ROBIT 2018

ANNUAL REPORT

Robit

FURTHER. FASTER.

Contents

Robit in Brief

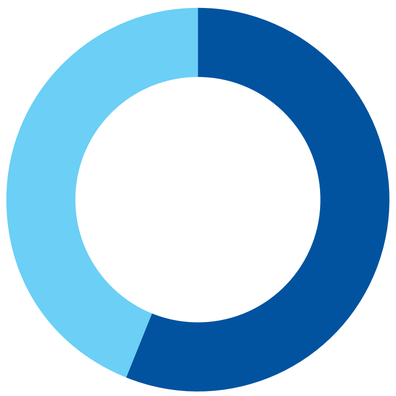
Robit is a global growth company that sells and manufactures drilling consumables to global customers and partners for applications in the mining, construction, tunnelling and well drilling industries. The company's business is divided into two Business Units: Top Hammer and Down the Hole supported by Digital Services. The company has 15 sales and service offices globally as well as an active sales network in 115 countries. Robit's manufacturing units are located in Finland, South Korea, Australia, the UK and North America. Robit Plc's shares are listed on NASDAQ Helsinki Oy.

BUSINESS AREAS

Top Hammer Business

Top Hammer business comprises rock drilling consumables and digital products and services.

Top Hammer drills are primarily used in mining, construction and quarrying of rock material.



TOP HAMMER 36.6 MEUR

DOWN THE HOLE 46.5 MEUR

Down the Hole Business

Down the Hole business comprises DTH consumables to ground drilling.

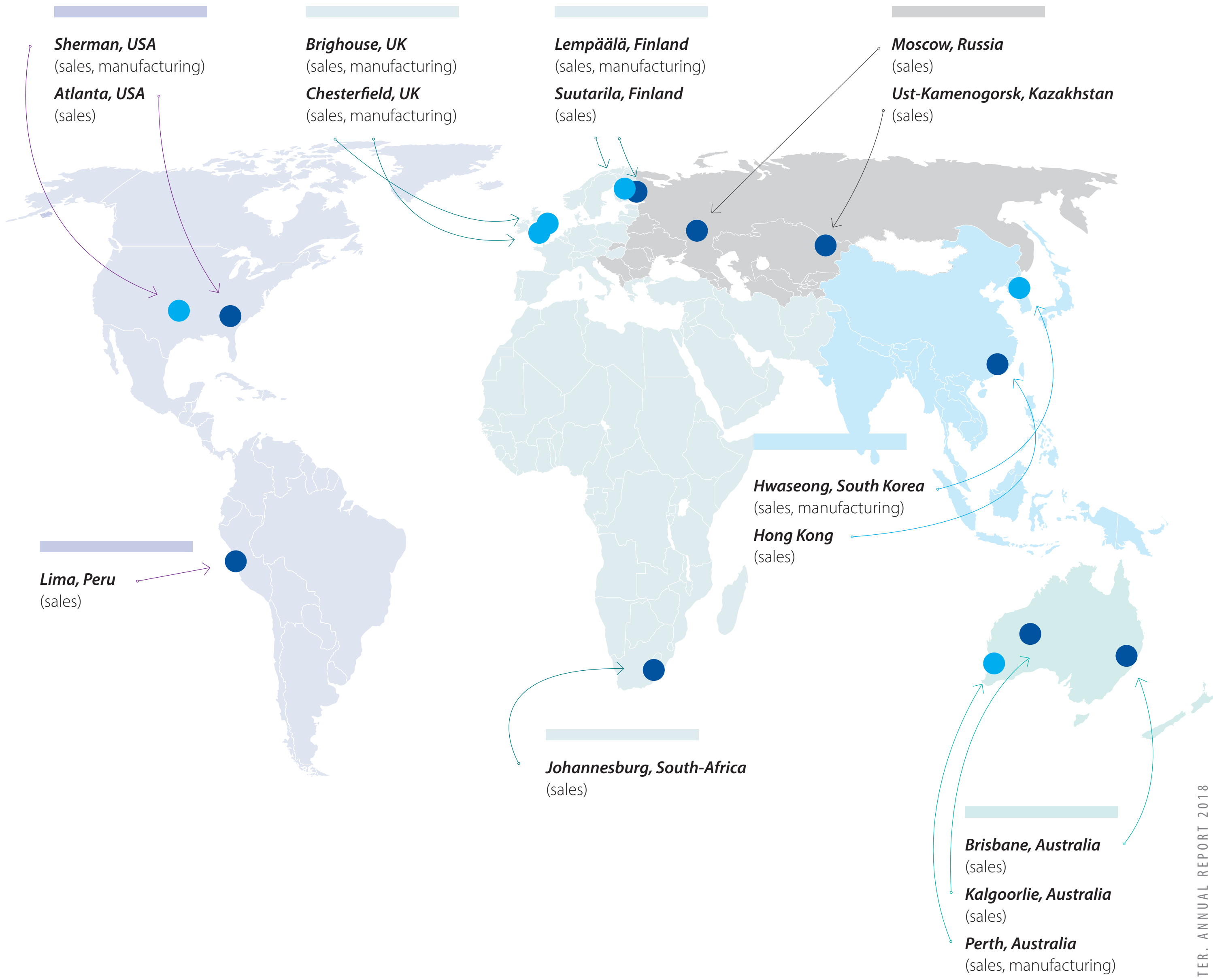
The DTH drilling method is primarily utilized in surface and underground blasting, ground drilling, piling and well drilling. It is also used in surface and underground mining for production drilling.

Key Figures 2018

NET SALES	COMPARABLE EBITDA	PERSONNEL	PRESENT IN	OFFICES IN
82.7	-3.5	286	115	10
MEUR	MEUR		COUNTRIES	COUNTRIES

Factories, Offices

The company has five sales areas, 15 sales- and service offices and six factories globally.



A difficult year behind us – We turn towards a brighter future

2018 was the weakest in Robit's history to date. This happened at a time when the world market was active and demand for products was good. There is no place for excuses – we failed.

The new year gives us an opportunity to show that we can do much better. Remedial measures were launched immediately after the Extraordinary General Meeting in December 2018. During the year, our sales team also did excellent groundwork for developing our distributor network. New competitive distributors joined our expert group.

Robit's expanding product offering enables us to serve a more extensive customer base. Our production capacity places no limits on our growth, rather it supports our company's return to a growth path. We believe the market will continue to be favourable for us this year, even though there are also warning signs for global economic development in 2019.

A strongly growing, internationalising company can face unexpected challenges on its journey. We at Robit believe, however, that the company has every opportunity to continue long-term growth.

We will persistently pursue this common goal in 2019!

Harri Sjöholm
Chairman of the Board

Important Events in 2018

January
Robit entered into an agreement on the supply of all drilling equipment consumables to the Kittilä mine. The Kittilä mine is Europe's largest gold mine, whose operations will be further expanded with new investments.

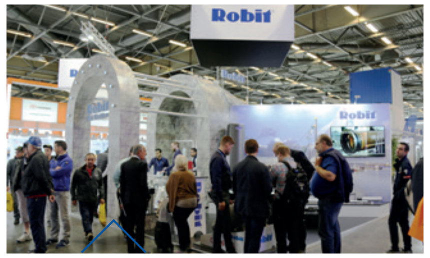
Robit announced that it was renewing its operational model. Through structural and operational changes, the company aims to serve its customers and markets even better and support its growth strategy. To safeguard competitiveness and cost-efficiency, the company also initiated efficiency measures, which were mostly completed by the end of May 2018.

March
Robit began deliveries to a major piling project in Murmansk, Russia. The successful project, which has attracted a lot of local visibility, will serve as an important reference for the future. The project will continue in 2019.

April
Robit participated in the Intermat Fair in Paris, France at the end of April. The exhibition was an excellent opportunity to introduce the product offering of the unified Robit brand for the first time.

October
Robit renewed its brand in accordance with its strategy. The core of the renewed brand consists of technical expertise, versatile and skilled global personnel, and both local and worldwide experience of the sector. At the heart of the reform is the slogan Further, Faster, a bold statement that crystallises well Robit's market challenger attitude and what kind of operator Robit is.

November
In November, Robit participated at the Finnmateria 2018 exhibition in Jyväskylä, Finland. Company appeared for the first time under its new brand look.



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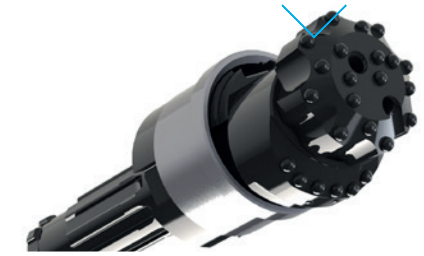

February
On 8 February 2018, the company opened a major production plant near Seoul in South Korea to meet growing demand for the rods and shanks of the Top Hammer product line. The total investment in the production plant was approximately EUR 10 million.

Robit started a project with the Australian partners focused on developing drill hole deviation measurement during drilling in an underground environment. The product, U Sense, will expand the Sense System product range into a new environment and application. The project will shift to a pilot phase in the first half of 2019.

September
Robit launched the DTH-REC series of drill tubes, particularly for use in piling and well drilling. Drill tubes play a key role in ground drilling applications. The Robit® REC drill tubes have many references for a wide range of ground drilling applications worldwide, such as anchoring, piling and forepoling, and water and geothermal well drilling.

December
Robit's Extraordinary General Meeting of Shareholders elected a new Board of Directors, as proposed by Five Alliance Oy. The new Board of Directors consists of Mammu Kaario, Hannu-Kalle Reponen and Kai Seikku and, as new members, Harri Sjöholm and Mikko Kuitunen. Tapio Hintikka and Heikki Allonen left their positions on the Board of Directors. CEO Mika Virtanen left his position in Robit on 7 December 2018.

Robit announced that it will develop with TEGS Finland Oy technology for sustainable energy production. A geothermal well up to 7–8 kilometres deep will be drilled at Tampere, Finland during spring 2019. Earlier, in autumn 2018, Robit co-operated with Nocon Oy in the drilling of 1.5 kilometres deep pilot well in the town of Mänttä-Vilppula.

Market Overview

Robit's target markets are mining, construction, underground construction and well drilling. The mining industry's demand for consumables is stable. This market is growing, by our estimate, at 3-5% per year and it accounted for around 50% of Robit's net sales in 2018. The construction industry and underground construction (accounting for 45% of 2018 net sales) are cyclical from country to country and, in markets significant for Robit, demand was good in 2018. The well drilling market (accounting for 5% of 2018 net sales) was also active during the year. Robit's global market share with the existing scope of supply is 3–4%. The low market share and the steady demand for consumables ensure good opportunities for Robit to grow by gaining market share from other operators in the industry.

AMERICAS

The Americas accounted for 15.7% (17.4%) of net sales in 2018. General market demand continued to be good in both North and South America. However, the weakening of the Argentinian currency, in particular, and also of the Brazilian currency made the competitive situation less favourable than in the second half of 2018. Robit had a challenging year in North America and sales fell by 15.6% from 2017. The decline in sales was caused by a lack of significant new project deals and by changes in the company's sales organisation. Corrective measures have, for the most part, been implemented. During the year, Robit's own organisation was renewed and the company developed its distribution network in North America by merging its existing distribution channels and signing four new dealership agreements.

Robit's sales developed strongly in South America. Development work in previous years were successful and sales grew in the region by 11%. During the year, new dealership agreements were also signed in South America, for example in Brazil, Argentina, Chile and Bolivia. In Peru, Robit continued the development of its own direct local sales on a positive atmosphere.

Robit's sales increased in line with expectations in the South American mining segment. In addition, USA and Canadian mining projects are also considered to have good growth potential.

As part of its efforts to enhance operational efficiency, during the year Robit relocated its product warehouse in Chicago to the company's production unit in Austin, Texas. Total demand in the Americas is expected to remain stable in 2019, and North American sales will return to a growth track.

15.3		12.9
NET SALES 2017	M€	NET SALES 2018

EMEA

The EMEA region is clearly Robit's largest market area, accounting for 38.6% (36.6%) of total net sales in 2018. Due to the extent of the region, development of net sales varied considerably from area to area. In Norway, South Africa, Zambia and Namibia, growth continued to be strong; in Finland, Sweden and Turkey, there was a clear slowdown in demand.

The mining industry was stable in the market area and Robit sees significant potential in this market. The market situation for civil construction and tunnel construction varied widely from country to country and was generally at a satisfactory level. Top Hammer products accounted for a significant share of net sales. The launch of DTH hammers advanced during the year, particularly in South Africa and the Nordic countries.

Developing the distributor network was one of the main goals of 2018, and a number of new distributor agreements were made in the region. New distributors joined the network, for example in France, Spain, Mozambique and Ghana.

The outlook for the EMEA region in 2019 looks interesting. Active development work carried out by Robit in 2018 has created a positive starting position in the mining segment for 2019. In 2018, Robit launched new products for well drilling customers, and the segment's growth potential is good.

32.3		31.9
NET SALES 2017	M€	NET SALES 2018

CIS & EASTERN EUROPE

The CIS & Eastern Europe region accounted for 7.7% (5.1%) of Robit's sales in 2018. Robit strengthened its position in the CIS & Eastern Europe market during the year and net sales developed well in line with expectations. Net sales were up 40.6% from 2017. Sales of Top Hammer and DTH products developed positively. In particular, the number of piling and casing projects increased in Russia.

In this region, Robit invested actively in developing its dealership network by signing six new dealership agreements. The company also developed its own sales network, particularly in Russia and Kazakhstan, where active sales of both Top Hammer and DTH products were launched in 2018. Robit established a new warehouse in Russia to provide its customers with higher quality service through better product availability and shorter delivery times. This, together with the investments made in the sales network, creates good conditions for increasing customer base and sales.

Mining and contracting in the CIS region are considered to have significant growth potential. In these segments, Robit is focusing above all on acquiring and maintaining large customer relationships. The CIS & Eastern Europe market is also expected to continue its positive development in 2019.

4.5		6.3
NET SALES 2017	M€	NET SALES 2018

ASIA

Asia accounted for 14.0% (12.9%) of Robit's net sales in 2018. In the Asian market, net sales developed slightly below expectations and were in all product segments roughly similar to 2017 levels. Net sales were up 2.2% from 2017.

Robit has a solid customer base for Top Hammer products in Asia. The company invested heavily in developing the mining segment, for example by participating in mining industry events, conducting drilling tests and visiting customers. The company has a strong position based on deep expertise and an appropriate product offering in tunnel construction, particularly in South Korea.

The position of Down the Hole (DTH) products in the Asian market also strengthened, driven by product testings and active marketing. In terms of sales, Hong Kong remained the most significant area.

Robit continued to invest heavily in the development of its dealer network, and in 2018 signed four new dealership and agency agreements in this market area. Sales, product and application skills were also developed during the year through dealer and customer training. We believe that the investments made will provide an excellent basis for sales growth in 2019. Growth is expected in both the Top Hammer and DTH customer segments, particularly in mining and construction projects. The new factory in South Korea will enable faster product deliveries to customers and will create excellent opportunities for more extensive new customer acquisition and growth in Asia.

11.3		11.6
NET SALES 2017	M€	NET SALES 2018

AUSTRALASIA

Australasia accounted for 24.0% (28%) of net sales, which were down 19.6% from the previous year. In 2018, the market situation in Australasia was relatively stable. Development of Robit's net sales slowed, however, in the second half of the year. The slowdown in demand was largely due to the operational challenges faced by a major customer in a large mine, where a land collapse suspended the operation of the mine. This also significantly reduced demand for Robit consumables in the case of this important customer. Robit did not succeed as intended in replacing the above-mentioned lost sales through the acquisition of new customer relationships.

DTH products' share of sales remained significant. Sales of the Top Hammer segment did not develop in line with the targets set during the year.

Robit expects 2019 to be challenging in Australasia. The market potential of the region is very significant, however, and Robit will continue to invest in developing the business in collaboration with its present customers and to establish new customer relationships.

24.7		19.9
NET SALES 2017	M€	NET SALES 2018

CEO's Review

Year 2018 was a disappointing period for Robit. The company's sales fell significantly short of our growth targets, and Robit also failed in the management of operational as well as in the implementation of investments. This was reflected in the loss-making result of operational activities.

In addition, the overall result for the year was also negatively impacted by an impairment write-down of goodwill for the company's Down the Hole (DTH) business. The operational restructuring carried out at the beginning of 2018 had a negative impact on the company's operations, and the savings achieved by it will only become apparent during 2019. The challenging year for Robit brought with it much uncertainty both in the organisation and in management.

