.

All figures in the summarised financial statement have been rounded to the nearest figure, therefore the sum of reported figures may not exactly match those presented.

2. IMPLEMENTATION OF NEW IFRS STANDARDS

As of 1 January 2018, the Group has applied the following standards and amendments:
- IFRS 15 Revenue
- IFRS 9 Financial Instruments
- IFRS 2 Classification and Measurement of Share-based Transactions

IFRS 15

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. Robit adopted the IFRS 15 Revenue from Contracts with Customers standard from 1 January 2018, using the modified retrospective approach whereby comparative financial information is not restated. The implementation of the new standard has not affected the date of recognition or the presentation in the balance sheet nor comparison figures or the opening balance sheet. At Robit the new standard does not affect the measuring or timing of sales entries.

Robit sells rock drilling consumables. Products supplied are identified in contracts which Robit has made with customers. The contracts often specify a target for the quantities to be supplied, but the customer is not committed to the quantity. The quantities delivered are based on the customer's purchase orders and each quantity delivered is invoiced for separately. Typically, terms of payment of 30–90 days are given for products. Transaction prices do not include significant financing components.

Some customer contracts contain terms under which the customer is reimbursed in accordance with the contract if the amount ordered by the customer exceeds a predetermined level, i.e. in these cases the transaction price includes a variable consideration. The effect of the variable consideration on the transaction price is taken into account in revenue recognition by estimating the likelihood of the realisation of reimbursement under each contract. The estimate is based on the most likely amount. When assessing the likelihood, Robit takes into account the customer's historical data (such as previously deliveries have reached a level that entitles the customer to receive a discount), the current situation at the time of delivery of goods as well as forecasts of future deliveries. According to Robit's estimate, it is highly probable that a significant reversal in the amount of sale revenue will not occur when the uncertainty of the variable consideration is later resolved. The transaction price includes the total amount of the estimated variable consideration. The estimated transaction price is reassessed at the latest at the end of each reporting period. This did not change Robit's earlier revenue recognition policy.

Receivables from customers are recognised at the transaction price. In practice, this means that both the invoiced customer-specific trade receivable and the recognised net sales have been adjusted by the estimated amount of reimbursement. Reimbursements to the customer are treated as an adjustment of the transaction price and therefore of net sales. This did not change the practice in recognising reimbursements.

Sales prices are specified separately for each product in customer contracts. Each customer transaction price is based on, among other things, the quantity, the transaction currency and customer's geographical location. As a rule, the variable consideration (discounts) is applied to all performance obligations contained in the contract.

Robit does not incur any significant additional costs arising from the contract for which an asset should be recognised in the balance sheet. Robit applies the practical expedient under which additional costs are recognised as expenses when incurred, as the period for recognising such capitalised additional costs would be one year or less. Robit does not incur any contract fulfilment costs that would meet the criteria under IFRS 15.95 and should be capitalised.

IFRS 9

The IFRS 9 Financial Instruments standard replaces the IAS 39 classification and measuring models and contains new instructions for classifying and measuring financial assets and liabilities, a new model based on expected credit losses for measuring impairment of financial assets, and new requirements for general hedge accounting.

Under IAS 39, impairment of sales revenue was recorded when there was reasonable evidence that the entity in question is not going to receive their due receivables. In implementing IFRS 9, the group applied a simplified impairment model for "expected credit losses" from trade receivables. According to the new model a provision for expected credit loss is recorded at a value that corresponds to the expected credit losses. The new impairment model is based on forward-looking information and on previous experiences and current expectations.

The implementation of IFRS 9 has not had a significant impact on the classification or measuring of financial assets or the recording of impairment on sales receivables or other financial receivables.

IFRS 2

Robit applies the amended standard IFRS 2: Classification and Measurement of Share-based Payment Transactions. The amended standard clarifies the quantifying and reporting of the cash part of share-based transactions. When a company has agreed upon the net principle, so that it is committed to withhold and pay the taxes due from share bonuses on behalf of the recipient of the bonus, the entire value of the reward is to be recorded as a reward paid in shares. As a result of the IFRS 2 amendment the tax consequences of the new 2018 share-based rewards scheme are recorded as own capital. Since the 2017 share-based incentive scheme does not adhere to the net principle the changes to the IFRS 2 standard do not affect earlier entries.

