ROBIT 2019

ANNUAL REPORT

Robit

FURTHER. FASTER.

Contents

YEAR 2019

Robit in Brief

Robit is a global growth company, selling and manufacturing drilling consumables. The company provides products and services for the needs of the mining, tunneling, well drilling and construction industries. The company's offering is divided into two product and service areas: Top Hammer and Down the Hole. Robit has 13 of its own sales and service points throughout the world as well as an active sales network in 115 countries. Robit's manufacturing units are located in Finland, South Korea, Australia and the UK. Robit's shares are listed on NASDAQ Helsinki Ltd.

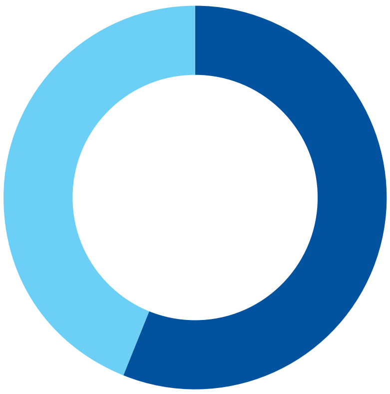
BUSINESS AREAS

Top Hammer Business

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

The Top Hammer business comprises rock drilling consumables as well as digital products and services for drilling activity.

Net sales distribution 2019



TOP HAMMER 40.3 MEUR

DOWN THE HOLE 46.2 MEUR

Down the Hole Business

Down the Hole (DTH) drilling is used in construction, production drilling and piling as well as in well drilling, i.e. drilling of holes for water wells and geothermal pumps. It is also used in production drilling for surface and underground mining.

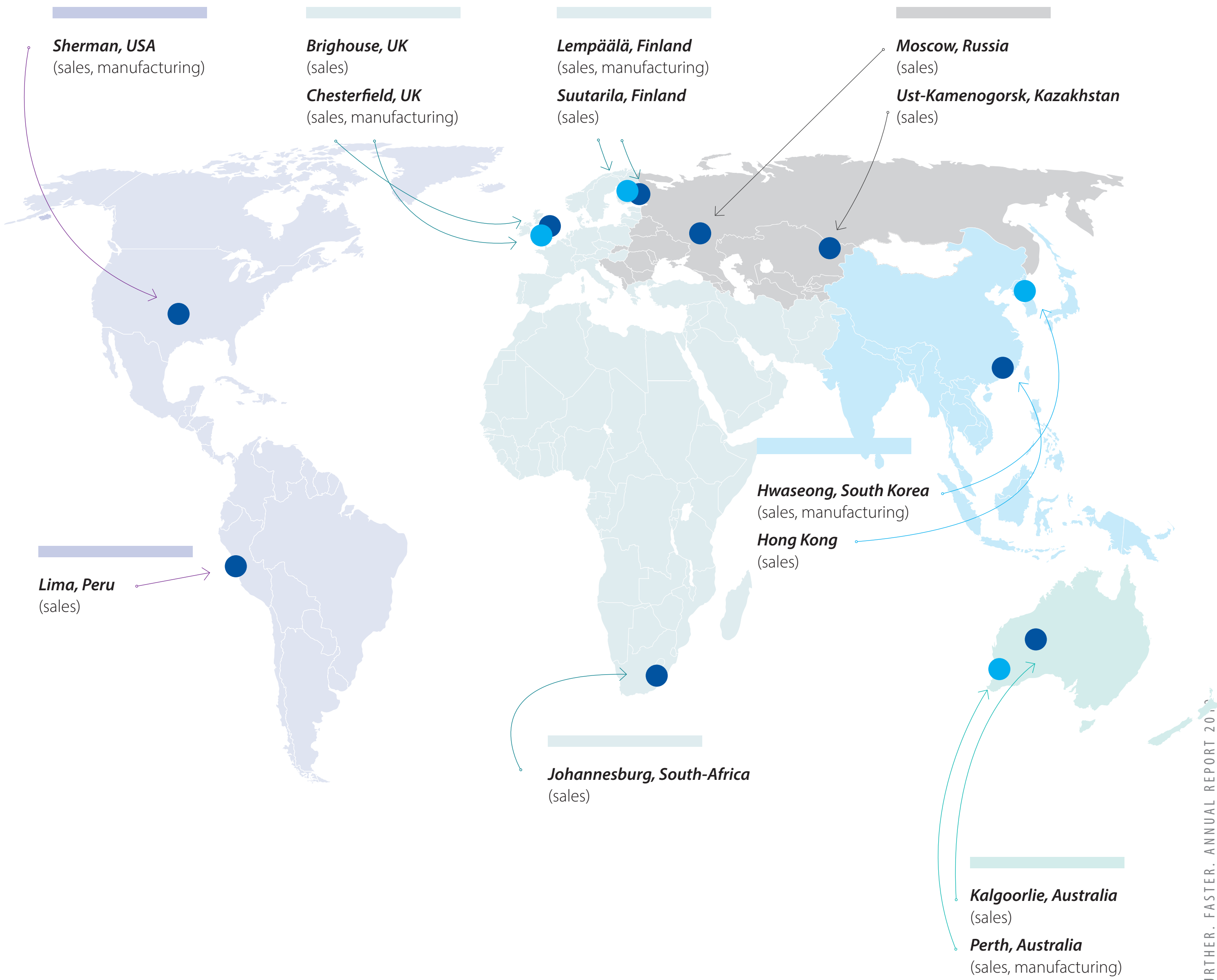
The Down the Hole business comprises the DTH consumables used in ground drilling.