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, our net sales declined by 6.3% in 2018 and by 3.3% in constant currencies. In the first half of the year, our net sales were at the level of the comparison period, increasing by 1.1% and in constant currencies by 7.5%. In the second half of the year, development was negative, with a decline in net sales of 13.2% compared with the corresponding period of the previous year, and constant currencies had no impact on this trend.

> "In 2018, we invested heavily in the development of our sales and distribution channels."

Sales developed rather unevenly in different market areas. Good growth in well performed market areas such as South Africa and Russia was insufficient to offset a decline in net sales in large market areas such as Australia and North America. The changes made in our organisation and sales interface during the year had short-term negative impacts on our net sales, particularly in the USA. In addition, certain major customers' own operational challenges, such as the collapse of one end customer's mine, indirectly affected our sales, particularly in Australia.

Strong growth and internationalization

Robit is one of the few Finnish small to medium size companies whose strategy has been strong growth and internationalisation throughout its history. It became evident at the end of 2017 that we would fall significantly short of our growth targets, the company implemented at the beginning of 2018 an operational restructuring aimed at lowering the company's fixed costs by around EUR 3 million to correspond to the lower level of net sales. Strong growth and internationalisation remain our strategy, even though there have been bumps on the road to its implementation.

The weak sales performance in 2018, together with the newly completed factory in South Korea, temporarily reduced our capacity utilisation rate. Our new, state-of-the-art long products factory in South Korea was opened in February and became fully operational during 2018. Production lead times and delivery times shortened significantly, which will substantially improve our service capability and delivery times in the future. Commissioning phase costs, such as final product purchases made to ensure delivery capability during machine transfers, as well as costs arising from relocation, had a negative impact on the profitability of operations. In the longer term, the enhanced production efficiency will improve our productivity. This will also present opportunities for rapid growth. In addition, during 2018 we streamlined the company's DTH product manufacturing strategy and refined the product portfolio.

Competitive offering

Total sales of Top Hammer products declined by 4.1% compared to 2017, with net sales being EUR 36.6 (38.2) million. The global market for products over the past year was strong and the outlook for 2019 is also good. The new factory in South Korea makes Robit's supply and availability in this product segment highly competitive.

DTH business did not develop according to expectations and declined by 7.8%. Robit expanded its DTH business significantly through acquisitions in summer 2016. The acquisitions were based on increasing the product portfolio to meet wider customer demand. The growth expectations associated with the acquisitions did not materialise as planned, however, and we have not achieved our growth and profitability targets in this business area. As a result, we made an impairment charge of EUR 19.3 million on the goodwill of the DTH business. As this was an accounting entry by nature and it had no impact on the company's cash flow. DTH products still account for a substantial portion (55.7%) of Robit's total product offering, however, and Robit will continue to invest in growing this business and improving competitiveness.

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.

The brand renewal harmonises global operating practices

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 core of the renewed brand consists of technical expertise, versatile and skilled global personnel, and both local and worldwide experience of the sector. In recent years, significant advances have taken place in Robit's global operations. The product portfolio has expanded and geographical coverage has increased both through investments and corporate acquisitions. The brand renewal means that the entire product offering has been brought under the same Robit brand. The renewal harmonises global operating practices, with the goal of building a strong growth mindset and the best customer experience.

During 2018, we developed and piloted the Robit Online order service. Aimed at Robit's distributors, the goal of the service is to enhance and automate the order-delivery process for standard products. The application does not replace the importance of personal contact in managing and developing customer relationships. We will launch this service gradually into our distribution network during 2019. Through distribution network contacts, we receive valuable information about the competitines of our products compared to those of competitors, and growing with our distributors is at the heart of Robit's strategy.

Ilkka Miettinen
Interm. CEO

Our most important resource for developing our business is our own skilled and motivated personnel, both at the sales interface and in other parts of the organisation. In 2018, we invested heavily in the development of our sales and distribution channels. Product and application training as well as joint site visits were organised for distributors in all market areas. Robit's own sales and customer service team is also continuously trained to enable them to provide optimal solutions to customer needs and to support our extensive distribution network.

In the drilling consumables business, the most important criteria for the customer's purchasing decision are quality, availability and price. High quality improves the profitability of both the end customer and the supplier, and this will be taken into account in managing the entire supply chain management and in product design. At the end of 2018, we launched a project aimed at streamlining the company's order-delivery process and significantly reducing the level of capital tied up in the business. The goal is to improve availability in fast-moving products while optimising inventory levels. Clear results from this project are expected in the first half of 2019.

> "In the drilling consumables business, the most important criteria for the customer's purchasing decision are quality, availability and price."

Robit back to growth track in 2019

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 actions and restore the company to profitable growth. The efficiency programme will focus on four areas:

- Developing the distributor network and the company's own sales, and sales growth
- Managing working capital and enhancing business processes
- Improving the utilisation rate of factory network capacity and using resources more effectively
- Committing personnel to the company's development, ensuring the motivation and performance of the organisation

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

Despite the fact that in 2018 we fell short of expectations and made wrong choices, we also implemented a significant number of changes through which we built a sustainable foundation for profitable growth in 2019 and beyond. Our goal in 2019 is to return Robit to a growth track and profitability, and then to continue to grow strongly to achieve our long-term target of a 10% market share. This year, we will focus our resources more strongly on the sales interface in order to serve our customers as well as possible. We therefore do not intend to actively seek structural growth through acquisitions during 2019.

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

Product Offering

MINING

Global segment size estimate: 800–1,000 MEUR.

Mining industry development has been positive. Production volumes continue to increase and mines continue to make productivity improvements thus investing in modern technology and innovations.

Robit offering:

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

SURFACE DRILLING AND FOUNDATION

Global segment size estimate 600–800 MEUR.

In foundation works, the drill piling method is gaining markets share globally. 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

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WELL DRILLING (geothermal and water wells)

Global segment size estimate 200–300 MEUR.

Global environmental changes and technological advances drives 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.

UNDERGROUND CONSTRUCTION

Global segment size estimate 300–400 MEUR.

Further urbanization and infrastructure development especially in the emerging markets 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 concedrning segment size and future growth shown above in this report are the views of Robit's 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 environment.

Strategy

Robit is one of the few Finnish small to medium size companies whose strategy has been strong growth and internationalisation throughout its history. Robit's key strategic goal is to strengthen and grow its market position and market share in the global drilling equipment market. Robit's strategy is based on the company's values.

Results

Results orientation

Openness

Openness and transparency in all activities

Business

Business with ambitious growth

Individual

Individual respect

Trust

The company's strategic goal is to achieve a 10% market share. Robit aims to achieve this goal through the following measures: the company:

- will focus on drilling consumables and will not become active in the investment product segment.
- will operate in four global market segments: mining industry, infrastructure construction, underground construction, well drilling (geothermal and water wells).
- is a growth company that seeks to grow both organically and structurally via acquisitions. In 2019 the company will not, however, be active in acquisitions.
- is primarily a sales company, which is reflected in investments in the distribution network and in the sales and customer service organisation. The company's geographic coverage is achieved through an extensive dealership network. In selected target countries, sales are handled through the company's own sales companies.
- invests in the development of existing products, in metallurgy and in the industry's digital development to ensure long-term competitiveness, while at the same time offering a modern service to customers and dealers.

In 2019, the key operational objective and task is to stabilise the company's financial position. Robit's Board of Directors and Management Team have together specified an efficiency programme, which has four key areas. We believe that implementing the 2019 development programme will restore Robit to its traditional growth path, safeguarding longer-term strategic goals. Thereafter, Robit's intention is to continue strong growth to achieve its long-term goal of 10% market share.

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Focus areas 2019

PERSONNEL AND PARTNERS:

following the restructuring measures implemented in early 2018, it is important to commit personnel, dealers and suppliers to improving profitability and competitiveness. Appropriate measures will create the conditions for the effective implementation of the strategy and the development programme.

CASH FLOW:

the key objectives of the 2019 development programme are to secure the cash flow generated by the business and to release capital by developing business processes. This objective will be achieved by increasing sales and improving profitability. At the same time, the company will adjust and optimise its inventories to business volume, while ensuring the availability of products in selected markets.

GROWTH:

the company lives on its sales and growth, which is the cornerstone of the strategy. Increasing sales in 2019 will be achieved by developing the dealer network and by activating the company's own direct sales to selected end customers. The development measures launched in 2018 will contribute to fulfilling this objective. Increasing sales is important because, in Robit's business model, growth in sales will, in practice, also ensure the company's profitability.

KEY PROCESSES AND PRODUCTIVITY:

the company has launched a programme to further develop processes, lead times and distribution logistics. The company aims to shorten lead times and ensure availability, which will present a further opportunity to optimise the level of inventories. Each production unit has its own clear product focus and area of expertise, which are developed on a unit-specific basis. Enterprise resource planning system (ERP) will be utilised at all locations.

Robit Focus Areas 2018

SALES

Sales growth through implemented distributor concept.

Executing Robit way of working with distributors.

Executing best value promise.

BRANDING & MARKETING

One strong brand strategy – Robit.

HALCO

Parallel brand – Halco.

Offering rationalization and modularization.

OPERATIONAL EXCELLENCE

Own automated manufacturing focus on key products.

Significant cost saving and increase of products' availability.

DIGITAL BUSINESS

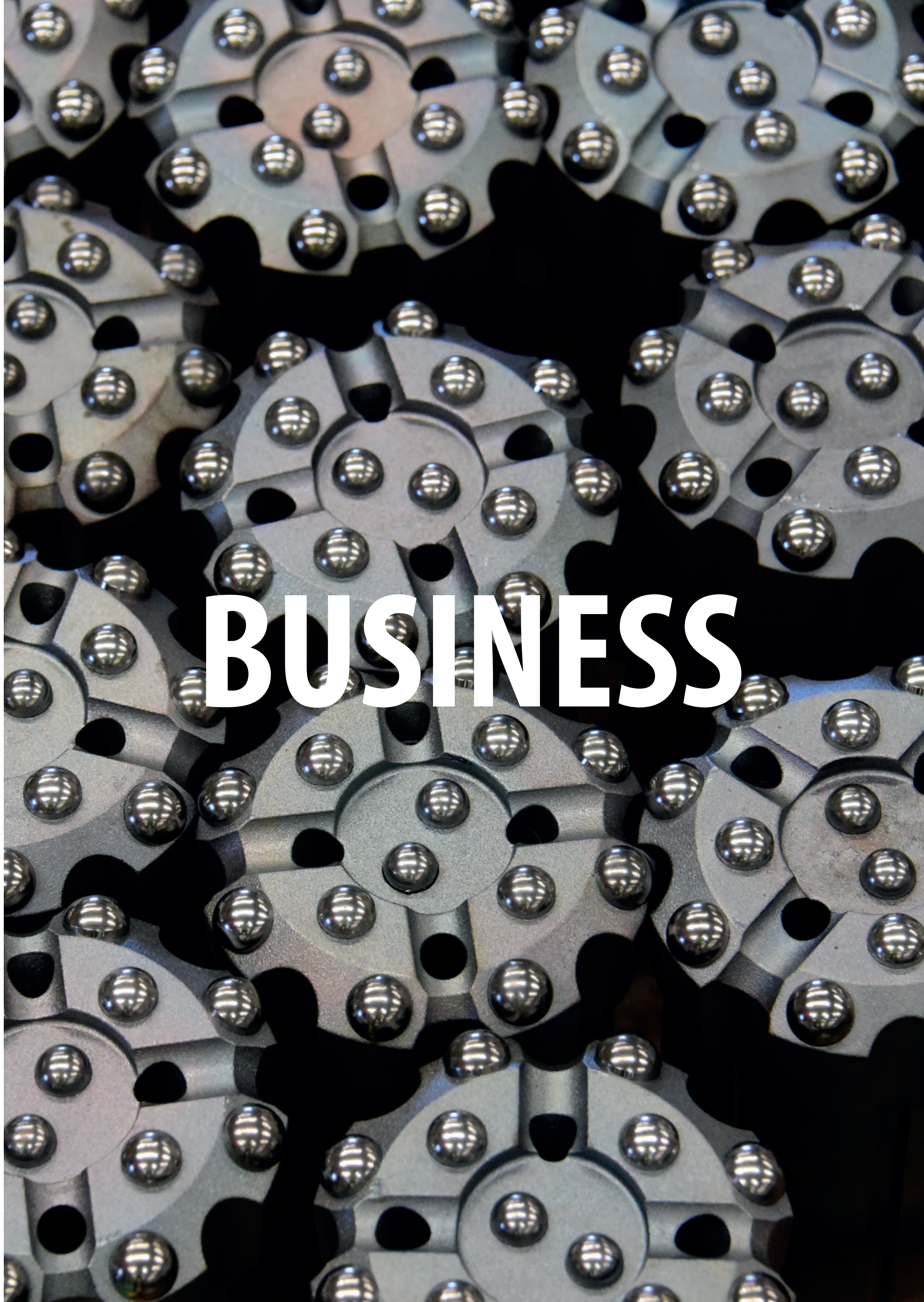
Complete solution offering to support sales growth.

Further testing and development with customers.

STRUCTURAL GROWTH

Continued analysis for structural growth via acquisitions.

PERSONNEL



Top Hammer Business

NET SALES

36.6

MEUR

Strong investment in the mining market

Top Hammer products play a strong and traditional role in Robit's now over 30-year story. Robit's white drill bits are known on every continent as a challenger to any similar products. The total offering in all areas of drilling consumables is expanding continually in line with changing customer needs and technological innovations.

2018 was challenging for the whole company, and the desired growth was not achieved. Total sales of Top Hammer products fell short of the 2017 level, and net sales were EUR 36.6 (38.2) million.

Broken down by main product categories, the distribution of sales remained very steady last year. Rods, shanks and sleeves, mainly manufactured in South Korea, accounted for around 50% of Top Hammer sales (49% in 2017). Drill bits manufactured in Finland accounted for 32% (33%) and tunnel drilling casing systems for 8% (9%) of sales. The remaining around 9% (10%) consisted of various trading products.

The global market situation for Top Hammer products over the past year was strong and a good outlook for 2019 is also anticipated. Robit strengthened its focus and orientation towards the global mining market, for which positive development is expected in 2019. The new South Korean factory, which celebrated its official opening in February 2018 will boost delivery capacity significantly, and the expanded Evolution drill bit series and drill tube range will support an ever-wider customer base from a product innovation perspective.

The second half of the year brought good news about commencing delivery agreements for mines in many geographical areas. Cooperation projects, which will get fully under way in 2019, were launched in South Africa, South America, the Nordic countries, Russia and the Far East, for example. Robit also invested significantly during the past year in the resourcing and world-wide management of long-term service relationship.

The Top Hammer business comprises rock drilling consumables and digital products and services.

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Development of digital products expands the Top Hammer range

In line with Robit's strategy, digitalisation of drilling equipment project continued in 2018 as part of the company's product development portfolio. The main product of the Sense Systems product range is the S Sense hole deviation measurement system, which is used in Top Hammer surface drilling. The product is unique in the market, as it integrates hole deviation measurement into the drilling process. Previously, deflection was measured only after the holes were drilled. Testing of digital products continued in collaboration with customer companies in 2018. The most significant testing projects were completed in Finland and Central Europe in December 2018 and their results will be reported at the beginning of 2019.

In the product development of digital services, a progress was also made in the U Sense project on going on in Australia, which will take drill rig-integrated hole deviation measurement into the underground mine environment. The project is being implemented in cooperation with four major mining companies. The project will proceed to the pilot phase during the first quarter of 2019. Like S Sense, U Sense is a front runner in deviation measurement. A drill rig-integrated hole deviation measurement system has not previously been available for underground Top Hammer drilling.

Overall, the situation in 2019 is interesting with respect to digital products. The test 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. Sense Systems proves that through open-minded and long-term work, Robit is able to meet the needs of a changing market and drive the drilling technology of the future on to new paths. Robit view is that digital products, as part of the company's Top Hammer offering, will play an important role in the coming years.

Simulation expertise utilised in product development

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 worldwide. Highly advanced simulation expertise has been used in the design and development of both product series. In addition, Robit invested in material technology in terms of both capublities and research projects. Best practices are increasingly shared between all Robit production plants.