3. IFRS STANDARD TO BE ADOPTED AT A LATER DATE

IFRS 16

IFRS 16 specifies the principles by which leases are recorded and measured, how they are presented in the financial statements and what information about them is presented. As a result, almost all rental or leasing agreements will be recorded in the balance sheet, as there will no longer be differentiation between operating leases and finance leases. According to the new standard, an asset (the right to use the asset that has been leased) is recognised, as is a financial debt corresponding to the lease or rental payment. The only exceptions will be rental agreements relating to short-term rental of low value assets.

In 2018 the Group began the commissioning stage of the IFRS 16 project. The standard will primarily affect the reporting of the Group's operating leases. Robit will adopt the IFRS 16 standard from 1 January 2019, using the modified retrospective approach whereby comparative financial information is not restated.

At the balance sheet date, the Group has non-cancellable operating leases amounting to EUR 5,538 thousand. In respect of other lease liabilities, fixed assets and lease liabilities amounting to EUR 7,000–9,000 thousand are expected to be recognised on 1 January 2019.

According to the Group's estimate, the result after taxes for financial year 2019 will be reduced by approximately EUR 150-200 thousand as a result of the introduction of new rules. Adjusted EBITDA is expected to increase by approximately EUR 2,000 thousand, as operating lease payments are included in EBITDA, but depreciation on fixed assets and interest on the lease liabilities are not included.

4.1 KEY FIGURES

CONSOLIDATED KEY FIGURES	H2 2018	H2 2017	2018	2017
Net sales, EUR 1,000	39 583	45 577	82 683	88 222
EBIT, EUR 1,000	-26 184	-2 352	-29 800	-3 640
EBIT, % of net sales	-66.1%	-5.2%	-36.0%	-4.1%
Earnings per share (EPS), EUR	-	-	-1.49	-0.27
Return on equity (ROE), %	-	-	-41.9%	-7.3%
Return on capital employed (ROCE), %	-	-	-27.5%	-5.8%
Equity ratio, %	49.3%	57.6%	49.3%	57.6%
Net gearing, %	27.3%	8.4%	27.3%	8.4%
Gross investments, EUR 1,000	528	7 485	4 630	13 341
Gross investments, % of net sales	-	-	5.6%	15.1%
Number of shares	21 083 900	21 083 900	21 083 900	21 083 900
Own shares	27 507	86 320	27 507	86 320
Percentage of total shares	0.13%	0.41%	0.13%	0.41%

ADJUSTED CONSOLIDATED KEY FIGURES	H2 2018	H2 2017	2018	2017
Adjusted EBITDA, EUR 1,000	-3 598	592	-3 529	3 500
Adjusted EBITDA, % of net sales	-9.1%	1.3%	-4.3%	4.0%
Adjusted EBITA, EUR 1,000	-6 236	-1 625	-8 405	-861
Adjusted EBITA, % of net sales	-15,8 %	-3.6%	-10.2%	-1.0%
Adjusted EBIT, EUR 1,000	-25 948	-2 067	-28 547	-1 767
Adjusted EBIT, % of net sales	-65.6%	-4.5%	-34.5%	-2.0%
Adjusted return on equity (ROE), %	-	-	-40.2%	-4.7%
Adjusted return on capital employed (ROCE), %	-	-	-26.4%	-4.2%

4.2 CONSOLIDATING ALTERNATIVE KEY FIGURES

Robit presents alternative key figures to supplement the key figures given in the Group's financial statements, balance sheets and cash flow statements that have been drawn up according to IFRS standards. Robit considers that the alternative figures give significant extra insight into the result of Robit's operations, its financial position and cash flows. These figures are often used by analysts, investors and other parties.

Alternative key figures should not be studied apart from the key figures according to IFRS or instead of them. Not all companies calculate their alternative key figures in the same way, so Robit's alternative figures may not be directly comparable to those presented by other companies, even if they carry the same headings.

The following events affect comparability: costs relating to being listed on the stock exchange and share issue, acquisition costs and business restructuring costs.

EBITDA and comparable EBITDA

EUR thousand	1 Jul - 31 Dec 2018	1 Jul - 31 Dec 2017	1 Jan - 31 Dec 2018
EBIT / Operating profit	**-26 184**	**-2 352**	**-29 800**
Depreciation and amortisation	22 350	2 659	25 018
EBITDA	**-3 834**	**306**	**-4 782**
Items affecting comparability			
Expenses of list change and share issue			
M&A expenses		171	
Reorganising expenses	236	115	1 253
Items affecting comparability in total	**236**	**286**	**1 253**
Comparable EBITDA	**-3 598**	**592**	**-3 529**