Key Figures 2019

NET SALES	COMPARABLE EBITDA	PERSONNEL	PRESENT IN	OFFICES IN
86.5	2.7	252	115	10
MEUR	MEUR		COUNTRIES	COUNTRIES

Factories, Offices

The company has five sales areas, 13 sales- and service offices including four factories globally.



Important Events in 2019

February
Robit launched a new diamond bit product range for deep hole drilling. Diamond bits facilitate longer and unattended drilling periods. The uninterrupted process associated with drilling automation requires long durability from drill tools, which is provided by diamond bits. This is currently one of the major trends in the mining industry and at the same time an area of focus for Robit's product development.

April
On 29 April 2019, Tommi Lehtonen (b. 1970), M.Sc.(Eng.), was appointed CEO of Robit Plc. Lehtonen has long experience in the mining and construction industry. Before joining Robit, he worked in a number of positions in Metso Minerals Inc. Lehtonen started in his new position on 1 May 2019.

In April, Robit attended Bauma 2019, the world's largest trade fair for construction technology, construction machinery and equipment, and mining industry equipment, in Munich, Germany.

June
Robit attended RETC, the Rapid Excavation & Tunneling Conference, in Chicago, USA. RETC is the leading tunnel contracting event in North America.

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March
The company reorganized its Halco business in the USA. In line with a revised Down the Hole (DTH) strategy, Robit decided to relocate manufacturing of DTH bits at Robit's operating location in Sherman, USA, to the company's other production units, and to discontinue production at Sherman. This arrangement increases the company's volume and productivity at its Australian and UK units.

May
Robit participated ExponorChile 2019 mining event in Antofagastassa, Chile. The show focused on future innovations and outlook of the industry.

July
Robit announced the restructuring of the DTH business and the transfer of manufacturing of Halco products from Brighouse (UK) to the company's production units at Chesterfield (UK) and Perth (Australia). The reorganization will further sharpen the company's DTH strategy, particularly in terms of the Halco brand. Halco became a Sales, Service, Engineering company.

The company published new, more comprehensive and easy-to-use product brochures for products of both the Top Hammer and DTH segments, in digital and print versions.

September

Robit's Distributor Days 2019 event brought together over 200 representatives of the company's distributors and Robit's own sales network personnel from around the world to Tampere. The three-day event covered product training, customer reference reviews, and further development of sales.

In September, Robit participated in several major industry events, including Maxpo 2019, the biggest exhibition of land construction and environmental maintenance machines in Finland, the Drill 2019 conference and exhibition in Darwin, Australia, and the Perum 2019 event, the world's second largest mining conference and exhibition, in Lima, Peru.

The company announced the members of Robit Plc's Shareholders' Nomination Board, representing the four largest registered shareholders. The members elected were: Harri Sjöholm, Chairman of the Board, Five Alliance Oy, Tuomas Virtala, President & CEO, Asset Management, OP Financial Group, Timo Sallinen, Head of Listed Securities, Varma Mutual Pension Insurance Company, Jukka Vähäpesola, Head of Equities, Elo Mutual Pension Insurance Company The Board elected Timo Sallinen as Chairman from among its members.

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October

Robit participated in XXXIII International Mining Convention in Acapulco, Mexico. The event is organized every other year and it's one of the most important mining events in Latin America.

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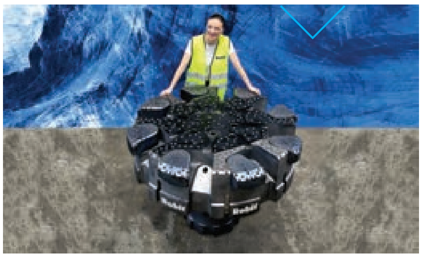

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November

Robit reached an all-time monthly sales record.