In 2018, production and delivery capacity were impacted most by the South Korean factory investment, which was initiated in 2017 and officially opened in February 2018. Throughout the year of opening, delivery times shortened, and in the final quarter the production levels of the former factory were exceeded for the first time, a significant milestone.

The organisation of the South Korean factory succeeded well in the demanding relocation of production. This is illustrated, for example, by the fact that the production records of the whole history of the old factory was achieved during its final months of operation in summer 2018, which ensured successful deliveries of products to customers in a challenging situation. As we enter 2019, the overall situation for Robit's global production is good – capacity is sufficient, the factories are state of the art, and the delivery times achieved are shorter than ever. Robit is therefore ready to serve customers with better product availability than before.

The coming year 2019 seems promising for the Top Hammer business. From the perspectives of production readiness, scope of product offering and market-specific expertise, a package has been assembled that has all that it takes to win. As has always in Robit's decisions to product line development trends are above all based on customer needs, namely high availability and quality. We are proud that we can help our customers achieve their goals by developing and providing them with the best technology the industry can offer. We are ready to take the business Further. Faster.

Fabiano Buffon
President
of Paraná Drill
Brazil

"I'm always looking for quality products with a good reputation. We organized a test in our quarry to learn how Robit's tools would perform. I had really good first impression of them and the results were positive as we'd expected. We are happy with the performance of Robit's tools and support their team provides."

Down the Hole Business

NET SALES
46.1
MEUR

Harmonisation with new Robit brand

Robit Down the Hole (DTH) product range covers all subcategories of Down the hole and additionally also rotary drilling consumables. The most important customer segments are blast hole drilling in mining and quarrying, piling and anchoring in civil engineering and marine construction, and geothermal and water well drilling. Robit has an extensive portfolio of drilling consumable solutions for all target customer segments and applications.

The net sales of the DTH business in 2018 totalled EUR 46.1 (50.0) million. 2018 was strongly marked by Robit's rebranding, in which Robit discontinued the old product brands Bulroc and DTA inherited from acquired companies and harmonised the DTH product portfolio under a unified Robit brand. This has meant, among other things, harmonising the appearance of the products under the Robit brand, with the goal of cost savings and a more efficient distribution chain. Product harmonisation has also significantly clarified Robit's position in the market. In addition, the DTH product models have now been clearly defined in a way that reflects their target segment (mining and quarrying, civil engineering and marine construction, geothermal drilling).

Sales of DTH products did not develop as expected. The sales challenges related to the operational problems of individual large customers as well as to expectations of slower sales in new markets. Customers' technical testing in connection with the DTH product sales process lasted longer than expected in a number of cases.

Down the hole business comprises ground drilling DTH-consumables.

Product launches increase performance

New products launched on to the market included the Robit DR43 Reverse Circulation hammer and drill bit series. In drilling, high quality samples of different rock types have been obtained with them, and performance has been found to be excellent in various ground conditions. The products have been well received in the Australian market and they will be tested in 2019.

In the third quarter, Robit's new product line of rotary drill bits was also launched, which complemented an already extensive range of consumables. The customer segments for high quality rotary drill bits are mainly large surface mines, well drilling and users of RC products.

Product development and piloting were actively pursued with production and research drilling customers, and test drilling was conducted continuously in all market areas. The research has focused particularly on material research, simulation analysis and modelling.

Heavy investment in sales development

In 2018, Robit invested in developing sales channels and committed resources to integrating the DTH product portfolio more closely into the Robit's sales organisation and distributor network. Product training and joint site visits were organised for distributors in all market areas. Our sales and customer service teams are constantly being trained to ensure they can provide optimum consumables for precisely the consumers' needs.

In 2019, the production drilling market is expected to remain stable. Customers' expectations are increasingly focused on improving productivity, cutting overall costs and developing a safety culture. On the research drilling side, customers report that the equipment utilisation rate continues at a fairly high level in the first quarter of 2019.

The expansion of DTH product sales into new markets will continue in 2019, and we see no significant barriers to this development. Successful customer tests in a number of markets in 2018 are expected to result in delivery agreements.

Robit believes that the above-mentioned measures and long-term development work will increase demand for Robit's DTH products in 2019 and beyond. We strongly believe that we will also achieve a similar market position in our DTH business as in Robit's traditional Top Hammer business. Robit will further develop the competitiveness of plants focused on DTH products through, for example, product rationalisation and developing component procurement.

> In 2018, Robit invested in developing sales channels and committed resources to integrating the DTH-product portfolio more closely into the Robit's sales organisation and distributor network."

Brian Howard
Operation Manager, Stevin Rock, Ras Al Khaimah, United Arab Emirates

> *"We've been working with Robit for the past two years. We appreciate the company's way of sharing information and expertise with us. Training our employees, among others. Strip and reassembling the hammers correctly for maximum lifetime and performance is very valuable information for us."*

SUS-TAINA-BILITY

A Responsible Employer

We believe that success begins with people. Our strong team, striving forward ever faster, creates the foundation for high performance. At Robit, responsibility is a continuation of operations that take into account value-based and sustainable development perspectives. Respect for individuals, openness and transparency in all activities, as well as cooperation and mutual trust, form the basis of our work.

Together, we want to develop our working practices and working community and support the learning and development of our personnel throughout their careers. We trust in people's experience. We treat every individual with respect and seek to support the success of every individual in their work. Our guiding principle is to be a responsible employer for our diverse personnel and a reliable partner for all our stakeholders.

In 2018, Robit's number of employees declined from 329 (12/2017) to 286 (12/2018), of whom around one half worked in white-collar positions (140) and half in production (146). A organisation-wide restructuring and cost-cutting programme, launched at the beginning of 2018, contributed significantly to the reduction in the number of employees. The changes implemented led to reductions, particularly in Australia, the UK and Finland. Voluntary employee turnover in 2018 was 7.3%.

Most of the white-collar employees worked in sales, sales support and customer service tasks. 84% of employees are men and 16% are women.

Skilled personnel, motivation and wellbeing are important in Robit.

One of our skills development tools is the performance appraisal discussion, which at Robit is an essential part of evaluating performance and planning individual development. The aim of the performance appraisals is to engage in dialogue, give feed-back to employees on their performance during the previous period, set goals for the upcoming period, discuss skills development needs as well as issues related to the working environment. Through the performance appraisals, efforts are made to ensure success in all work-related areas.

The discussions are usually held once a year and the performance appraisal process are Group-wide. During 2018, the performance appraisals covered 95% of personnel; the 100% target for performance appraisal coverage was therefore almost completely achieved.

During the year regional product and sales training was organized regionally for own sales organization and the distributors.

Flexible training online

Learning is an essential part of every employee's career and our skilled personnel an important element in our competitiveness. To develop product expertise, employees are offered, among other things, eLearning packages. In addition, product training was arranged at several operating locations during the year, both for Robit's own personnel and for our distributors and end customers.

At Group level, our responsibility is guided by our ethical Code of Conduct. During 2018, all personnel completed a Code of Conduct eLearning programme, which aims to ensure that everyone working at Robit knows the company's ethical guidelines and is committed to complying with them. The Code of Conduct provides guidelines on, among others, the following issues; compliance with laws, human and labour rights, equality, honesty and fair competition.

Sales skills are Robit's key competence. During 2018, we organised a pilot training event on sales development in Australia. Based on the experience gained from the pilot event and highlighted needs, a Group-wide sales training programme will be developed in 2019.

The Robit Talent programme has been important and important recruitment channel for a number of years now. Through the programme, Robit hires higher education students who have recently graduated or are in the final stages of their studies. A total of 7 people have been recruited through three different Talent programmes. The program will continue in 2019.

Personnel survey as a management tool

In November 2018, a personnel survey was conducted to measure the dedication and commitment of Robit employees. The response rate was high, nearly 85% of the employees responded to the survey.

According to the survey, the level of dedication and commitment was low. As key means of improvement, we will communicate more effectively about the company's future outlook as well as our goals and progress towards them. There is a clear need to clarify job descriptions, responsibilities and operating practices. These issues will be addressed in local workshops to be arranged in early 2019.

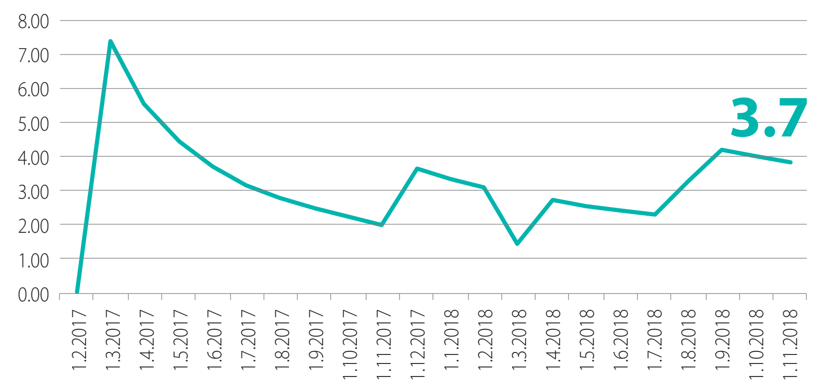
Robit supervisors' trust in employees and interest in the new ideas that employees' propose were highlighted as strengths in the results. According to the survey, personnel felt that their work contribution was significant and important for the company.

Wellbeing

Employees' health and safety are always a priority at Robit. Occupational health care is arranged at Robit's operating locations in accordance with local practices, such as maintaining employees' working capacity and enhancing their physical activity.

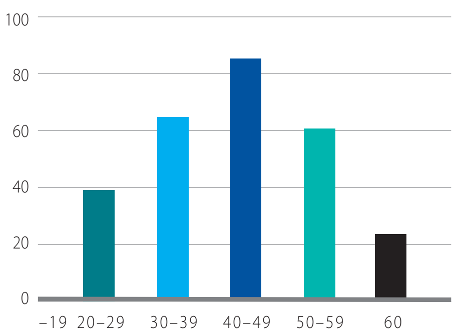
Systematic work to improve work safety continued in 2018 and best practices were shared between the Group's various units to improve safety. Safety indicators, such as Lost Time Injury Frequency Rate (LTIFR), are regularly monitored in the com-pany. All employees are obliged to report immediately any safety shortcomings and problems they observe. Globally, the LTIFR in 2018 was 3.7.

LOST TIME INJURY FREQUENCY RATE (LTIFR)

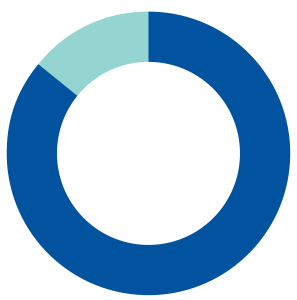


A Responsible Employer

PERSONNEL AGE DISTRIBUTION



GENDER DISTRIBUTION



WOMEN 14%

MEN 86%

PERSONNEL BY COUNTRIES

COUNTRY	PERSONNEL
UK	69
FINLAND	67
SOUTH KOREA	58
AUSTRALIA	48
PERU	14
USA	14
SOUTH AFRICA	9
RUSSIA	4
OTHER COUNTRIES	3
ALL, TOTAL	286

60,7%
ENGAGEMENT INDEX

100%
CODE OF CONDUCT

95%
DEVELOPMENT DISCUSSIONS

Robit ROBIT IN BRIEF COMPANY BUSINESS SUSTAINABILITY INVESTORS THE REPORT OF THE BOARD OF DIRECTORS FINANCIAL STATEMENTS

Responsible Management of Suppliers

Robit has a global supply chain. Our goal is continuous improvement of supply chain management and operational transparency. We want to ensure that we act responsibly throughout the value chain. Our production strategy is based on a combination of our own manufacturing and carefully selected suppliers. A further objective is to build a strong supplier network capable of fulfilling our business needs and honouring our values and expectations regarding social and environmental demands.

In our purchasing decisions, we strive to reduce environmental load and also encourage our suppliers to find solutions to products and services that more environmentally friendly. We want to make sure that our suppliers understand the accountability involved in their operations as part of the delivery process. We require our suppliers to comply with applicable laws and statutes. As quality indicators, we monitor the timeliness of deliveries and warranty costs.

Within Robit, a code of conduct is carefully followed and the company also requires the same approach from its subcontractors. The code of conduct for suppliers is an integral part of agreements between Robit and its suppliers. In the future, the code of conduct will be incorporated into all of Robit's subcontracting and material agreements. Each supplier that signs an agreement must commit to the code of conduct in order to engage in business with us.

Supplier auditing is part of quality management

Accountability has been added to the scope of Robit's supplier audits, and we also require a more accountable approach from suppliers in terms of their own supply chains. Supplier auditing is part of our regular quality management, which we carry out according to a schedule agreed in advance. We also audit smaller suppliers; for us, accountability with respect to these suppliers is just as important as with major strategic suppliers. Supplier cooperation must not be associated with bribery nor hospitality or gifts that could affect our purchasing decisions.

In 2018, supply chain management has been simplified to facilitate monitoring of accountability. We have, among other things, concentrated deliveries of raw materials with high environmental risks with fewer suppliers so that we can allocate our resources more efficiently on developing accountability in the supply chain.

Robit designs its products to minimise environmental impact at all stages of production, including subcontracting. We measure key elements in terms of output, such as water and energy consumption and production waste. We measure the amount of waste generated not only by Robit's own operations but also by our most important subcontractors. The aim is to reduce the amount of waste generated by applying both product- and production planning-measures throughout the supply chain.

Robit wants to make sure that our suppliers understand the accountability involved in their operations as part of the delivery process.

Responsibility for the Environment

We at Robit care about the environment. We believe that, by using natural resources responsibly, we can have a positive impact on the environment and communities and, through a reduction in costs, also on our result. We create business models based on the circular economy, such as extending the lifecycle of materials, enabling the generation of added value, and reducing the use of non-renewable raw materials. Our global operating environment presents opportunities and risks that we need to recognise. We view environmental opportunities and risks as business risks; our goal is to minimise negative impacts and grasp positive opportunities.

> "Utilisation is measured, for example, by monitoring waste generated, such as the quantity of machining chips, or by measuring energy and water consumption."

The biggest environmental impacts arising from Robit's own operations come from the raw material consumption of our production and from transports. We make every effort to use our resources efficiently and responsibly. This means that we regularly review our utilisation of resources as part of Robit's management system. Utilisation is measured, for example, by monitoring waste generated, such as the quantity of machining chips, or by measuring energy and water consumption. Recycling has been arranged for all waste, and we aim to reduce the amount of waste generated through various improvement projects. We pay special attention to potential environmental problems and systematically try to minimise the risks associated with them. As one example, we have significantly reduced the use of harmful chemicals in our production.

Drilling efficiency reduces environmental load

Eco-efficiency is a driver through Robit's global value chain – from innovation and production to customer technical support at drilling sites and the recyclability of used products. The continuous environmental improvements in Robit's product offering generate added value directly with customers, for example by increasing drilling efficiency and reducing life-cycle costs. This means faster drilling, longer lifetimes of drilling consumables, reduced fuel consumption and minimal impact on the surrounding environment at drilling sites. In 2018, we launched onto the market additional products that increased our customers' drilling efficiency, correspondingly reducing environmental load.

In 2018, we focused on our global production capacity. We concentrated shipments in line-haul transports, and the need for environmentally harmful air transport declined significantly. We will also continue this work in 2019. In addition, we focused on improving our production strategy so that our products are delivered to their destinations on a timely basis using ecological means of transport. From a logistics perspective, Robit's production plants on all continents provide the company with a good opportunity to further reduce our environmental impact. During the past year, we also upgraded our production units to meet the latest quality and environmental certification requirements.

The right products for the right purpose

In its product development, Robit invests in resources and tools for materials technology and advanced simulation. During the year, technical product training was organised at a number of Robit operating locations, including the entire distribution network. The aim of the training was to enhance product performance and increase skills in selecting products for different purposes. Making the right choice of consumables, taking environmental impacts into account, increases product life as well as process efficiency. This maximises use of resources while minimising environmental load.

Robit's unique Sense Systems, the drill hole deviation measurement system, has offered an increasing number of customers the benefit of reducing the environmental impact of the drilling and blasting process while improving safety. We have proven that, using Sense technology, process time is shortened and fuel consumption reduced. In particular, the number of reblastings has clearly decrease.

Robit ROBIT IN BRIEF COMPANY BUSINESS **SUSTAINABILITY** INVESTORS THE REPORT OF THE BOARD OF DIRECTORS FINANCIAL STATEMENTS

Sense Systems, the drill hole deviation measurement system, has offered an increasing number of customers the benefit of reducing the environmental impact of the drilling and blasting process while improving safety.