EBITA

EUR thousand	1 Jul - 31 Dec 2018	1 Jul - 31 Dec 2017	1 Jan - 31 Dec 2018
EBIT /Operating profit	**-26 184**	**-2 352**	**-29 800**
Amortisations of acquisitions	424	443	853
Impairment	19 289	0	19 289
EBITA	**-6 472**	**-1 909**	**-9 658**

Comparable EBITA

1 000 euro			
EBIT / Operating profit	**-26 184**	**-2 352**	**-29 800**
Items affecting comparability			
M&A expenses		171	
Expenses of list change and share issue			
Reorganising expenses	236	115	1 253
Comparable EBIT	**-25 948**	**-2 068**	**-28 547**
Amortisations of acquisitions	424	443	853
Impairment	19 289	0	19 289
Comparable EBITA	**-6 236**	**-1 625**	**-8 405**

4.3 CALCULATION OF KEY FIGURES

EBITDA* =Operating profit + depreciation and amortisation

EBITA =Operating profit + amortisation of goodwill

Net working capital = Inventory + Accounts receivables and other receivables – Accounts payables and other liabilities

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

Return on equity,% $= \dfrac{\text{Profit (loss) for the financial year}}{\text{Equity (average during the financial year)}}$ x 100

= Profit before appropriations and taxes + interest expenses and other financing expenses

Robit FURTHER. FASTER.

Return on capital employed (ROCE),%		Equity (average during the financial year) + interest-bearing financial liabilities (long-term and short-term loans from financial institutions, average during the financial period)	x 100
Net interest-bearing debt	=	Long-term and short-term loans from financial institutions – cash and cash equivalents – short-term financial securities	
Equity ratio,%	=	Equity / Balance sheet total – advances received	x 100
Gearing,%	=	Net interest-bearing financial liabilities / Equity	x 100

5. BREAKDOWN OF TURNOVER

Entries are recorded according to IFRS 15 in the same way for each business unit and market area.

Net sales by product area

EUR thousand	1 Jul - 31 Dec 2018	1 Jul - 31 Dec 2017	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Top Hammer	17 658	22 068	36 598	38 183
Down the Hole	21 924	23 521	46 074	49 979
Digital services	2	-12	10	61
Total	**39 583**	**45 577**	**82 683**	**88 222**

Net sales by market area

EUR thousand	1 Jul - 31 Dec 2018	1 Jul - 31 Dec 2017	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Europe, Middle East and Africa	15 263	17 616	31 919	32 299
North and South America	6 324	8 336	12 941	15 328
Asia	5 958	5 222	11 593	11 344
Australasia	8 634	12 077	19 884	24 737
Russia and CIS countries	3 405	2 325	6 346	4 515
Total	**39 583**	**45 577**	**82 683**	**88 222**

6. FINANCING ARRANGEMENTS

The covenant interest-bearing net debt/EBITDA of Robit Plc's financing agreement did not meet the terms of the financing agreement at 31 December 2018. The company has obtained the consent of its main financing bank to breach the covenant. In the same context, Robit Plc and its main financing bank have agreed that in financial year 2019 the covenant condition will be absolute EBITDA at 30 June 2019 and at 31 December 2019.

Robit will repay its loans by EUR 5 million at the end of January and by EUR 5 million at the end of April. In addition, the margin on these loans will be increased by 1.35 percentage points until Robit Plc's covenant interest-bearing net debt/EBITDA meets the value specified in the financing agreement. At 31 December 2018, the company has EUR 27.5 million in liquid funds and can therefore maintain its debt servicing and liquidity in any circumstances.

EUR thousand	31-Dec-18	31-Dec-17
Non-current borrowings		

Loans from credit institutions	24 678	1 818
Other loans	660	637
Finance lease liabilities	524	1 056
Total non-current borrowings	**25 862**	**3 511**
Current borrowings		
Loans from credit institutions	13 246	41 606
Other loans	76	75
Bank overdrafts	3 845	4 647
Finance lease liabilities	251	85
Total current borrowings	**17 419**	**46 413**
Total borrowings	**43 280**	**49 924**

7. Changes in property, plant and equipment

EUR thousand	**31-Dec-18**	**31-Dec-17**
Cost at the beginning of period	37 482	23 797
Acquisition of subsidiaries	0	3 472
Additions	4 082	11 126
Reclassifications	0	647
Disposals	-1 368	-810
Exchange differences	-306	-751
Cost at the end of period	39 890	37 482
Accumulated depreciation and impairment at the beginning of period	-11 202	-7 186
Depreciation	-4 055	-3 672
Disposals	1 029	285
Reclassifications	0	-795
Exchange differences	161	166
Accumulated depreciation and impairment at the end of period	-14 066	-11 202
Net book amount at the beginning of period	**26 280**	**16 611**
Net book amount at the end of period	**25 824**	**26 280**

8. IMPAIRMENT TESTING

Management makes significant estimates and judgment-based decisions in determining the level at which goodwill is tested and whether there are indications of impairment. Management tests changes in significant estimates used in forecasts with the aid of sensitivity analyses in the manner described below.