In its DTH product range, Robit launched its largest product, i.e. a piling bit, 1.4 meters in diameter and 4.7 tonnes in weight, and a DTH hammer suitable for it, weighing 5.7 tonnes. The drill bits were designed for a major piling contract and are suitable for all demanding piling contract projects.

In November, Robit entered into an agreement with the Swedish company Euro-Drilling Center AB on representing Robit's products in Sweden. At the same time, Robit became a minority shareholder in EuroDrilling Center.

December

The company launched a new kind of training event with its customers and dealerships to acquaint them with the drilling process, product features and product maintenance of Top Hammer products in worksite conditions. The focus of training was on correct drilling methods. Similar training will be provided in key market areas during 2020.

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Robit took part in the biggest groundwater industry event – Groundwater Week in Las Vegas, USA. The event focused on well drilling gathers the industry professionals from all over the world to share knowledge and innovations.

Market Overview

Drilling consumables manufactured and supplied by Robit are used in mining, construction, underground construction and well drilling.

In our target markets, overall demand was positive in 2019, although regional differences were perceptible. In the mining industry, demand was stable and growth-driven. The construction industry and underground construction are local and regional businesses and therefore dependent on project financing. Globally, the project portfolio was at the good level of previous years. The number of projects in the project portfolio was sufficient to meet the needs of Robit's growth targets. The well drilling market continued to be active throughout the year. Project activity in medium-length (1-2 km) geothermal wells was launched during the year.

Robit's market share globally was over 4%. The low market share and the steady demand typical for consumables ensure good opportunities for Robit to grow by gaining market share from other operators in the industry. In addition, we expect the overall market to grow beyond economic cycles by 3-5% per year.

AMERICAS

The Americas accounted for 17.9% (15.7%) of net sales in 2019. Net sales grew by 19.8% compared with the previous year. The market on both continents of the Americas region was stable in the review period. Restructuring related to the development of the North American distribution network slowed sales in the first half of the year. In South America, demand remained at a good level due to an increase in mining operations and the number of tunnel projects.

Overall, growth in both the DTH and Top Hammer product segments was fairly steady, but there were significant differences between countries. Demand was strong, particularly in Mexico and Peru, but the Argentinian and Brazilian markets were challenging.

The North American dealership network was strengthened by, among other things, reorganizing the Canadian distributor network as well as measures to develop the US dealership network. During 2019, we also strengthened our own sales by rationalizing our customer responsibilities and increasing sales resources in Latin America. During the year, the company moved to new premises in Texas. The facilities will also serve as a storage center for North America.

The outlook is expected to remain good in both North and South America in 2020. In Latin America, fluctuations in demand will be greater.

EMEA

The EMEA region is clearly Robit's largest market area, accounting for 41.8% (38.6%) of total sales in 2019. Sales grew in Africa and the Middle East, in particular. Net sales grew by 13.4% compared with the previous year.

In the northern EMEA region, there was a clear pick-up in demand in the review period. Regionally, both the domestic and Norwegian markets developed most positively, particularly in piling products. Demand in Sweden remained at the level of previous years. Changes were made in Robit's distribution network, which were reflected in a slight slowdown in sales development. In the latter half of the year, Robit entered into an agreement with the Swedish company Euro-Drilling Center AB on representing Robit's products in Sweden. As part of this agreement, Robit became a minority shareholder in the company.

Projects play a significant role in German demand, and in 2019 projects were postponed due to financing. The mining industry boosted demand in the southern EMEA region. Demand continued to grow strongly, particularly in South Africa as well as in Saudi Arabia and Spain, thanks to strong sales efforts. In Central Africa, such as Zambia's copper mining area, the market was challenging due to monetary policy and related end-customer liquidity. Investments in developing sales in the region continued. The company entered into several new dealership agreements in the southern EMEA region.

The development measures taken in the dealership network will activate sales in the region. Driven by the mining industry, demand is expected to continue at a good level in the southern EMEA region. 2020 began on a positive note also in the northern EMEA region, and the market is expected to provide good opportunities for growth.

12.9
NET SALES 2018

M€

15.5
NET SALES 2019

31.9
NET SALES 2018

M€

36.2
NET SALES 2019

CIS & EASTERN EUROPE

The CIS & Eastern Europe region accounted for 10.3% (7.7%) of Robit's sales in 2019. Net sales grew by 40.3% compared with the previous year. Net sales developed positively, and during the year Robit further strengthened its market share in both Top Hammer and DTH products in the region. The share accounted for by piling and casing products was particularly strong.