Management Team

Ilkka Miettinen, b. 1963, M.Sc. (Econ.)
CFO, interim CEO
Employed by the company since 2017.
Share ownership: 4,000 shares Dec 31, 2018.
Primary work experience:
Vexve Group, CFO, 2016–2017
Takoma Inc., CFO, 2012–2015
Metso Inc., CFO, 2005–2009.

Tommi Lehtonen, b. 1970, M.Sc. (Eng.)
Executive Vice President
Employed by the comapany since 2017.
Share ownership: 9,000 shares Dec 31, 2018.
Primary work experience:
Metso Minerals Inc. 2016–2017 Head of Mining Business Line, China, India, Asia Pacific.
Metso Minerals Inc. 2014–2015, Senior Vice President, Crushing and Screening Business Line.
Metso Minerals Inc., 2012–2014, President, Crushing and Screening Business Line.

Jukka Pihamaa, b. 1966, M.Sc. (Eng.), MBA
Head of supply chain
Employed by the company since 2017.
Share ownership: 3,000 shares, Dec 31, 2018.
Primary work experience:
Valmet Technologies Inc, 2013–2017, Vice President, Supply chain.
Metso Minerals Inc, 2011–2013, General Manager, Warehousing and transportation logistics.
Nokia Corp., 2000–2011, Director, Supply Chain.

Jaana Rinne, b. 1962, M.Sc. (Econ.)
HR Director
Employed by the company since 2017.
Share ownership: 3,000 shares, Dec. 31, 2018.
Primary work experience:
Pöyry Plc, 2013–2016
Vice President, Human Resources.
Konecranes Inc., 2007–2013
Vice President, Human Resources.
Konecranes Inc., 2004–2007
HR Director, BA Service.

Mika Virtanen, b. 1972, M.Sc. (Eng.)
CEO until, Dec. 7, 2018
Employed by the company since 2017.
Share ownership: 12,000 shares Dec 31, 2018.
Primary work experience:
Cargotec Corporation, 2016, 2017 President, Bromma.
Cargotec Corporation, 2016–2014, VP Kalmar, Cranes Business.
Cargotec Corporation, 2013–2014, VP Kalmar, Intelligent Solutions.

Board of Directors

Harri Sjöholm, b. 1954, M.sc. (Eng.)
Chairman of the board since Dec.4, 2018, previously in the Robit Board 1998–09/2018.
Non-Independent of the company
Major shareholder in Five Alliance Inc., which holds 21,13 percent of Robit Plc's shares.
Share ownership: 12,339 shares Dec. 31, 2018.
Committees:
Nomination-, Remuneration- and Working Committee.
Main occupation:
Robit, Chairman of the board.
Key positions of trust:
The Federation of Finnish Technology Industries, Member of the board.

Mammu Kaario, b.1963, Master of law, MBA
Vice Chairman of the board,
In the board since 2017
Independent of the company and its major shareholders.
Share ownership: 11,041 shares Dec. 31, 2018.
Committees:
Audit and remuneration committee.
Main occupation:
Professional board member
Key positions of trust:
Perusterveys Suomi Inc., Chairman of the board.
Aspo Plc., Capman ja Ponsse Plc., Vice Chaiman of the board.
Lapti Group Inc., SstatzZ Inc.: Member of the board.

Mikko Kuitunen, b. 1980, M.sc. (Eng.)
Member of the board since Dec. 2018
Independent of the company and its major shareholders.
Share ownership: 2,019 shares Dec.31, 2018.
Committees: Working committee
Main occupation:
Vincit Plc., CEO 2018–.
Digital age entrepreneur and investor.
Key positions of trust:
Koivukuitu Inc./Offstore Inc., Member of the board.
MRoom Group Inc., Member of the board.

Kalle Reponen, b.1965, M.sc.(Econ.)
Member of the board since 2012
Independent of the company and its major shareholders.
Share ownership: 12,263 shares Dec. 31, 2018.
Committees: Audit-, remuneration and working committee.
Main occupation:
Professional board member.
Key positions of trust:
Premix Inc., Heatmasters: Chairman of the board.
Panostaja Inc., Hydroline Inc., Planex Inc., Vexve Holding Inc., BMH Technology Inc.: Member of the board.

Kai Seikku, b. 1965, M.Sc. (Econ.)
Member of the board since 2018
Independent of the company and its major shareholders.
Share ownership: 6,522 shares Dec.31, 2018.
Committees: Audit-, nomination and remuneration committee
Main occupation:
National Silicon Industry Group, Kiina. Executive Vice President.
Okmetic Inc., CEO.
Key positions of trust:
Inderes Inc., Verkkokauppa.com, The Federation of Finnish Technology Industries, Member of the board.

Heikki Allonen, b. 1954, DI
Chairman of the board 03/2018–until Dec. 7.
Independent of the company and its major shareholders.
Share ownership: : 6,754 shares, Dec 31, 2018.
Main occupation:
CEO, Hemmings Oy Ab.
Key positions of trust:
VR Group Inc., Chairman of the board.
Detection Technology Plc., Member of the board.
Savox Ltd., Member of the board.

Tapio Hintikka, b. 1942, M.Sc. (Eng.)
Member of the board 2008–until Dec. 7.
Independent of the company and its major shareholders.
Share ownership: 10,244 shares Dec 31, 2018.
Main occupation:
Professional board member
Key positions of trust:
–

Information for shareholders

The Annual General Meeting 2019

The Annual General Meeting of Robit Plc will be held on Wednesday, March 27, 2019 at 2 p.m. in Tampere-talo, Sopraano conference room, Yliopistonkatu 55, Tampere. The reception of persons registered will commence at 1.30 p.m.

The Annual General Meeting may be attended by shareholders who on the record date of the AGM, March 15, 2019 are registered in the shareholder's register held by Euroclear Finland. A shareholder whose shares are entered into his/her personal Finnish book entry account is registered in the company's register of shareholders.

Shareholders who wish to attend to the AGM should register with the company by 10.00 a.m. on March 22, 2019 via company's webpages: investors@robitgroup.com, or by email: investor@robitgroup.com.

Registrations must be made before the end of the registration period.

Dividend proposal

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

Robit Plc financial information in 2019

Robit Plc will publish its financial statement release, half year financial report and two Financial reviews in 2019 as follows:

20 February, 2019	Financial statement release for 2018
25 April, 2019	Financial review January–March 2019
7 August, 2019	Half year financial report for January–June 2019
1 November, 2019	Financial review January–September 2019

Robit publishes its financial reports and stock exchange releases in Finnish and English and they are available also in the company's website: www.robitgroup.com

The Press Conference for analysts and media will be held on the date of publication of financial statements and half year report at a time to be announced later.

Robit observes a silent period of 30 days prior to the announcements of financial results. During this time the company's representatives do not meet investors or analysts or provide comments on the company's financial position.

Changes of address

In the event of change off address Robit's shareholders are asked to notify the bank at which they have a book-entry account. Shareholder's registered with Euroclear Finland are asked to send a written notice of a change of address to the following address:

Euroclear Finland Oy
P.O. Box 110
FI-00100 Helsinki, Finland

or filling an electronic form at: www.euroclear.com

Further information:

Katriina Istolahti
IR and Communications Manager
Tel. +358 3 3140 3400
investors@robitgroup.com

The Report of the Board of Directors

Financial year in a nutshell

- 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)
- Operating cash flow EUR -2.2 million (-2.0)
- Earnings per share at the end of the review period -1.49 euros (-0.27).
- The result for the review period includes EUR 19.3 million of the Down the Hole goodwill impairment expenses

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 236 thousand. H2 2017 items affecting comparability: advisory fees of EUR 171 thousand pertaining to business acquisitions and restructuring costs of EUR 115 thousand.
*) In 2018 full year items affecting comparability were: restructuring costs of EUR 1.253 thousand.
*) In 2017 full year items affecting comparability were: share issue expenses of EUR 1.290 thousand, acquisition-related expenses EUR 469 thousand, business re-organizing expenses EUR 115 thousand.

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.

Product development costs were approximately 1.5% of 2018 net sales, mainly focusing on the development of the above-mentioned Sense products.

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.

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 (foreign exchange rate effect of EUR 0.4 million).

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 plans

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.

Enviroment

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. By using natural resources responsibly, we have a positive impact on the environment and communities as well as on profitability as a result of lower costs. Robit creates business models based on the circular economy, such as extending the life cycles of materials, enabling added value, and reducing the use of non-renewable raw materials. In a global environment, there are opportunities and risks that we need to recognize. Environmental opportunities and risks are considered as business risks by minimizing negative impacts and grasping positive opportunities.

Robit's biggest environmental impacts from its own operations come from raw material consumption and transport. Efforts are being made to use resources efficiently and responsibly. This means that resource utilization is regularly reviewed as part of Robit's management system. Resource utilization is measured among others by monitoring the amount of generated waste in machining and other operations, or by measuring energy and water consumption. All waste is recycled and the amount of waste generated is reduced by various improvement projects. Particular attention is paid to potential environmental problems and systematic efforts are made to minimize the associated risks. As an example, the use of harmful chemicals in production has been significantly reduced.

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).

The volume of the Robit shares traded in the Nasdaq Helsinki stock Exchange during the fiscal year was 3 453 878 shares, which is 16,4 % of the average outstanding shares without own shares. The highest share price during the financial period was EUR 8.18, the lowest EUR 1.58 and the trading volume weighted average quoted EUR 3.73. The closing price for the first trading day of January 2, 2018 was EUR 6.70 and the closing price of the last trading day on 28 December 2018 was EUR 1.64. The market capitalization of the company on December 31, 2018 was EUR 34.6 million.

Shareholding of management as at 31.12.2018	Shares	Percentages of shares
Members of the Board of directors	4 500 063	21,34 %
Harri Sjöholm	4 467 092	21,19%*
Mammu Kaario	11 041	0,05 %
Kai Seikku	6 522	0,03 %
Kalle Reponen	12 263	0,06 %
Mikko Kuitunen	3 145	0,01 %
Interim CEO	4 000	0,02 %
Other members of the management team	15 000	0,07 %
Total	4 519 063	

**21,13% owned by Harri Sjöholm through Five Alliance Oy*

Shareholdings by owner class (shares)

	Owners	Owners %	Shares	Votes %
1-100	746	30,032	38 916	0,19
101-500	914	36,795	254 692	1,21
501-1000	330	13,285	272 743	1,29
1001-5000	375	15,097	834 274	3,96
5001-10000	64	2,576	475 157	2,25
10001-50000	29	1,167	486 421	2,78
50001-100000	5	0,201	344 765	1,64
100001-500000	12	0,483	2 709 614	12,85
500001-	9	0,362	15 567 318	73,84
Total	2484	100	20 983 900	100,00
In administrative registration	10		3 820 857	18,12
In waiting list				
Shared accounts				
On special purpose accounts total				
Shares in total			21 083 900	100

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 in particular responsible for managing and developing Robit's sales and product offering.

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 2018, 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 the 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.

Dividend proposal

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

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.

Corporate Governance Statement and Remuneration Review

Robit Corporate Governance Statement for 2018 has been published as a separate statement on be found Robit website https://www.robitgroup.com/investors/administration.

Also, Robit remuneration review for 2018 has been published in the same address.

Key figures summary (EUR 1.000 unless other stated)

	2018	2017	2016
Net Sales, EUR 1.000	82 683	88 222	64 050
Net Sales growth, percent	-6,3 %	37,7 %	40,5 %
EBITDA, EUR 1.000	-4 782	1 626	7 495
EBITDA, percent of sales	-5,8 %	1,8 %	11,7 %
Adjusted EBITDA, EUR 1.000	-3 529	3 500	10 251
Adjusted EBITDA, percent of sales	-4,3 %	4,0 %	16,0 %
EBITA, EUR 1.000	-9 658	-2 734	4 721
EBITA, percent of sales	-11,7 %	-3,1 %	7,4 %
Adjusted EBITA, EUR 1.000	-8 405	-861	7 468
Adjusted EBITA, percent of sales	-10,2 %	-1,0 %	11,7 %
EBIT, EUR 1.000	-29 800	-3 640	4 262
EBIT, percent of sales	-36,0 %	-4,1 %	6,7 %
Result for the period, EUR 1.000	-31 384	-5 190	4 083
Result for the period, percent of sales	-38,0 %	-5,9 %	6,4 %
Earnings per share (EPS), EUR	-1,49	-0,27	0,26
Return on equity (ROE), percent	-41,9 %	-7,3 %	9,9 %
Return on capital employed (ROCE), percent	-27,5 %	-5,8 %	4,7 %
Adjusted return on capital employed (ROCE), percent	-26,4 %	-4,2 %	7,8 %
Net interest-bearing debt, EUR 1.000	15 810	7 752	36 910
Equity ratio, percent	49,3 %	57,6 %	43,9 %
Equity per share EUR	2,74	4,37	3,15
Net gearing, percent	27,4 %	8,4 %	73,7 %
Gross investments, EUR 1.000	4 630	13 341	58 027
Gross investments, percent of sales	5,6 %	15,1 %	90,6 %
Gross investments, excl.acquisition, EUR 1.000	4 630	11 139	2 641
R&D costs, EUR 1.000	1 228	1 482	1 505
R&D costs, percentage of sales	1,5 %	1,7 %	2,3 %
Average number of employees	308	296	199
Number of employees at the end of period	286	329	263
Dividend, euro *	0	0,10	0,10
Dividend % of the result	0,0 %	-37,0 %	34,5 %
Effective dividend yield	0,0 %	1,5 %	1,3 %
Price / Earnings	-1	-37	20
Share price at the end of the period	1,64	6,47	7,90
Lowest	1,58	6,42	5,20
Highest	8,18	11,73	9,40
Market capitalization, million EUR	34,6	135,9	124,7

Robit IN BRIEF COMPANY BUSINESS SUSTAINABILITY INVESTORS REPORT OF THE BOARD FINANCIAL STATEMENTS

Comparable EBITDA and EBITA (EUR 1.000)

EBITDA and comparable EBITDA	H2 2018	H2 2017	2018	2017
EBIT / Operating profit	-26 184	-2 352	-29 800	-3 640
Depreciation and amortisation	22 350	2 659	25 018	5 267
EBITDA	-3 834	306	-4 782	1 626
Items affecting comparability				
Expenses of list change and share issue				1 290
M&A expenses		171		469
Reorganising expenses	236	115	1 253	115
Items affecting comparability in total	236	286	1 253	1 874
Comparable EBITDA	-3 598	592	-3 529	3 500
EBITA				
EBIT /Operating profit	-26 184	-2 352	-29 800	-3 640
Amortizations of acqusitions	424	443	853	907
Impairment	19 289		19 289	
EBITA	-6 472	-1 909	-9 658	-2 733
Comparable EBITA				
EBIT / Operating profit	-26 184	-2 352	-29 800	-3 640
Items affecting comparability				
Expenses of list change and share issue				1 290
M&A expenses		171		469
Reorganising expenses	236	115	1 253	115
Comparable EBIT	-25 948	-2 068	-28 547	-1 768
Amortizations of acqusitions	424	443	853	907
Impairment	19 289		19 289	
Comparable EBITA	-6 236	-1 625	-8 405	-861

ROBIT PLC CONSOLIDATED FINANCIAL STATEMENTS

1 January 2018 – 31 December 2018

Contents

Consolidated Statement of Comprehensive Income

EUR thousand	Note	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Net sales	2.1	82 683	88 222
Other operating income	2.4	1 187	1 482
Materials and services	2.2	-50 248	-50 265
Employee benefit expense	2.3	-19 168	-18 943
Depreciation, amortization and impairment	2.5	-25 018	-5 267
Other operating expenses	2.4	-19 236	-18 869
EBIT (Operating profit)		-29 800	-3 640
Finance income and costs			
Finance income	4.5	1 630	1 333
Finance cost	4.5	-3 253	-3 758
Finance income and costs net		-1 623	-2 425
Profit before income tax		-31 423	-6 065
Income taxes			
Current taxes		-385	-238
Change in deferred taxes		424	1 113
Income taxes	6.2	39	875
Result for the period		-31 384	-5 190
Attributable to:			
Owners of the parent		-31 384	-5 190
Non-controlling interest		0	0
		-31 384	-5 190
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	4.1	-814	-1 301
Other comprehensive income, net of tax		-814	-1 301
Total comprehensive income		-32 198	-6 492

EUR thousand	Note	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Attributable to:			
Owners of the parent		-32 198	-6 492
Non-controlling interest		0	0
		-32 198	-6 492
Earnings per share attributable to the owners of the parent during the year:			
Basic and diluted earnings per share	4.2	-1,49	-0,27

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

*In the Consolidated statement of comprehensive income, inventory changes are presented in materials and services and Work performed by the Group and capitalized in other operating expenses.