The table below presents the movements of goodwill:

EUR thousand	**2018**	**2017**

Carrying value at 1 January	25 116	25 469
Acquisition of subsidiaries	0	754
Impairment	-18 900	0
Exchange differences	-1 057	- 1 107
Carrying value at 31 December	**5 159**	**25 116**

The table summarises the allocation of goodwill to business units:

EUR thousand	**2018**	**2017**
Down the hole	4 354	24 275
Halco	717	753
Top Hammer	88	88
Total	**5 159**	**25 116**

The goodwill allocated to Top Hammer and Halco cash-generating units has been tested for impairment. The recoverable amounts of Top Hammer and Halco cash-generating units are higher than the carrying value of assets tested, but the small margin between these two does not leave much room for changes in the estimates.

Assumed values in goodwill impairment calculations	Top Hammer	Halco
Average annual net sales growth during the three year forecast period	13,8 %	15,6 %
Average EBITDA-margin during the three year forecast period	9,9 %	8,7 %
Average EBITDA-margin (exceeding the three year forecasting period)	13,2 %	13,4 %
Long-term growth rate (exceeding three year forecasting period)	1,5 %	1,5 %
Pre-tax discount rate	13,4 %	13,1 %

In October 2018, the company tested the value of the Down the Hole cash-generating unit, as previous assumptions about valuation growth and profitability had not been realised as planned. Based on the testing, an impairment loss of EUR 18.9 million was made on the business. Of this amount, EUR 18.0 million was allocated to value of Robit Australia Pty Ltd and EUR 0.9 million to goodwill of Robit GB Ltd. In the financial statements at 31 December 2018, the recognition is EUR 19.3 million, the difference being due to exchange rate differences between the examination dates.

In accordance with IFRS provisions, the company has retested the goodwill of DTH at 31 December 2018. Based on the assumptions below, the recoverable amount of the Down the Hole cash-generating unit is estimated to exceed the carrying amount of tested net assets by EUR 4.849 thousand, which represents 19% of the carrying amount of the tested assets.

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 4.8% 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 the steady development of the market.
EBITDA-margin	Average EBITDA-margin is expected to be 8.4% during the three year forecasting period. The long-term EBITDA is expected to be 10.3% of the net sales. This is based on implemented measures and management's expectations for future development.
Long-term growth rate	The long-term growth rate beyond three year forecast period is expected to be 1.5% per annum. This in line with the expected long-term inflation rate.

Pre-tax discount rate	The pre-tax discount rate used in impairment testing is 12.5%. 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):

Down The Hole	**2018**	
Assumed values in goodwill impairment calculations	From	To
Average annual net sales growth during the three year forecast period	4.8%	0.7%
Average EBITDA-margin during the three year forecast period	8.4%	4.9%
Average EBITDA-margin (exceeding the three year forecasting period)	10.3%	9.1%
Long-term growth rate (exceeding three year forecasting period)	1.5%	0.3%
Pre-tax discount rate	12.5%	14.6%

9. COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	**31-Dec-18**	**31-Dec-17**
Guarantees and mortgages given on own behalf	46 025	46 025
Pledged bank accounts	0	0
Other guarantee liabilities	261	517
Total	**46 286**	**46 542**

Operating lease commitments

EUR thousand	**31-Dec-18**	**31-Dec-17**
No later than 1 year	1 860	1 455
Later than 1 year and no later than 5 years	3 312	3 957
Later than 5 years	366	3 066
Total	**5 538**	**8 478**

10. ACQUISITIONS

ACQUISITIONS IN 2018

Robit did not make any business acquisitions during the review period but the company did purchase the remaining 49 % of shares in Halco Brighouse Ltd., which it now fully owns. The company has already been consolidated into the Group's 2017 financial statement according to 100 % ownership.

During the review period the company founded a subsidiary in Hong Kong (Robit Asia Ltd).

11. DERIVATIVES

The company's Board of Directors has approved the company's financial policies and on that basis the company has begun to hedge its most significant financial positions. Hedging did not yet have a significant impact during the reporting period and there were no open derivatives at the end of the reporting period.