Sales were boosted by orders from large mining companies and by an increase in the number of piling projects. In the latter half of the year, Robit closed the largest single project deal in its history in Russia.

The dealership network in the region was developed by renewing the Russian distributor organization. During the year, sales and product training was also arranged for distributors and for our own sales network. The market outlook for the region in 2020 is bright, due to active demand in both the mining and construction sectors.

6.3 NET SALES 2018 — M€ — **8.9** NET SALES 2019

ASIA

Asia accounted for 12.1% (14.0%) of Robit's net sales in 2019. Net sales in the Asian market developed more slowly than expected in all product segments. Net sales declined by 9.6% compared with 2018.

The postponement to 2020 of several Hong Kong piling projects impacted the development of net sales in Asia. This was due to the volatile situation prevailing in Hong Kong. Investment delays in quarrying, tunneling and road construction projects in the Thailand and Indonesia markets as well as restructuring of the dealership organization in the Philippines also adversely affected net sales in Asia for 2019.

Robit has a solid foothold in Asia's Top Hammer business market. During the year, we invested heavily in developing the mining segment through several drilling tests and customer visits. Tunnel construction was strong, as the segment continued to grow in the Korean market. The same good volume level is expected to continue in 2020.

Demand for DTH products strengthened, particularly in the Philippines and other Asian markets, aided by active sales.

Strong sales efforts are expected to accelerate net sales growth in 2020 in both the Top Hammer and DTH customer segments, particularly in mining and construction projects.

11.6 NET SALES 2018 — M€ — **10.5** NET SALES 2019

AUSTRALASIA

Australasia accounted for 17.8% (24.0) of net sales in 2019. Demand in Australasia remained stable throughout the year. Net sales were 22.5% lower than in the previous year, however.

The transfer of DTH business production to Perth, Australia, during the year resulted in additional production activity. Increases in sales resources in the Australian sales organization in the first half of the year led to a pick-up in sales, and in the second half of the year net sales were 5.3% higher than in first half of the year.

DTH products continued to account for a significant proportion of sales. Sales in the Top Hammer segment developed positively towards the end of the year. In Australia, the need for mining automation is growing strongly. Robit, too, is investing in the development and testing of a diamond bit product range in order to meet this customer need.

The market potential in Australia is very significant in both Top Hammer and DTH products. Robit will continue to invest heavily in customer acquisition in the area and in growing the business.

19.9 NET SALES 2018 — M€ — **15.4** NET SALES 2019

CEO's Review

At the beginning of 2019, Robit made the decision to switch to publishing quarterly financial interim reports. With this change, we sought to increase transparency and financial information for all stakeholders.

2019 – a year of changes

2019 was a year of changes for Robit. We launched an efficiency program comprising four elements: developing the distributor network and the company's own sales, better management of working capital, more effective use of factory network capacity and resources, and ensuring the motivation and performance of personnel.

The efficiency program was implemented during 2019. Through the program, we improved management of trade receivables and our liquidity. In the third quarter, the reorganization of production in the Down the Hole (DTH) business increased the utilization rates of the factories manufacturing DTH products. Progress was made in developing the sales and distribution network during the year, but this work will continue in 2020.

The company's net sales increased by approximately 5% to EUR 86.5 million (82.7). Net sales grew primarily in the EMEA and CIS areas.

The company's result, as measured by EBITA, remained negative and was EUR -4.9 million (-9.7). Due to the efficiency program, the result improved by 4.8 million euros. The positive development was based mainly on improved cost control and better utilization of factory capacity.

Measures and expenses related to the reorganization of DTH production contributed to the negative result. These measures resulted in approximately EUR 1.1 million in personnel and machinery realization costs. In addition, an impairment loss on a right-of-use asset resulted in an expense of approximately EUR 0.2 million. The total cost of the reorganization, which affects comparability for 2019, was approximately EUR 1.3 million. Comparable EBITA was EUR -3.7 million (-8.4).

Due to positive earnings development and better management of working capital, the company's operating cash flow improved, particularly in the second half of the year, and was EUR 1.8 million in 2019. In accordance with a payment program, we repaid long-term loans amounting to approximately EUR 10 million. At the end of the year, our equity ratio was 47.4%, which provides the basis for the company's development on a growth track in line with its strategy.

The number of personnel decreased by 34 employees in 2019 and was 252 (286) at the end of the year. The decrease was mainly due to the reorganization of DTH production operations, in which production at the Halco Brighouse factory was relocated to two of the company's other plants.