Consolidated Balance Sheet

EUR thousand	Note	31-Dec-18	31-Dec-17
ASSETS			
Non-current assets			
Goodwill	3.1	5 159	25 029
Other intangible assets	3.2	6 923	8 088
Property, plant and equipment	5.1	25 824	26 280
Loan receivables	4.4	334	517
Other receivables	4.4, 5.3	3	3
Deferred tax assets	6.2	1 443	1 903
Total non-current assets		39 686	61 820
Current assets			
Inventories	5.2	30 808	30 141
Account and other receivables	4.4, 5.3	18 640	25 921
Loan receivables	4.4	222	17
Income tax receivable	6.2	170	139
Cash and cash equivalents	4.4	27 470	42 172
Total current asset		77 310	98 391
Total assets		116 996	160 211

EUR thousand	Note	31-Dec-18	31-Dec-17
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	4.1	705	705
Share premium	4.1	202	202
Reserve for invested unrestricted equity	4.1	82 266	82 502
Cumulative translation difference	4.1	-1 983	-1 157
Retained earnings	4.1	7 958	15 057
Profit for the year	4.1	-31 384	-5 190
Total equity		57 763	92 118
Total equity		57 763	92 118

EUR thousand	Note	31-Dec-18	31-Dec-17
Liabilities			
Non-current liabilities			
Borrowings	4.3	25 862	3 511
Deferred tax liabilities	6.2	1 551	2 241
Employee benefit obligations	2.3	1 123	988
Total non-current liabilities		28 535	6 740
Current liabilities			
Borrowings	4.3	17 419	46 413
Advances received	5.5	142	324
Income tax liabilities	6.2	240	70
Account payables and other liabilities	5.4	12 740	14 546
Provisions	5.5	156	0
Total current liabilities		30 697	61 353
Total liabilities		59 233	68 093
Total equity and liabilities		116 996	160 211

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

Consolidated Statement of Changes in Equity

EUR thousand	Note	Share capital	Share premium	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total
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, recognized directly in equity		0	0	50 134	0	-1 580	48 554
Equity at 31.12.2017	4.1	705	202	82 502	-1 157	9 868	92 119

EUR thousand	Note	Share capital	Share premium	Reserve for invested unrestricted equity	Cumulative translation difference	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, recognized directly in equity		0	0	-236	0	-1 909	-2 145
Equity at 31.12.2018	4.1	705	202	82 266	-1 983	-23 426	57 764

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

Consolidated Statement of Cash Flows

EUR thousand	Note	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Cash flows from operating activities			
Profit before income tax		-31 423	-6 065
Adjustments			
Depreciation, amortization and impairment charges	2.5	25 018	5 267
Finance income and finance costs	4.5	1 623	2 425
Share-based payments to employees	2.3	85	19
Loss (+) on sale of property, plant and equipment	2.4	95	635
Other non-cash transactions		3 014	703
Cash flows before changes in working capital		-1 521	2 983
Change in working capital			
Increase (-) in account and other receivables		5 341	-3 714
Increase (-) / decrease (+) in inventories		-2 370	-1 753
Increase (+) in account and other payables		-2 582	2 247
Cash flows from operating activities before financial items and taxes		-1 199	-238
Interest and other finance expenses paid		-887	-1 010
Interest and other finance income received		64	146
Income taxes paid		-188	-926
Net cash inflow (outflow) from operating activities		**-2 210**	**-2 027**
Cash flows from investing activities			
Purchases of property, plant and equipment	5.1	-4 082	-10 155
Purchases of intangible assets	3.3	-555	-1 494
Proceeds from the sale of property, plant and equipment		243	424
Proceeds from loan receivables	4.4	-236	86
Acquisition of subsidiaries, net of cash acquired	3.1	0	-2 202
Net cash inflow (outflow) from investing activities		**-4 630**	**-13 341**

Robit CONSOLIDATED FINANCIAL STATEMENTS PARENT'S FINANCIAL STATEMENT AUDITOR'S REPORT DEFINITIONS OF KEY FIGURES

EUR thousand	Note	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Cash flows from financing activities			
Proceeds from share issues, net of expenses	4.1	0	46 709
Proceeds from loans		1 112	11 314
Repayments of loans		-5 445	-10 811
Change in bank overdrafts	4.3	-803	2 070
Payment of finance lease liabilities	4.3	-356	-701
Distribution of dividend	4.3	-2 100	-1 599
Net cash inflow (outflow) from financing activities		**-7 592**	**46 982**
Net increase (+) / decrease (-) in cash and cash equivalents		-14 432	31 613
Cash and cash equivalents at the beginning of the financial year	4.4	42 172	10 519
Exchange gains/losses on cash and cash equivalents		-270	40
Cash and cash equivalents at end of the year	4.4	27 470	42 172

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 16 offices and active sales networks in 115 countries. Robit has production units in Finland, South Korea, Australia, US and two in the UK.

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.

The Board of Directors of Robit Plc has approved these consolidated financial statements for issue on February 20th, 2019. 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 2018. 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	4.6.

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 its products, such as drill bits and casing systems. In general, these products are standardised and require only limited specifications provided by customers. Robit is responsible for the purchase or production of the products and in some cases also for their delivery. The performance obligation ends when the goods have been delivered to the customer. If the performance obligation ends based on terms of delivery only when the customer has received the goods, sales revenue is recognised at the time of receipt. The time of recognition of sales is specified by terms and conditions in the sales contract, such as based on terms of delivery or the customer's acceptance procedure.

Longer-term supply contracts covering individual purchase orders are also entered into with customers, for example for the supply of consumables for mines or projects. The performance obligations associated with these longer-term contracts are recognised based on terms of delivery at the time of delivery and are not partially recognised, for example based on the degree of completion of the projects over time, because Robit's products are consumables in nature. Return or repayment obligations are generally not associated with supply contracts. Robit is responsible for ensuring that the products meet the customer's order in terms of technical specifications and also Robit's own quality standards at the time of delivery. If a technical or qualitative problem due to Robit is identified in a product, Robit is obliged to supply to customer with replacement products. These obligations are assessed for each contract in turn, and a separate warranty provision is recognised for them (presented in Note 5.5). Because the products are consumables in nature, no long-term warranty obligations that could be payable in future financial years are associated with the products. Some customer contracts may contain a variable discount component that allows the customer to receive a quantity discount if the quantities of the original delivery contract are exceeded. In these cases, the realisation of the quantity discount is estimated for each contract in turn and deducted for sales revenue based on the most probable value. The significance of such contracts for the recognition of Robit's sales revenue is currently very minor, however. For these reasons, no significant judgmental decisions are made in the recognition of sales revenue.

Terms of payment and payment periods vary from customer to customer. The applied terms of payment and length of payment period granted to the customer are influenced by, among other things, the geographical location of the customer and the production plant and their distance from each other. In addition, the customer's terms of payment are influenced by the customer-specific credit risk, which is assessed based on the customer's geographical location, the customer's financial situation and the customer's previous payment behaviour. Typically, credit terms of payment are used with customers in cases where the performance obligation ends before payment is received from the customer. Cash discounts are generally not used but, if they are used, the cash discounts given are deducted from net sales. With some customers, an advance payment principle is applied, and the advance payments received from customers are entered in the balance sheet (disclosed in Note 5.6). Significant credit components are generally not associated with sales transactions.

Sales of products with after-sales support
Robit enters into service agreements with customers that include services such as technical support or training in addition to supplying the products. These services bring added value for the client and they are not part of the integration of products that takes place at the customer. The agreements therefore typically include more performance obligations, service and products sold.

Selling prices are allocated to different performance obligations relative to their separate selling prices. Possible discounts are allocated proportionately to all performance obligations. Product sales revenue is recorded at a specific time (see above), whereas sales revenue for services is recognised over time as the customer simultaneously receives and consumes the services provided by Robit. The degree of fulfilment of a performance obligation relative to sales is measured using the output-based method, whereby the degree of fulfilment is measured based on the service provided to date.

Net sales by business unit

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

Net sales by product area

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Top Hammer	36 598	38 183
Down the Hole	46 074	49 979
Digital services	10	61
Total	82 683	88 222

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 2018	1 Jan - 31 Dec 2017
Europe, Middle East and Africa	31 919	32 299
North and South America	12 941	15 328
Asia	11 593	11 344
Australasia	19 884	24 737
Russia and CIS countries	6 346	4 515
Total	82 683	88 222

None of the Robit's customer generated more than 10 per cent of the Group's revenue for the year ended 31 December 2018.

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, Americas, Asia, Australasia and East). 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 Production's materials and services

Materials and services recognized as an expense during the year ended 31 December 2018 amounted to EUR 50 248 thousand (2017: EUR 50 265 thousand). Materials and services include purchases of raw materials such as steel, copper, tungsten carbide, trading products and subcontracting services inventories and changes in inventories. The presentation has been changed since 2017 and therefore the comparison figure has been changed.

2.3 Employee benefits

Accounting policies

Short-term benefits
Short-term employee benefits include wages and salaries, including non-monetary benefits and annual leave compensations 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, on which the employee is able to utilize the benefit

Termination benefits
Termination benefits are payable when employment is ter¬minated 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 2018	1 Jan - 31 Dec 2017
Wages and salaries	-15 994	-15 514
Pension costs - defined contribution plans	-1 465	-1 577
Social security expenses	-607	-696
Share-based payments	-151	0
Other long-term benefits	-432	-227
Other employee benefit expenses	-518	-929
Total	-19 168	-18 943

Robit's number of personnel decreased in 2018 by 43 persons compared to 31.12.2017, with the total number of personnel being 286 at the end of the period under review (31.12.2017: 329). Robit's average number of personnel was 308 persons during the financial period 2018 and 296 in 2017. 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 77 thousand for the year ended 31 December 2018 (2017: EUR 292 thousand). The liability related to long-service fee amounted to EUR 301 thousand as at 31 December 2018 (31.12.2017: EUR 346 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 333 thousand for the year ended 31 December 2018 (2017: EUR 189 thousand). The employee benefit obligation recognized for severance payment plan amounted to EUR 821 thousand as at 31 December 2018 (31.12.2017: EUR 644 thousand).

Long-term remuneration: share-based incentive plan

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 covers the period 2017-2019. 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 aim is to combine the objectives of shareholders and participants in the scheme with the company's long-term objectives. This will increase company value and increase a sense of commitment to the company whilst offering scheme participants a competitive reward scheme that is based on increasing the company's profit and increasing share value. With the share-based incentive, each participant in the scheme received in September 2018 a number of shares corresponding to the amount they invested, and after a three-year earning period up to a maximum of five times the number of shares, provided the company's objectives for sales growth and earnings per share have been met. 18,672 basic shares participated in the 2017 program and 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.

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.

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 state¬ment 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

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Operational exchange rate income	968	655
Other operating income	219	827
Total	1 187	1 481

Other operating expenses

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Administration costs	-8 833	-9 258
Operating lease payments	-2 325	-1 975
Premise expenses	-1 507	-1 262
Transaction costs related to the acquisitions	0	-383
Work performed by the Group and capitalized	172	43
Operational exchange rate expenses	-1 267	-1 612
Other operating expenses	-5 475	-4 422
Total	-19 236	-18 869

The presentation has been changed since 2017 and therefore the comparison figures have been changed.

Auditor's fees

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Statutory fees	-224	-281
Tax consultancy	0	-7
Other services	-3	-90
Total	-227	-378

Ernst & Young -company portion of statutory fees is 172 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 2018	1 Jan - 31 Dec 2017
Depreciation by class		
Buildings and constructions	-319	-137
Machinery and equipment	-3 550	-3 398
Other tangible assets	-186	-137
Total	-4 055	-3 672

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Amortization by class		
Customer relationships and brand	-853	-906
Intangible rights	-96	-119
Other intangible assets	-725	-570
Total	-1 675	-1 595

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

3 Acquisitions and Intangible Assets

3.1 Acquisitions

Accounting policies

Robit applies the acquisition method to account for business acquisitions. Identifiable assets acquired and liabilities in 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 2018

Robit did not make any business acquisitions during the review period but the company did purchase the remaining 49 per cent 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 percent ownership.

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

Acquisitions in 2017

In February 2017 Robit acquired shares in Halco's English companies, 51 per cent of Halco Brighouse Ltd and 100 per cent of Halco Drilling Tools Ltd. A new subsidiary, Robit LLC, was also established in the USA, which purchased Halco's capital assets and inventory in USA.

In addition, the company founded a subsidiary in Kazakhstan (TOO Robit).

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 Robit Australia and Robit GB, but also acquisition in February 2017 of Halco. The management views that the goodwill related to acquisition of Robit Australia and Robit GB 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.

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

The table below presents the movements of goodwill:

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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 summarizes 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	**5 519**	**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%

3.3 Other intangible assets

Accounting policy

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

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

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

Development costs

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

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
2018					
Cost at 1 January	5 977	834	565	4 989	12 365
Additions	0	0	35	692	727
Exchange differences	-283	-7	0	-9	-299
Cost at 31 December	5 693	827	600	5 672	12 793
Accumulated amortization and impairment at 1 January	-1 227	-83	-255	-2 712	-4 277
Amortization	-797	-56	-96	-725	-1 675
Exchange differences	80	1	0	1	82
Accumulated amortization and impairment at 31 December	-1 944	-138	-352	-3 436	-5 870
Net book amount at 1 January	4 750	751	310	2 278	8 088
Net book amount at 31 December	3 749	689	248	2 237	6 923

EUR thousand	Customer relationships	Brand	Intangible rights	Other intangible assets	Total
2017					
Cost at 1 January	6 271	864	213	2 492	9 840
Additions	0	0	262	1 342	1 604
Reclassifications	0	0	91	1 164	1 255
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	-56	-119	-570	-1 596
Reclassifications	0	0	-38	-1 191	-1 229
Exchange differences	52	2	0	1	55
Accumulated amortization and impairment at 31 December	-1 227	-83	-254	-2 710	-4 276
Net book amount at 1 January	5 842	835	115	1 542	8 334
Net book amount at 31 December	4 750	751	311	2 279	8 089

Intangible assets customer relationships and brand were recognized in connection with the acquisitions of Robit Australia and Robit GB. Intangible rights include mainly patents. Robit aims to continue to strengthen its existing patent and intellectual property portfolio by acquiring and licensing strategic patents, other intellectual property rights and technologies. Other intangible assets inclue capitalised development costs and IT software.

Research and development

Robit continues to invest in its own product development projects and in collective product development projects in the industry in order to secure a competitive and innovative offering. Total costs relating to research and development recognized to the consolidated statement of comprehensive income were EUR 827 thousand in 2018 and EUR 950 thousand in 2017. Robit has, among others, developed the Robit Sense Systems technology designed for monitoring and measuring drilling results. Capitalized development expenses in the balance sheet amounted to EUR 1 352 thousand as at December 31st 2018 (31.12.2017: EUR 1 232 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 2017	15 789 226
Share issue (Halco acquisition)	200 000
Share issue	5 000 000
Use of treasury shares to BoD compensation	8 354
At 31 Dec 2017	20 997 580
Use of treasury shares to management compensation	18 672
Use of treasury shares to BoD compensation	40 141
At 31 Dec 2018	21 056 393

The amounts included in the share premium fund relate to share issues in accordance with the previous Finnish Limited Liability Companies Act, which was in force until 31 August 2006, whereby the share premium account was credited with the amounts in excess of the then current nominal value of the shares that were paid by shareholders in connection with share issues.

Own shares

The table below shows the changes in own shares during the reporting periods:

Shares	Number
At 1 Jan 2017	94 674
Use of treasury shares to BoD compensation	-8 354
At 31 Dec 2017	86 320
Use of treasury shares to management compensation	-18 672
Use of treasury shares to BoD compensation	-40 141
At 31 Dec 2018	27 507

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 2018 and 2017.

Dividends
The annual general meeting resolved the dividend payment of 0,10 euros per share in 2017 a totalling EUR 2 100 thousand. In the previous year dividend ditribution was EUR 1 599 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 2018 and 2017.