Competitiveness through an extensive, high-quality product offering

Global mining was active in 2019 and we were able to strengthen our position in mining countries where Robit sells directly to end customers through its own sales companies. In project business, we strengthened our position particularly in the piling segment, where we won significant construction projects during the year.

Robit developed its product offering to meet the customer needs of the piling product segment and at the same time concentrated production at the company's UK factory. The mining industry is undergoing a major technology shift as customers move into automation, unattended operation and digitalization of mines. Robit responded to this change by developing a diamond bit product range that provides a solution for unattended drilling.

During 2019, we focused our product development efforts on further developing our product offering to meet the current needs of various application areas. The extensive, high-quality product offering reinforces the company's competitiveness as a global player.

Market areas developed unevenly

Robit's global net sales developed well during the year, but in all areas did not meet the long-term goals we have set.

We further strengthened our position in the Nordic countries, where sales continued to develop favorably. At the end of the year, we decided to become a shareholder in a Swedish dealership company. For Robit, Sweden is a domestic market, where we expect additional growth. In the EMEA area, sales growth in South Africa has been positive and sales are expected to develop favorably in the African mining industry. Net sales growth in the EMEA market area was good (+13%) and nearly in line with Robit's long-term growth target.

In the CIS area, in line with our strategy, we strengthened our position in the countries' mining sector and won new piling projects. The company's net sales in this market area grew strongly (+40%), and significantly exceeded long-term growth expectations.

In the Americas area, Robit increased its resources in Peru through growth, consolidating its position while developing its service capabilities in both mining and construction business. Net sales growth in the area was excellent (+20%) and was in line with Robit's growth target.

In Australia, we implemented changes that enabled us to stabilize the area's net sales, but at a significantly lower level than the previous year. We strengthened the sales organization for the resource requirements of future sales. The development of this market area is not in line with Robit's growth expectations and we will invest strongly in developing this market to ensure that the company's expectations are met.

Sales development in the Asia area was disappointing. In Korea, sales remained at a good level, which is expected to continue in 2020. The area's other markets, including the Hong Kong piling market, did not meet the company's sales targets. We have already prepared corrective measures to improve sales in the area.

Reorganization of production

During the year, the capacity of the Korean factory increased as planned, and the investment's original volume targets were achieved. The growth in Korean production volume has been encouraging and volume is expected to continue to grow in accordance with plans made.

We relocated production at the Halco Brighouse factory to the Chesterfield and Perth factories, which improved the utilization rate of these two plants. This situation will enable DTH product manufacturing volumes to be increased, and for production at these plants to be further improved.

During the year, higher sales of Top Hammer products increased volume at the Lempäälä plant and facilitated an extension of product lines.

Sales skills – key expertise

The efficiency program completed during the year required flexibility from our personnel – a warm thank you is due to all Robit employees for implementing the change. During 2019, we organized a global strategy workshops for employees at all of the company's operating locations. This was aimed at clarifying and emphasizing our short- and long-term objectives. At the same time, we received valuable feedback for the development of the company.

Sales skills are Robit's key expertise – Robit is primarily a sales company. For our global sales organization, we organized Robit sales training to strengthen the company's sales focus. Sales training will continue in 2020 to ensure we adopt a consistent approach to selling consumables. Together with a partner, we also developed a management training program, which will be implemented in 2020.

At the beginning of 2019, weekly personnel pulse surveys were launched to measure the ongoing personnel experience. The survey has provided valuable feedback for company management.

Due to the efficiency measures implemented in 2019, the company's structure and well-targeted resources will facilitate the company's return to a growth track in line with its strategy. Our goal is to ensure the company's profitability by increasing sales and utilizing the current structure and resources.

Further development of sales, particularly through the dealership network, will be the focus of our operations in 2020. Controlled sales growth is our clear objective for 2020. At the same time, this will improve the utilization rate of the factories and the overall profitability of the company.


CRAFT

COMPANY

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

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

The basis of Robit's strategy has remained unchanged – we will pursue strong growth through internationalization and sales development. The company's competitiveness and success is based on a narrow business segment, i.e. drilling consumables.

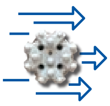
We invest strongly in our know-how and operations in the global marketing and sales of drilling tools. Our clear long-term goal is to achieve the third largest market share in the global drilling tool business segment. The drilling tool market is approximately EUR 2 billion. Robit is currently among the top five operators in this market. The two largest operators, however, account for more than half of market volume.