	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
Profit attributable to the owners of the parent company (euros)	-31 384 156	-5 190 464
Weighted average number of shares (number of shares)	21 003 716	18 922 377
Basic and diluted earnings per share	-1,49	0,27

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

Carrying amounts of the borrowings:

EUR thousand	31-Dec-18	31-Dec-17
Non-current borrowings		
Loans from credit institutions	24 678	1 818
Other loans	660	637
Finance lease liabilities	524	1056
Total non-current borrowings	25 862	3 511
Current borrowings		
Loans from credit institutions	13 246	41 606
Other loans	75	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

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

Loans from credit institutions

A credit facility, totalling EUR 35,000 thousand, is secured by a negative pledge that imposes on Robit certain covenants and limitations regarding additional loans. 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 performance measures (the original terms of the financing agreement) are met:

- Minimum equity ratio of 32.5% and
- Net debt/adjusted EBITDA will gradually decrease from 4.0 as at 31 December 2016 to 2.5 as at 30 June 2018 onwards

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 at 31 December 2018. 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 interest rate margin on these loans will be increased by 1.1 percentage points, i.e. to 2.75%, until Robit Plc's covenant interest-bearing net debt/EBITDA meets the value specified in the original 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.

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 with an interest rate of 3,55%, in UK interest rate of 2,0%, and South Africa interest rate of 11,75%.

Other loans

Other loans are Business Finland interest subsidized loans for Robit's research and development projects. The loans have an interest rate lower than the market rate.

Bank overdrafts

The Group had EUR 3 845 thousand liability as at 31 December 2018 (31.12.2017: EUR 4 647 thousand) related to its credit facility agreement including one Finnish bank limit. The maximum amount at 31 December 2018 was EUR 4 000 thousand (31.12.2017 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	31-Dec-18	31-Dec-17
No later than one year	276	456
Later than 1 year and no later than 5 years	602	805
Total	878	1 261
Future finance charges on finance lease liabilities	-85	-102
Present value of finance lease liabilities	793	1159

The present value of finance lease liabilities is as follows:

EUR thousand	31-Dec-18	31-Dec-17
No later than 1 year	251	422
Later than 1 year and no later than 5 years	542	737
Total	793	1159

Net debt

EUR thousand	31-Dec-18	31-Dec-17
Cash and cash equivalents	27 470	42 172
Current loans	-17 419	-46 413
Non-current loans	-25 862	-3 511
Net debt	-15 810	-7 752
Cash	27 470	42 172
Gross debt - fixed interest rate	-2 706	-1 518
Gross debt - variable interest rate	-40 574	-48 406
Net debt	-15 810	-7 752

EUR thousand	Cash / bank overdraft	Current finance leases	Non-current finance leases	Current loans	Non-current loans	Total
Net debt as at 1 January 2017	7 934	-81	-113	-8 162	-36 488	-36 910
Cash flows	29 552	0	701	-5 519	6 023	30 757
Acquisitions	0	0	-610	0	0	-610
Foreign exchange adjustments	40	-4	-73	0	11	-26
Other non-cash movements	0	0	-961	-28 000	28 000	-961
Net debt as at 31 December 2017	37 526	-85	-1 056	-41 681	-2 455	-7 752
Cash flows	-13 629	-166	523	2 360	6 693	-4 219
Acquisitions	0	0	0	0	0	0
Foreign exchange adjustments	-272	0	10	0	-3 576	-3 839
Other non-cash movements	0	0	0	26 000	-26 000	0
Net debt as at 31 December 2018	23 625	-251	-524	-13 322	-25 338	-15 810
Net book amount at 1 January 2018	37 526	-85	-1 056	-41 681	-2 455	-7 752
Net book amount at 31 December 2018	23 625	-251	-524	-13 322	-25 338	-15 810

4.4 Financial assets

Accounting policies

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-18	31-Dec-17
Carrying amounts of loans and receivables		
Loan receivables	222	17
Account and other receivables	18 640	25 921
Cash and cash equivalents	27 470	42 172
Total current	46 332	68 111
Loan receivables	334	517
Other receivables	0	0
Total non-current	334	517
Total	46 666	68 628

Loan receivables
Loan receivables previously reported as share loan receivables amounted to EUR 366 thousand as at 31 December 2018 (31.12.2017: EUR 534 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 other operating expenses.

Loan receivables are measured at amortised cost because the criteria below are met:

- the financial asset is held within a business model whose objective is holding financial assets in order to collect contractual cash flows, and
- the terms of contract of the financial asset provide for cash flows at certain times which are solely the payment of the principal and interest on the remaining amount of capital

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 2018	1 Jan - 31 Dec 2017
Finance income		
Foreign exchange gains on financing activities	1 567	1 187
Other finance income	24	128
Interest income on cash equivalents	40	18
Finance income total	1 630	1 333
Finance cost		
Foreign exchange losses on financing activities	-2 383	-2 802
Interest expenses on borrowings	-710	-735
Interest expense on deferred consideration	-25	-69
Other finance costs	-135	-151
Finance cost total	-3 253	-3 758
Finance income and costs total	-1 623	-2 425

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 2018 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, Russian ruble 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 Group has specified a policy for hedging against currency risks. Management aims to balance the revenue and expenses realised in a currency other than the functional currency and hedges the most significant positions that are cost-effective to hedge.

At 31 December 2018, 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 806 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian dollar-denominated loan amounted to EUR 7 737 thousand granted by the parent company to the Australian subsidiary.

As 31 December 2018, 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 993 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated loans amounted to EUR 5 796 thousand and US dollar denominated account receivables from group companies and third parties amounting to EUR 9 340 thousand.

As 31 December 2018, 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 743 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of Korean won -denominated loan amounted to EUR 6 311 thousand.

As 31 December 2018, if the EUR has weakened/strengthened by 10% against the pound sterling (GBP) with all other variables held constant, the recalculated post-tax profit for the year would have been EUR 635 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of GBP -denominated loan amounted to EUR 4 349 thousand.

As 31 December 2018, if the EUR has weakened/strengthened by 10% against the Russian ruble with all other variables held constant, the recalculated post-tax profit for the year would have been EUR 413 thousand higher/lower, mainly as a result of Russian ruble denominated account receivables from group companies and third parties.

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.

Company has defined a hedging policy. According to it, company hedges the net foreign currency positions that can be assessed in both value and timing. The relevant currency pairs are EUR / USD and EUR / SEK and GBP / HKD.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Majority of the Group's loans are with variables interest rate which expose the Group to cash flow interest rate risk. Subsidiaries in UK, Korea and South Africa have loans fixed rate and amounted to EUR 2 706 thousand as at 31 December 2018 (31.12.2017: EUR 1 518 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 2018, 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 193 thousand (2017: EUR 250 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. 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

The Group applies the simplified approach defined in IFRS 9 for the recognition of expected credit losses, according to which lifetime expected losses can be recognised for all trade receivables.

For the purpose of determining expected credit losses, trade receivables are classified on the basis of shared credit risk characteristics and delayed payment. Expected loss rates are based on sales payment profiles over a 12-month period before 31 December 2018 and on actual credit losses incurred during that period. Actual loss rates are adjusted to reflect current and future-oriented information and macroeconomic factors that affect the ability of customers to make a payment of receivables.

At 31 December 2018, a loss allowance was determined for trade receivables, as follows:

EUR thousand	31-Dec-18	Not due	Up to 30	31 to 60	61 to 90	Over 90	Total
Expected loss rate		0,5 %	2,5 %	7,5 %	10,0 %	36,0 %	
Gross carrying amount - accounts receivables		10 126	2 409	927	714	2 911	17 088
Loss allowance		51	60	70	71	1 048	1 300

The aging of the account receivables including bad debt provision deducted is as follows:

EUR thousand	31-Dec-18	31-Dec-17
Not due	10 126	13 304
Overdue by		
Less than 30 days	2 409	3 757
30-60 days	927	1 613
61-90 days	714	982
More than 90 days	1 584	2 484
Total	15 760	22 140

The Group has only one type of financial assets subject to the expected credit loss model: trade receivables from sales of product and maintenance services. Although cash and cash equivalents and liabilities recognised at amortised cost are also subject to impairment testing under IFRS 9, the impairment loss observed is not material.

On the basis of this, entries reducing the carrying amount of trade receivables were made, amounting to EUR 1,298 thousand in financial year 2018 and EUR 295 thousand in 2017. For the calculation of the impairment of trade receivables, see Note 5.3.

(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 27 476 thousand as at 31 December 2018 (31.12.2017: EUR 42 172 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 49 % as at 31 December 2018 (31.12.2017: 58%) 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 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.

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EUR thousand	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
31-Dec-18							
Financial liabilities							
Account payables	8 575	0	0	0	0	8 575	8 575
Finance lease liabilities	127	149	263	339	0	878	775
Loans from credit institutions	12 936	927	7 668	17 586	0	39 116	37 924
Bank overdrafts	3 899	0	0	0	0	3 899	3 845
Other loans	80	4	207	455	0	745	736
Total financial liabilities	25 616	1 079	8 137	18 381	0	53 213	51 855

EUR thousand	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
31-Dec-17							
Financial liabilities							
Account payables	9 333	1	0	0	0	9 334	9 334
Finance lease liabilities	87	0	369	805	0	1 261	1 141
Loans from credit institutions	38 555	3 391	1 953	337	0	44 236	43 499
Bank overdrafts	669	3 977	0	0	0	4 647	4 647
Other loans	78	4	82	530	27	722	637
Total financial liabilities	48 723	7 373	2 403	1 673	27	60 199	59 258

Capital management

Robit defines capital as equity plus borrowings as shown on the balance sheet 31.12.2018 EUR 101 044 thousand (31.12.2017 EUR 142 042 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 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 49 (31.12.2017: 58) per cent and the ratio of net debt to adjusted EBITDA was -4,3 as at 31 December 2018. 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.

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4.7 Commitments and contingent liabilities

Guarantees given and contingent liabilities

EUR thousand	31-Dec-18	31-Dec-17
Guarantees and mortgages given on own behalf:		
Enterprise mortgages	42 169	42 169
Real estate mortgages	3 856	3 856
Total	46 025	46 025

EUR thousand	31-Dec-18	31-Dec-17
Other guarantees:		
Other guarantee liabilities	261	517
Total	261	517

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 ten years.

Robit also leases cars, office equipment and forklifts under non-cancellable operating lease agreements where the lease term varies from one year to five years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

EUR thousand	31-Dec-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

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

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 66 thousand as at 31 December 2018.

The Group is obligated to revise the deductions it has made for the real estate investment completed in 2017 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 145 thousand.

The Group is obligated to revise the deductions it has made for the real estate investment completed in 2018 in case the taxable use of the real estate diminishes during the revision period. The last revision year will be 2027. The maximum amount of the liability amounts to EUR 30 thousand.

Recognition of leases as of 1 January 2019
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 of 1 January 2019, 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. The change has explained in more detail in Note 6.5

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
2018						
Cost at 1 January	163	5 346	23 109	1 381	7 482	37 481
Additions	0	5 671	5 341	419	-7 349	4 082
Disposals	0	-18	-1 064	-286	0	-1 368
Reclassifications	0	154	-66	-154	66	0
Exchange differences	0	96	-275	-15	-111	-306
Cost at 31 December	163	11 248	27 045	1 345	88	39 890
Accumulated depreciation and impairment at 1 January	0	-1 693	-8 702	-807	0	-11 202
Depreciation	0	-319	-3 550	-186	0	-4 055
Disposals And impairment	0	4	829	196	0	1 029
Exchange differences	0	-3	158	6	0	161
Accumulated depreciation and impairment at the end of period	0	-2 011	-11 265	-790	0	-14 066
Net book amount at 1 January	163	3 653	14 406	574	7 482	26 279
Net book amount at 31 December	163	9 238	15 780	555	88	25 824

EUR thousand	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
2017						
Cost at 1 January	163	4 593	17 802	724	515	23 797
Acquisition of subsidiaries	0	0	3 472	0	0	3 472
Additions	0	33	3 070	353	7 669	11 126
Disposals	0	0	-768	-42	0	-810
Reclassifications	0	721	222	384	-679	648
Exchange differences	0	-1	-689	-38	-23	-751
Cost at 31 December	163	5 346	23 109	1 381	7 482	37 482
Accumulated depreciation and impairment at 1 January	0	-1 556	-5 211	-419	0	-7 186
Depreciation	0	-137	-3 398	-137	0	-3 672
Reclassifications	0		-509	-285		-794
Disposals	0	0	266	20	0	285
Exchange differences	0	0	151	15	0	166
Accumulated depreciation and impairment at 31 December	0	-1 693	-8 702	-807	0	-11 202
Net book amount at 1 January	163	3 037	12 662	199	515	16 611
Net book amount at 31 December	163	3 653	14 407	574	7 482	26 280

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 South Africa 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 1 179 thousand as at 31 December 2018 (31.12.2017: EUR 1 141 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	31-Dec-18	31-Dec-17
Materials and supplies	4 449	6 571
Work in progress	1 719	2 655
Finished goods	24 639	20 915
Total	30 808	30 141

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 2,273 thousand. The increase of the provision was EUR 1,192 thousand and the release EUR 2,547 thousand due to the sale of slow moving inventories and scrapping of unsalable inventories, in respect of which the risk of obsolescence has been reduced.

Movements in the provision for obsolescence of inventory that are assessed for impairment are as follows:

EUR thousand	2018	2017
At 1 January	3 629	1 262
Provision for impairment recognised during the year	1 192	2 366
Inventories written off during the year	-2 233	0
Unused amounts reversed	-314	0
At 31 Dec	2 273	3 629

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5.3 Account and other receivables

Accounting policy

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. The Group uses a simplified approach to estimating expected credit losses. To estimate credit losses, trade receivables are grouped on the basis of credit risk characteristics and past-due dates. 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	31-Dec-18	31-Dec-17
Account receivables	15 760	22 140
Prepayments and accrued income	227	473
Other receivables*	2 653	3 308
Total	18 640	25 921

* Incl. mainly VAT receivables EUR 1.697 thousand.

The carrying amounts of current trade receivables and other receivables are considered to be close to their fair values. This is due to their short-term nature.

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

EUR thousand	2018	2017
At 1 January	257	121
Provision for impairment recognised during the year	1 193	295
Receivables written off during the year as uncollected	-119	-159
Unused amounts reversed	-4	0
At 31 Dec	1 327	257

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

EUR thousand	2018	2017
Impairment losses		
Individually impaired receivables	-857	-55
Movement in provision for impairment	-337	-240
Reversal of previous impairment losses	4	0
	-1 189	-295

Classification of accounts receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 4.6

Factored receivables

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However has still the credit risk as credit risk is not transferred to factor companies. The group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing. The relevant carrying amounts are as follows:

EUR thousand	2018	2017
Factored receivables	194	28
Associated secured borrowing (bank loans see note 4.3)	194	28

5.4 Account and other payables

Accounting policy

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

The current account and other payables comprise of the following:

EUR thousand	31-Dec-18	31-Dec-17
Account payables	8 575	9 334
Accrued expenses	2 917	3 235
Other	1 248	1 972
Total	**12 740**	**14 541**

Material items included in accrued expenses:

EUR thousand	31-Dec-18	31-Dec-17
Accrued salaries	1 055	1 058
Accrued social security costs	221	326
Accrued interests	4	21
Other *	1 637	1 830
Total	**2 917**	**3 235**

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

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

5.5 Provisions

Accounting policy

Return or repayment obligations are generally not associated with supply contracts. Robit is responsible for ensuring that the products meet the customer's order in terms of technical specifications and also Robit's own quality standards at the time of delivery. If a technical or qualitative problem due to Robit is identified in a product, Robit is obliged to supply to customer with replacement products. These obligations are assessed for each contract in turn, and a separate warranty provision is recognised for them. Because the products are, in nature, consumables, no long-term warranty obligations that could be payable in future financial years are associated with the products.

A provision has been made estimating warranty claims for the products sold in which a technical or qualitative problem has been identified. These claims are expected to be settled over the next year and are therefore reported as current provisions. The amount of the provision was EUR 148 thousand at 31 December 2018 (2017: EUR 37 thousand).