In 2019, the key operational objective and task was to stabilize the company's financial position. This objective was achieved. The current situation gives us the opportunity to vigorously implement our basic strategy in the future.

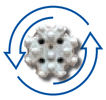
Robit is above all a growth company. We aim for strong sales growth. At the same time, our goal is to ensure the profitability and cash flow that enable investments in the company's growth to be made. During 2019, sales developed positively. In order to accelerate this positive advance, the company also launched a sales development program, the concrete results of which are expected to be visible in 2020.

Robit's strategy is based on the company's values, which support its effective implementation.

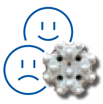
Our values are:



We serve with speed



We drive change



We respect everyone

Global megatrends drive the company's strategy and growth. The two megatrends most significant for Robit are urbanization, which increases underground construction, as well as the depletion of mine ore bodies, which requires more tonnes of rock to be quarried relative to the amount of metal produced. This also means more drilling and demand for consumables.

The key market segments identified in Robit's strategy are mining, underground construction, quarrying and forepoling, and well drilling, particularly for geothermal applications. The company wants to strengthen its market position in these segments. Robit's strengths and competitiveness are formed by:

- Focusing on drilling consumables – the company is not active in the investment product segment
- The industry's largest product offering in drilling consumables
- High quality of products
- Customization based on customer needs – production concept enables mass customization
- Global coverage and distribution network
- Competitive and dynamic pricing

Over the last two years, the company has refocused its own service network, reducing the number of its own service offices from 20 to 13. The company's strategy in the future will rely heavily on cooperation with dealerships.

Diversity of personnel is a key part of the company's strategy. Diversity drives the company's operations and a responsible personnel policy. Our goal is to leverage the company's global presence and multiculturalism as a resource and competitive asset.

Strategy

MEGATRENDS

URBANIZATION & UNDERGROUND CONSTRUCTION

LOW MINERAL CONTENT – MORE DRILLING

VISION

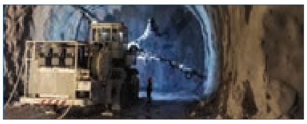
No. 3 IN DRILLING CONSUMABLES & INCREASING MARKET SHARE

OFFERING – DRILLING CONSUMABLES

MARKET SEGMENTS

UNDERGROUND &
SURFACE MINING

QUARRYING &
SUPPORTING



UNDERGROUND
CONSTRUCTION

WELL
DRILLING

FOCUS

DRILLING CONSUMABLES ONLY
- Top Hammer
- Down the Hole

GLOBAL COVERAGE
- Own sales teams
- Distributor network

MANUFACTURING
- Efficient manufacturign in own factories

BUSINESS

www.robit.fi
Robit
Robit
www.robit.fi
www.robit.fi

Top Hammer Business

NET SALES

40.3

MEUR

Competitiveness through product offering development

Top Hammer products are mainly used in mining, construction and quarrying. The Top Hammer business comprises rock drilling consumables as well as digital products and services for drilling operations. Our total offering in Top Hammer products is expanding continually in line with changing customer needs and the development of drilling technology. The 30-year journey of Robit's white drill bits is well-known around the world.

In 2019, demand for Top Hammer products remained at a good level, particularly in the mining industry. Sales developed positively in the mining sectors of South Africa, Russia and Latin America. An increasing number of underground construction projects also boosted demand for the segment's products, with net sales for the year totaling EUR 40.3 (36.6) million, i.e. growth of 10%.

Robit's Top Hammer offering was further developed during the year by expanding the diamond bit product range for deep hole drilling. Diamond bits facilitate longer and unattended drilling periods in production drilling. The uninterrupted process associated with drilling automation requires long durability from drill tools, which is provided by diamond bits. Drilling automation is currently one of the main areas of focus of the mining industry. Robit's diamond bits meet this customer need, and our products were well received in the market during the year.

The market climate for Top Hammer products was active in 2019, particularly in the mining industry. Based on market information, we developed our product offering to better correspond to demand and to promote the products' competitiveness. We also renewed sales support materials, for example by updating the comprehensiveness and ease of use of Top Hammer product brochures in both digital and printed versions. We strengthened the personnel resources of our technical team and we increased drill master services.

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

In South America, we launched a new kind of training event with our customers and dealerships to acquaint them with the drilling process, product features and product maintenance of Top Hammer products in worksite conditions. The focus of the training was on correct drilling methods. Similar training for customers and dealerships will also be arranged in selected market areas during 2020.

Added value through digital services

Product development of digital services continued, focusing on the consolidation and commercialization of technology. The usability and operating system of the Sense product range, used in drill hole measurement, were improved, particularly based on customer experience.