Movements in the provision for warranty provisions:

EUR thousand	2018	2017
At 1 January	36	23
Provision for warranty costs recognised during the yea	137	13
Warranty costs during the year	-25	0
Unused amounts reversed	0	0
At 31 Dec	148	36

5.6 Advance payments received

Advance payments received amounted to EUR 142 thousand as at 31 December 2018 (31.12.2017: EUR 324 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 2018	1 Jan - 31 Dec 2017
Included in EBIT /operating profit	-299	-957
In finance income and expenses	-816	-1 615
Total	-1 115	-2 572

Group's subsidiaries as at 31 December 2018 and 2017 were as follows:

	Parent % 31.12.2018	Parent % 31.12.2017	Group % 31.12.2018	Group % 31.12.2017
Halco Brighouse Ltd, UK, Parent Robit UK			100 %	51 %
Halco Drilling Ltd UK, Parent Robit UK*			100 %	100 %
Robit Rocktools Ab, Sweden*	100 %	100 %	100 %	100 %
Robit Africa Holdings Ltd, South-Africa*	100 %	100 %	100 %	100 %
Robit Asia Ltd, Hong Kong	100 %		100 %	
Robit Australia Holdings Ltd, Australia*	100 %	100 %	100 %	100 %
Robit Australia Pty Ltd**, Australia, parent Robit Australia Holdings Ltd			100 %	100 %
Robit Finland Oy Ltd, Finland	100 %	100 %	100 %	100 %
Robit GB Ltd, UK**	100 %	100 %	100 %	100 %
Robit Inc, USA	100 %	100 %	100 %	100 %
Robit Korea LTD, South-Korea	100 %	100 %	100 %	100 %
Robit OOO, Russia	100 %	100 %	100 %	100 %
Robit Plc-BFC, Dubai*	100 %	100 %	100 %	100 %
Robit S.A.C, Peru, 1% owned by Robit Inc	99 %	99 %	100 %	100 %
Robit SA, South Africa***	100 %	100 %	100 %	100 %
Robit UK Ltd, UK*	100 %	100 %	100 %	100 %
Robit USA LLC, USA, parent Robit INC.			100 %	100 %
TOO Robit, Kazakhstan	100 %	100 %	100 %	100 %

Robit Oyj had a branch in Thailand, Robit Thailand, which was closed in 2018.

* Companies were dormant or holding companies.

** The name of Bulroc Ltd was changed in 2018 to Robit GB Ltd and Drilling Tools Australia Ltd Pty was changed in 2018 to Robit Australia Ltd Pty.

*** 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.

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 2018	1 Jan - 31 Dec 2017
Current tax:		
Current tax on profits for the year	-358	-210
Adjustments in respect of prior years	-27	-28
Total current tax expense	-384	-238
Deferred tax:		
Decrease (-) / increase (+) in deferred tax assets	-350	1 004
Decrease (+) / increase (-) in deferred tax liabilities	520	143
Adjustments in respect of prior years	253	-52
Total deferred tax expenses	424	1 096
Income tax expense	**39**	**858**

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Profit before tax	**-31 423**	**-6 065**
Tax calculated at Finnish tax rate	-6 285	-1 213
Tax effect of:		
Effect of other tax rates for foreign subsidiaries	-2 162	-436
Expenses not deductible for tax purposes	6 052	485
Income not subject to tax	0	-115
Unrecognized deferred tax assets from tax losses	2 567	379
Utilization of previously unrecognized tax losses	15	-164
Other adjustments	0	127
Adjustment in respect of prior years	-226	80
Taxes in income statement	**-39**	**-858**

In 2018 taxes posted to directly equity was EUR - 193 thousand and in 2017 EUR 307 thousand.

Deferred income tax

Accounting policy

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

Deferred tax liabilities are recognized for all taxable temporary differences except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Realisable value of deferred tax assets is assessed at each balance sheet date and adjustments are made in case there is indication that utilisation of deferred tax assets would no longer be probable. Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Key judgements and estimates - deferred tax assets and liabilities

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Deferred tax assets are recognized only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows that relate among others to the amount of future net sales, operating costs and finance costs. The Group's ability to generate taxable income depends also on factors related to general economy, finance, competitiveness and regulations that the Group is unable to control. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will 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	2018	2017
As at 1 of January	**-354**	**-1 371**
Recognized in profit or loss	424	1 113
Recognized in equity	-193	192
Acquisition of subsidiaries	0	-239
Exchange rate differences	14	-32
As at 31 of December	**-109**	**-337**

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	Recognised directly to equity	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2018						
Deferred tax assets						
Inventories	158	90	0	0	0	248
Reserve for invested unrestricted equity	308	0	-308	0	0	0
Employee benefits	362	-157	0	0	-15	190
Property, plant and equipment	507	65	0	0	-42	530
Tax losses	699	-699	0	0	0	0
Other	178	452	0	0	-29	601
Total	**2 212**	**-248**	**-308**	**0**	**-86**	**1 570**
Set-off of deferred taxes	-309					-126
Deferred tax assets, net	**1 903**					**1444**

	At 1 Jan	Recognized in profit or loss	Recognised directly to equity	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2018						
Deferred tax liabilities						
Property, plant and equipment	796	-581	-65	0	-9	140
Intangible assets	1 575	-266	0	0	-56	1 253
Inventories	18	-18	0	0	0	0
Other items	176	194	-50	0	-35	286
Total	**2 566**	**-672**	**-115**	**0**	**-100**	**1 679**
Set-off of deferred taxes	-309					-126
Deferred tax liabilities, net	**2 257**					**1 553**

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

	At 1 Jan	Recognized in profit or loss	Recognised directly to equity	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2017						
Deferred tax liabilities						
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
Total	**2 404**	**-91**	**23**	**239**	**-9**	**2 566**
Set-off of deferred taxes						-309
Deferred tax liabilities, net						**2 257**

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 2018 was 21,1 % (20,9% as at 31 December 2017). The chairman of the board of directors Harri Sjöholm has control in Five Alliance Oy. The Group has not purchased services from the subsidiary of Five Alliance Oy in 2018 (2017: EUR 90 thousand). 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 2018 and 2017 to the Board of Directors were as follows:

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Harri Sjöholm	35	54
Tapio Hintikka	34	41
Mammu Kaario	44	38
Kai Seikku	40	0
Kalle Reponen	46	54
Heikki Allonen	40	0
Mikko Kuitunen	9	0
Matti Kotola	5	47

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, members of the working committee EUR 750 for each meeting and members of other committees' EUR 1.000 for each meeting. 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 41 141 shares were granted to the Board of Directors in 2018 (2017 8 354 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 2018 to the CEO, Mika Virtanen, amounted to EUR 289 thousand (2017: EUR 206 thousand. In addition, there was an additional voluntary pension payment of EUR 12 thousand during the financial year. During the financial year, 4,000 shares were paid to the CEO in respect of the share-based incentive scheme 2017. For more information on the share reward program, see section 2.3.

As to the contract of CEO, his term of notice has been specified as nine (9) months in case the CEO decides to withdraw, and six (6) months should the contract be terminated by the company. Upon termination of contract of the CEO by the company, the CEO will be paid a compensation corresponding to six (6) months without benefits. CEO Mika Virtanen was released on December 7, 2018, and termination benefits of EUR 220 thousand have been posted for the financial year 2018.

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 2018 and 2017 were as follows:

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Salaries and other short-term employee benefits	-1 122	-1472
Share-based payments	-61	0
Total	-1 184	-1472

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 18 thousand for the year ended 31 December 2018 (2017: EUR 8 thousand). Of this, EUR 12 thousand relates to the plan for the CEO (2017: EUR 8 thousand).

Share-based payments and shareholder loans

In April 1017 The Board of Directors of Robit decided on share-based incentive plan for the Group management and Group key employees and in June 2018 on new share-based incentive plan. The scheme has three two parts: a key person's own investment in the company, a performance-based additional share scheme and an additional share scheme. The shares were transferred to the management and key personnel in September 2018 according to the program. For more information on the share reward program, see section 2.3.

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 2018 (2017: 21 083 900). The shareholding of the management was as follows:

Shareholding of management as at 31.12.2018	Shares	Percentages of shares
Members of the Board of directors	4 500 063	21,34 %
Harri Sjöholm	4 467 092	21,19%*
Mammu Kaario	11 041	0,05 %
Kai Seikku	6 522	0,03 %
Kalle Reponen	12 263	0,06 %
Mikko Kuitunen	3 145	0,01 %
Interim CEO	4 000	0,02 %
Other members of the management team	15 000	0,07 %
Total	4 519 063	

**21,13% owned by Harri Sjöholm through Five Alliance Oy*

Shareholding of management as at 31.12.2017	Shares	Percentages of shares
Members of the Board of directors	4 436 661	21,04 %
Harri Sjöholm	4414419	20,94%*
Tapio Hintikka	5741	0,03 %
Mammu Kaario	4519	0,02 %
Kalle Reponen	5741	0,03 %
Matti Kotola	6241	0,03 %
CEO	4 000	0,02 %
Other members of the management team	9 272	0,05 %
Total	4 449 933	

** 20,91% owned by Harri Sjöholm through Five Alliance Oy*

6.4 Subsequent events

Robit Plc has on 9 January 2019 received a notification from i 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) per cent of the shares of Robit Plc on 8 January 2019.

6.5 New and amended standards adopted by the group

USED 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.

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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. See notes 5.3 and 4.6 for more details on valuation.

IFRS 2

As from 30 June 2018 Robit will be applying 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.

THE STANDARD IFRS STANDARD IS INTRODUCED

IFRS 16

IFRS 16 sets out the principles under which leases are recognized and valued, how they are presented in the financial statements and what information is provided. As a result, almost all leases are recognized in the balance sheet as the distinction between operating leases and finance leases is eliminated. In accordance with the new standard, an asset is recognized (the lease of the leased asset) and the financial liability for the payment of rents. The only exceptions are lease agreements for short-term and low-value items.

The Group has started the deployment phase of the IFRS 16 project in 2018. The standard primarily affects the reporting of Group operating leases. The Group introduces IFRS 16 using a simplified retrospective approach at the time of application at January 1, 2019, when the comparative periods are not adjusted.

As at the reporting date, the group has non-cancellable operating lease commitments of EUR 5 538 thousand, see note 4.7.

For the remaining lease commitments, the group expects to recognise right-of-use assets and lease liabilities of approximately EUR 7 000 – 9 000 thousand depending of used lease periods and interest rates on 1 January 2019.

The group expects that net profit after tax will decrease by approximately EUR 150 – 200 thousand depending of final values for 2019 as a result of adopting the new rules. Adjusted EBITDA is expected to increase by approximately EUR 2 000 thousand, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

ROBIT FURTHER. FASTER. ANNUAL REPORT 2018

Financial Statements of the Robit Parent Company 1 jan–31 dec 1018

Robit Plc, Business ID: FI08256270

Robit Plc Parent company Income Statement	1 Jan. - 31 Dec. 2018 €	1 Jan. - 31 Dec. 2017 €
Net sales	4 048 433,20	5 577 313,42
Changes in stocks of finished goods and work in progress	0,00	319 226,00
Manufacturing for own use	160 209,96	42 658,35
Other operating income	40 268,23	460 170,36
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-471 682,83	-1 030 634,56
Change in stocks	169 382,35	50 542,00
External services	-6 483,72	-92 576,26
Total materials and services	-308 784,20	-1 072 668,82
Personnel expenses		
Wages and salaries	-2 868 934,73	-2 076 777,53
Indirect personnel expenses		
Pension expences	-410 719,08	-379 279,83
Other indirect security expences	-74 939,28	-150 697,06
Total personnel expenses	-3 354 593,09	-2 606 754,42
Depreciation and amortisation		
Depreciation according to plan	-1 837 139,16	-1 552 452,63
Other operating expenses	-3 683 699,92	-4 979 397,21
OPERATING PROFIT (LOSS)	-4 935 304,98	-3 811 904,95
Financial income and expences		
Other interest and financial income		
To group companies	1 452 678,02	1 120 748,80
From others	-903 901,46	944 190,51
Interest and other financial expences		
Reduction in value of inv. held as non-current assets	-15 000 000,00	0,00
To others	-666 869,94	-3 221 545,20
Total financial income and expenses	-15 118 093,38	-1 156 605,89
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-20 053 398,36	-4 968 510,84
Appropriations		
	-32 454,50	-78 521,96
Change in depreciation difference, increase (-) or decrease (+)		
Group contributions	130 000,00	2 045 000,00
Income taxes	-4 004,90	4 319,28
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-19 959 857,76	-2 997 713,52

Robit CONSOLIDATED FINANCIAL STATEMENTS PARENT'S FINANCIAL STATEMENT AUDITOR'S REPORT DEFINITIONS OF KEY FIGURES

Robit Plc, Business ID: FI08256270

Balance Sheet Parent company ASSETS	31 Dec. 2018 €	31 Dec. 2017 €
NON-CURRENT ASSETS		
Intangible assets		
Development costs	1 352 324,88	1 232 664,21
Intellectual property rights	699 349,30	323 081,88
Other non-current expenses	3 779 553,76	4 678 174,32
Total non-current assets	5 831 227,94	6 233 920,41
Tangible assets		
Land and waters areas	163 040,87	163 040,87
Buildings and structures	3 511 014,73	3 520 134,22
Machinery and equipment	252 801,87	304 708,63
Other tangible assets	72 895,11	69 846,28
Advance payments and purchases in progress	0,00	0,00
Total tangible assets	3 999 752,58	4 057 730,00
Investments		
Shares in group companies	49 748 038,49	59 329 224,92
Other shares and interests	16,81	16,81
Total investments	49 748 055,30	59 329 241,73
Total non-current assets	59 579 035,82	69 620 892,14
CURRENT ASSETS		
Finished products/goods	0,00	369 768,00
Advance payments	0,00	0,00
Total inventories	0,00	369 768,00
Receivables		
Long-term		
Receivables from group companies	32 188 860,17	33 729 841,26
Loan receivables	138 145,84	355 513,41
	32 327 006,01	34 085 354,67
Short-term		
Trade receivables	0,00	254 530,74
Receivables from group companies	7 791 055,25	27 681 427,95
Loan receivables	219 407,57	37 693,07
Other receivables	40 375,26	251 892,57
Accrued income	123 516,02	432 857,76
Total short-term	8 174 354,10	28 658 402,09
Securities		
Other shares	18 000 414,54	34 999 960,00
Rahoitusarvopaperit	18 000 414,54	34 999 960,00
Cash and cash equivalents	202 248,94	311 128,86
Total Current assets	58 704 023,59	98 424 613,62
TOTAL ASSETS	118 283 059,41	168 045 505,76

Robit Plc, Business ID: FI08256270

Balance Sheet Parent company EQUITY AND LIABILITIES	31 Dec. 2018 €	31 Dec. 2017 €
Equity		
Share capital	705 025,14	705 025,14
Share premium reserve	201 825,51	201 825,51
Invested unrestricted equity reserve	85 016 374,58	84 944 588,28
Retained earnings (loss)	7 616 657,39	12 714 121,44
Profit (loss) for the financial year	-19 959 857,76	-2 997 713,52
Total equity	73 580 024,86	95 567 846,85
Accrued appropriations		
Depreciation difference	438 965,13	406 510,63
LIABILITIES		
Long-term liabilities		
Loans from financial institutions	25 195 781,87	33 884 243,89
Total long-term liabilities	25 195 781,87	33 884 243,89
Short-term liabilities		
Loans from financial institutions	14 673 165,42	11 429 813,32
Advances received		97 982,85
Accounts payable	671 698,86	978 768,33
Payables to group companies	2 797 890,79	24 641 460,31
Other liabilities	252 409,07	503 004,92
Accrued liabilities	673 123,41	535 874,66
Total short-term liabilities	19 068 287,55	38 186 904,39
Creditors total	44 264 069,42	72 071 148,28
TOTAL EQUITY AND LIABILITIES	118 283 059,41	168 045 505,76

Robit CONSOLIDATED FINANCIAL STATEMENTS PARENT'S FINANCIAL STATEMENT AUDITOR'S REPORT DEFINITIONS OF KEY FIGURES

Robit Plc, Business ID: FI08256270

CASH FLOW STATEMENT PARENT COMPANY	Parent company 31 Dec 2018	Parent company 31 Dec 2017
Cash flow from operations:		
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-20 053 398	-4 968 511
Adjustments:		
Depreciation according to plan	1 869 594	1 552 453
Financial income and expences	15 118 093	1 156 606
Other adjustments	668 024	0
Cash flow before changes in working capital	-2 397 687	-2 259 452
Changes in working capital:		
Increase (-) or decrease (+) in trade and other receivables	15 465 061	-20 784 067
Increase (-) or decrease (+) in inventories	369 768	-369 768
Increase (-) or decrease (+) in trade payables	-20 126 401	20 114 457
Cash flow from operations before taxes	-6 689 259	-3 298 831
Interest paid and other finance costs from operations	-666 870	-3 221 545
Interests and other financial income from operations	548 777	2 064 939
Direct income taxes paid	-410	-388 579
Cash flow before extraordinary items	-6 807 763	-4 844 015
Cash flow from operations (A)	-6 807 763	-4 844 015
Cash flows from investing activities		
Investments in tangible and intangible items	-934 621	-2 060 667
Investments in group companies	-802 427	-4 857 391
Financial income from investments	0	0
Interest paid and other finance costs from investments	0	0
Granted loans	-3 056 847	-7 111 635
Investments in other items	0	0
Repayment of loan receivables	1 820 725	0
Changes in long-term receivables	217 368	346 239
Cash flow from investments (B)	-2 755 802	-13 683 454
Cash flow before financing (A+B)	-9 563 565	-18 527 470
Cash flows from financing		
Proceeds from issuance of share capital	0	46 737 997
Investments in other short term financial instruments	16 999 545	-34 999 960
Change of short-term loans	-5 445 110	5 817 064
Change of long-term loans	0	-3 898 924
Dividends and other profit distribution	-2 099 751	-1 598 923
Cash flow from financing (C)	9 454 685	12 057 253
Change in cash and cash equivalents (A+B+C) increase (+)/decrease (-)	-108 880	-6 470 217
Cash and cash equivalents at beginning of financial year	311 129	6 781 345
Cash and cash equivalents at end of financial year	202 249	311 129
Cash and cash equivalents according to balance sheet	-108 880	-6 470 217

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, which registered address is Vikkiniityntie 9, FI-33880 Lempäälä Finland.