The main product of the Sense Systems product family is the S-Sense hole deviation measurement system, which is used in Top Hammer surface drilling to measure the deviation of the drill hole during drilling (measurement-while-drilling, MWD). The product is unique on the world market, as it integrates hole deviation measurement into the drilling process and blasting engineering.

A Sense test run with a significant European customer led to the development of a new type of drill bit and hollow bar product (Robit FF Tube). The hollow bar can be used as part of a standard Top Hammer drill line, and it brings benefits in terms of hole straightness, productivity and the overall useful life of drill line components. The hollow bar concept will be more widely launched in early 2020.

In addition, sales of the M Sense manual drill hole measurement system picked up, and an update was released during the year. Product ease-of-use has been improved, battery life has been extended, and standardization of M-Sense and S-Sense has been taken further. The updated version of the product has been well received in the market.

Overall, the results of test runs showed that Sense products, in combination with the hollow bar concept, will create new demand for the rest of the Top Hammer product offering. At the same time, this will facilitate a new earnings model.

Top Hammer outlook for 2020

The coming year 2020 seems promising for the Top Hammer business. We will continue our heavy investment in sales, with the aim of further increasing our market share. Our product offering is the most comprehensive in the industry and our products are high quality. From the perspectives of market know-how and availability, we have a package that provides an excellent foundation for growing market share. We seek to develop our products together with our customers to make sure they have access to the best technology in the industry. This helps them to achieve their own production and financial goals.

Jorge Leal
Head of Offering

"Continuous co-operation with our customers and distributors helps us to develop our products even better and more competitive."

Down the Hole Business

NET SALES
46.2
MEUR

Efficiencies through business restructuring and production strategy renewal

Robit's Down the Hole (DTH) business accounts for 53.4% of the company's net sales. Our extensive product range covers all aspects of ground drilling. 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. DTH drilling consumables provide solutions to all of these customer segments and applications.

Through the efficiency program implemented during 2019, the company refined its DTH business production strategy. In connection with this, we decided in March to transfer manufacturing of DTH products at the Sherman factory in the USA to the companies' other plants and to discontinue production operations at Sherman. During the second half of the year, we announced the restructuring of the DTH business and the transfer of the manufacturing of Halco products from Brighouse (UK) to the company's production units in Chesterfield (UK) and Perth (Australia).

The reorganization further sharpened the company's Halco strategy under the parallel brand. The new structure improves capacity to respond more effectively to international competition, thanks to cost restructuring. Improved profitability and efficiency are also sought through the transfer of production. The cost savings from the measures taken during 2019 will be fully realized from the beginning of 2020.

During the year, within the DTH business we separated products designed for the construction industry and well drilling into their own offering. Geotechnical products particularly serve infrastructure and civil engineering projects such as piling and foundation work. The offering will also take into account the strong project-specific needs of this area of application.

The net sales of the DTH business in 2019 totaled EUR 46.2 (46.1) million, up 0.2%. Sales developed well, particularly in the EMEA, CIS and Eastern Europe regions. In Australia, net sales grew slowly in the first half of the year, but there was a turn to the better towards the end of the year.

In many cases, technical testing with customers related to the DTH product sales process takes a long time, which slows down the rapid development of sales.

Growth potential through new products

During the first half of the year, we developed for the well drilling segment a new DTH hammer as well as drill bits suitable for this.

During the year, the Robit DTH product range's largest piling bit, 1.4 meters in diameter, and largest rock drilling bit, 1.3 meters in diameter, were launched. The drill bits were designed for a major piling contract and are suitable for all demanding piling contract projects.

We also delivered during the year our largest DTH hammer, which in the future will enable the efficient drilling of larger holes. Demand for larger drilling tools is a permanent market trend and growth is expected to continue. Robit's large DTH hammers are manufactured at the company's factory in Chesterfield (UK).

Robit cooperated closely in product development and piloting with production and exploration drilling customers during the year, and test drillings took place, particularly in Australia.

During the year, in Russia Robit was involved in the largest construction project in the company's history, and work on this will continue in 2020. During the year, we have been a trusted partner for many of the industry's leading mining and construction companies.

"Robit entered to a dealer agreement with Canadian Pinnacle Drilling Products LT during the second half of 2019. In the picture from the left Jim MacPhail, Pinnacle ja Ville Pohja, Director, Geotechnical Business, Robit."