Essential transactions during the financial year
On 14 March 2018 the company completed the structural and operating model changes. With the new organisational model the company seeks to bring its expertise and decision making closer to its customers' business. 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.

Robit Plc's Extraordinary General Meeting held today on 4 December 2018 made the following resolutions The Extraordinary General Meeting resolved that the number of members of the Board of Directors be five in accordance with Five Alliance Oy's proposal. 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 for the term ending at the close of the next Annual General Meeting. Harri Sjöholm was elected as the Chair of Board.

Robit Plc's CEO Mika Virtanen and Robit's Board of Directors have jointly agreed 7 December 2018 that Mika Virtanen will leave the company effective immediately. 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 Chair of the Board of Directors Harri Sjöholm will support Robit's management fulltime until the new CEO starts in his or her position.

Essential transactions after the financial year
Robit Plc has on 9 Jan 2019 received a notification from i 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) per cent of the shares of Robit Plc on 8 Jan,2019.

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. Buildings and movable tangible assets are depreciated during their economic life.

Depreciation periods		
Developmnet 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
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 develpoment expenses and other tangible assets vary between 5 to 7 years and they are in line with managements view of the economical lifetime.

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:

	31.12.2018	31.12.2017
Finland	1 353 210	1 649 570
Community countries	407 680	664 460
Other countries	2 287 543	3 263 283
Total	4 048 433	5 577 313

Personnel information

Amount of personnel on average		
Clerical workers	25	21

Salaries of Members of the Board of Directors and managing director

Managing Director Mika Virtanen (1.5.2017 - 7.12.2018)		
Salaries and fees	321 378	205 974
Severance pay	220 000	
	541 378	205 974
Members of the Board of Directors		
Harri Sjöholm x) (Group CEO 1.1-30.4.2017)	34 897	53 996
Anna-Maria Ronkainen (> 28.3.2017)		500
Kai Seikku (2018 >)	40 000	
Kalle Reponen	46 000	54 150
Mammu Kaario (28.3.2017 >)	44 284	38 000
Matti Kotola	4 750	47 000
Mikko Kuitunen (4.12.2018 >)	9 288	
Heikki Allonen (28.3.2018 >)	39 819	
Tapio Hintikka	34 212	41 200
	253 250	234 846

x) Details in note "transactions with related companies"

Auditors' itemised fees	31.12.2018	31.12.2017
1) Auditing	57 734	121 530
2) Assignments according to the audit law 1,1 § section 2, of the Finnish Auditing Act	0	0
3) Tax consultancy		3 950
4) Other services	3 000	59 150
	60 734	184 630

Depreciation according to plan by balance sheet items		
Development costs	406 541,91	406 372,86
Intellectual property rights	147 435,11	100 313,83
Other non-current expenses	1 017 160,96	845 863,85
Buildings	167 103,76	128 470,27
Machinery and equipment	80 306,76	68 656,14
Other tangible assets	18 590,66	2 775,68
	1 837 139,16	1 552 452,63

Tangible and intangible assets

Development costs		
undepreciated balance on 1 Jan.	1 985 074,02	1 452 414,88
increases	180 165,63	532 659,14
reclassification	0,00	0,00
book value on 31 Dec.	2 165 239,65	1 985 074,02
cumulative depreciations 1.1.	-406 372,86	-346 036,95
depreciation for the financial period	-406 541,91	-406 372,86
book value on 31 Dec.	1 352 324,88	1 232 664,21

Intellectual property rights		
undepreciated balance on 1 Jan.	521 862,51	213 164,39
increases	523 702,53	308 698,12
reclassification	0,00	0,00
book value on 31 Dec.	1 045 565,04	521 862,51
cumulative depreciations 1.1.	-198 780,63	-98 466,80
depreciation for the financial period	-147 435,11	-100 313,83
book value on 31 Dec.	699 349,30	323 081,88

Other non-current expenses		
undepreciated balance on 1 Jan.	6 954 913,40	3 541 529,03
increases x)	118 540,40	3 413 384,37
reclassification	0,00	0,00
book value on 31 Dec.	7 073 453,80	6 954 913,40
cumulative depreciations 1.1.	-2 276 739,08	-1 430 875,23
reclassification	0,00	0,00
depreciation for the financial period x)	-1 017 160,96	-845 863,85
book value on 31 Dec.	3 779 553,76	4 678 174,32

*) Part of the expense in prior year 2017 related to the initial public offering 2.282.050 € and depreciation 685.601,92 €. In 2018 year depreciation 520.632,36€

	31.12.2018	31.12.2017
Land and water areas		
undepreciated balance on 1 Jan.	163 040,87	163 040,87
increases	0,00	0,00
decreases	0,00	0,00
book value on 31 Dec.	163 040,87	163 040,87
Buildings and structures		
undepreciated balance on 1 Jan.	5 179 350,41	4 425 645,76
increases	157 984,27	753 704,65
book value on 31 Dec.	5 337 334,68	5 179 350,41
cumulative depreciations 1.1.	-1 659 216,19	-1 530 745,92
depreciation for the financial period	-167 103,76	-128 470,27
book value on 31 Dec.	3 511 014,73	3 520 134,22
Machinery and equipment		
undepreciated balance on 1 Jan.	2 271 562,35	2 136 350,46
increases	28 400,00	135 211,89
book value on 31 Dec.	2 299 962,35	2 271 562,35
cumulative depreciations 1.1.	-1 966 853,72	-1 898 197,58
depreciation for the financial period	-80 306,76	-68 656,14
book value on 31 Dec.	252 801,87	304 708,63
Other tangible assets		
undepreciated balance on 1 Jan.	77 425,56	9 316,80
increases	21 639,49	68 108,76
book value on 31 Dec.	99 065,05	77 425,56
cumulative depreciations 1.1.	-7 579,28	-4 803,60
depreciation for the financial period	-18 590,66	-2 775,68
book value on 31 Dec.	72 895,11	69 846,28
Advance payments and purchases in progress		
undepreciated balance on 1 Jan.	0,00	323 100,00
increases	0,00	0,00
decrease / reclassification	0,00	-323 100,00
book value on 31 Dec.	0,00	0,00
Shares in group companies		
book value on 1.1.	59 329 224,92	42 096 792,10
increases x)	5 418 813,57	17 232 432,82
decreases xx)	-15 000 000,00	0,00
book value on 31 Dec.	49 748 038,49	59 329 224,92

x) Robit Australia Ltd Pty, equity investment 7,5mAUD
x) establishing subsidiary Robit Asia Ltd 2,4keur
xx) Write-down of Robit Finland Oy, Robit GB and Robit Australia

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

	31.12.2018	31.12.2017
	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 %
Robit GB Ltd, UK	100 %	100 %
TOO Robit, Kazakastan	100 %	100 %
Robit Plc-BFC, Dubai 2)	100 %	100 %
Robit UK Ltd, UK	100 %	100 %
Robit Asia Ltd	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 Brighouse Ltd, UK 100%, 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 had a branch in Thailand, Robit Thailand, which was closed in autumn 2018.

Material items of accrued income

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

	31.12.2018	31.12.2017
Receivables from group companies		
Trade receivables	6 433 267,30	6 215 064,08
Group loan receivables	32 188 860,17	33 729 841,26
Other group receivables	1 357 787,95	21 466 363,87
	39 979 915,42	61 411 269,21
Loans from group companies		
Accounts payable	339 599,85	662 771,80
Others loans	2 458 290,94	23 978 688,51
	2 797 890,79	24 641 460,31

	31.12.2018	31.12.2017
Relevant items in receivables carried forward		
Accrual of staff expences	392 714,53	415 997,03
Accrual of taxes	0,00	0,00
Other accrual liabilities	280 408,88	119 018,66
	673 123,41	535 015,69

Increases and decreases in items of equity during the financial period

	31.12.2018	31.12.2017
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	84 944 588,28	33 738 591,68
Share issue with consideration and Board's share fees x)	71 786,30	51 205 996,60
Invested unrestricted equity reserve 31.12	85 016 374,58	84 944 588,28
Retained earnings of previous financial periods on 1 Jan.	12 714 121,44	10 795 726,55
Profit/loss of the previous financial period, carry forward	-2 997 713,52	3 517 317,49
Distribution of dividend	-2 099 750,53	-1 598 922,60
Retained earnings of previous financial periods on 31 Dec	7 616 657,39	12 714 121,44
Profit (loss) for the financial year	-19 959 857,76	-2 997 713,52
	-12 343 200,37	9 716 407,92
Restricted equity	906 850,65	906 850,65
Unrestricted shareholders' equity	72 673 174,21	94 660 996,20
Equity	**73 580 024,86**	**95 567 846,85**

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

Distributable equity

	31.12.2018	31.12.2017
Invested unrestricted equity reserve	85 016 374,58	84 944 588,28
Retained earnings of previous financial periods	7 616 657,39	12 714 121,44
Profit (loss) for the financial year	-19 959 857,76	-2 997 713,52
Development costs	-1 352 324,88	-1 232 664,21
Total	**71 320 849,33**	**93 428 331,99**

Accrued appropriations	31.12.2018	31.12.2017
Depreciation difference, buildings	350 607,91	325 387,54
Depreciation difference, machinery and equipments	88 357,22	81 123,09
	438 965,13	406 510,63

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

	31.12.2018	31.12.2017
All shares are of the same class	21 083 900 pcs	21 083 900 pcs

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

	31.12.2018	31.12.2017
Receivables	357 553,41	393 206,48

Loans maturing in more than 5 years

	31.12.2018	31.12.2017
Loans from financial institutions	0,00	24 850,00

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

	31.12.2018	31.12.2017
Of own debts		
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
	46 024 787,90	46 024 787,90
Amount of loan		
Loans from financial institutions	39 868 947,29	45 314 057,21

The covenants relating to loans

The Company has financial institution loans of 34.992.222,23 € 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 2.5.
   Adjusted EBITDA is calculated using annualized net sales acquired subsidiaries during the year.

Covenant conditions were not met. Covenant Interest-bearing Net Debt / EBITDA (Ratio 2.5) did not meet the terms of the financing agreement. The company has received permission from the main financier to break the covenant on December 31, 2018. In the same context, it has been agreed that the covenant on June 30, 2019 and on December 31, 2019 is absolute EBITDA.
The interest margin has been raised by about 1.1 percentage until the original covenant is met.

Lease liabilities

Items to be paid pursuant to the lease agreements

During the following financial period	69 314,82	57 910,76
Subsequently to be paid	45 690,74	49 155,04
Total	115 005,56	107 065,80

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	260 954,60	516 921,25

The parent company has provided a quarantee for the loans of the subsidiary.

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 65.649,84.

The company is obligated to revise the deductions of value added tax it has made for the real estate investment completed in 2017 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 144.711,29.

The company is obligated to revise the deductions of value added tax it has made for the real estate investment completed in 2018 in case the taxable use of the real estate diminishes during the revision period. The last revision year will be 2027. The maximum amount of the liability amounts to EUR 29.918,01.

Transactions with related companies

The company has not purchased services from a partly owned consulting company ownet by the chairman of the board in 2018. 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

Date and signatures

In Helsinki on 19. February 2019

Harri Sjöholm Chairman of the Board	Mikko Kuitunen Member of the Board
Kai Seikku Member of the Board	Mammu Kaario Member of the Board
Kalle Reponen Member of the Board	Ilkka Miettinen CEO

Auditor's Notation

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

In Helsinki on 19. February 2019

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	Electronically (Netsuite)
General Ledger	Electronically (Netsuite)
VAT calculations	Electronically (Netsuite)
Accounts Receivable	Electronically (Netsuite)
Accounts Payable	Electronically (Netsuite)
Payroll accounting	Computerised partial bookkeeping, lists of transactions wage lips and pay sheets on CD
Balance sheet book	Separately bound
Itemisations of balance sheet	Separately bound

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
Note vouchers	0	Paper documents

Accounting data storage

Account books 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.

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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, 2018. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including summaries 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.

Robit CONSOLIDATED FINANCIAL STATEMENTS PARENT'S FINANCIAL STATEMENT AUDITOR'S REPORT DEFINITIONS OF KEY FIGURES

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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
Revenue recognition *We refer to the Group's accounting principles and the note 2.1.* The consolidated revenues of Robit amounted to 83 million euros in the financial year 2018. 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 a promised good has been transferred to a customer. Revenue recognition was a key audit matter because of the risk of correct timing of revenue recognition (cut off). This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others: • We assessed the reasonableness of the Group's accounting policies over revenue recognition and compliance with applicable accounting standards. • We assessed the process and methods for revenue recognition. • We tested the recorded sales transactions during the year against underlying documents on a sample basis. • We tested the sales cut off on either side of the balance sheet date on a sample basis. • We obtained confirmations of open accounts receivable balances at year end from customers and analyzed credit invoices issued after the balance sheet date. • We performed analytical procedures on revenues. • We considered the appropriateness of the Group's disclosures in respect of revenues.
Goodwill valuation *We refer to the Group's accounting principles and the note 3.2.* At the balance sheet date, the value of goodwill amounted to 5 million euros representing 4 % of total assets and 9 % of total equity. In 2018, the goodwill was written down by an impairment charge of 19 million euros. 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.	We performed, among others, the following audit procedures: • 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. • 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. • We assessed retrospectively the outcome of the management's historical estimates. • We considered the appropriateness of the Group's disclosures in respect of impairment testing.

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Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of trade receivables *We refer to the Group's accounting principles and the notes 4.4, 4.6 and 5.3.* 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, 2018, the carrying value of trade receivables amounted to 16 million euros, of which 1.584 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 credit losses. Valuation of trade receivables requires management to estimate the amount of expected credit losses for the provision for credit losses.	We performed, among others, the following audit procedures: • 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 credit loss provision during the year. • We sent receivable balance confirmation requests to the Group's customers and compared trade receivable balances to subsequent cash receipts. • We analysed management's estimates of expected credit losses of the most significant aged and overdue receivables considering historical payment patterns as well as recent communications with the counterparties and dunning procedures. • We considered the appropriateness of the Group's disclosures in respect of trade receivables.

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.

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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 March 2013, and our appointment represents a total period of uninterrupted engagement of six years. Robit Plc has been a public interest entity since 17 May 2017.

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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, 19 February 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

5 (5)

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Definitions 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,% $= \dfrac{\text{Profit (loss) for the financial year}}{\text{Equity (average during the financial year)}} \times 100$

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

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

Equity ratio,% $= \dfrac{\text{Equity}}{\text{Balance sheet total – advances received}} \times 100$

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

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If You have any feedback or comments on Robit's annual report 2018, please contact via e-mail investors@robitgroup.com

Printed: Grano, Tampere 2019