Heavy investment in sales development continued

In 2019, Robit continued to invest in developing sales channels, and committed resources to integrating the DTH product portfolio more closely into the Robit's sales organization and distributor network. We entered into new distributor agreements, for example in North America, and arranged product training and joint site visits for distributors in all market areas. We also invested in sales support material by launching during the year a new, more comprehensive DTH product catalog.

The expansion of sales of the DTH offering into new markets will continue during 2020. A number of successful customer tests conducted in 2019 are expected to lead to delivery contracts. The extensive DTH product offering, focused on ground drilling consumables, will remain the cornerstone of Robit's value creation in the future, and we will carry out continuous development work toward this end.

We believe that Robit will have good opportunities for growth in all of the DTH product customer segments in 2020, particularly in the mining industry and well drilling.

Down the hole business comprises ground drilling DTH-consumables.

SUSTAIN

ABILITY

A Responsible Employer

Values guide our business

At the end of 2019, we published Robit's new, updated values, which are:

We serve with speed

We drive change

We respect everyone

With our new values, we aim to highlight issues that will be important for our success also in the future. We want to serve our customers, distributors and colleagues quickly, without compromising safety and quality. Effective, transparent communication is one of the cornerstones of fast service.

We seek to view changes positively and as opportunities for continuous development. The ability to make rapid changes is a competitive advantage for us relative to many other players in the industry.

We treat everyone – colleagues, customers, suppliers, distributors and the community around us – respectfully. Our guiding principle is to be a responsible employer for our diverse, skilled personnel and a reliable partner for all our stakeholders.

At the end of 2019, Robit had 252 (286) employees, of whom 53% (133) worked in white-collar positions and 47% (119) in production. 50% of the white-collar employees worked in sales, sales support and customer service tasks. 82% (86%) of employees are men and 18% (14%) are women. The proportion of women among the employees increased during the year. In all positions, Robit aims to provide the same opportunities for men and women.

The number of employees decreased during the year, to some extent due to the reorganization of the company's production. Production was relocated from Sherman (USA) and Brighouse (UK) to Robit's other factories.

Voluntary turnover of employees in 2019 was 7.5%.

Skilled personnel is our most important resource

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

Our responsibility is guided by our Code of Conduct. The induction of every new Robit employee includes completion of a Code of Conduct eLearning program. This is to ensure that everyone working in the company knows our Code of Conduct and is committed to it. The Code of Conduct provides guidelines on, among others, the following issues: compliance with laws, human and labor rights, equality, honesty and fair competition.

Robit is primarily a sales company, and sales skills are our key competence. In autumn 2019, all of the Group's sales personnel participated in a sales training program aimed at improving customer-orientation and better understanding customer needs and customer behavior.

The Robit Talent program has been an important recruitment channel for a number of years now. Through the program, Robit recruits higher education students who have recently graduated or are in the final stages of their studies. A total of eight people have been recruited into the company through the Talent program. One person was recruited in 2019. The program will continue in 2020.

Product competence and leadership, in particular, have been key areas of skills development in 2020.

Measuring the employee experience supports leadership

In February 2019, we introduced an electronic tool that allows employees to express anonymously in real time their employee experience during the week in question. The results are constantly available on our intranet and a weekly summary of feedback is produced. The goal is to react immediately to issues raised in the survey.

In November 2019, a more extensive personnel survey was conducted to measure the dedication and engagement of Robit employees. The response rate was good, 79.2% of the employees responded to the survey.

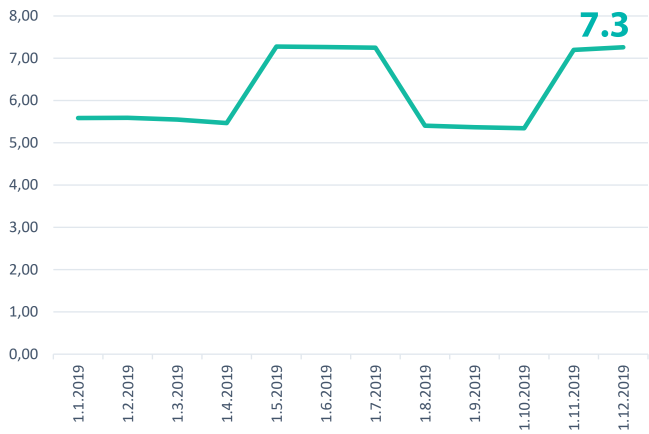
According to the survey, the level of dedication and engagement had increased significantly compared with the previous year. The level was still lower, however, than a control group. According to the survey, personnel are motivated and feel that their work contribution is significant and important. There was considered to be room for improvement in the decision-making process and also in communications. In particular, it was a desire for better communication on the grounds for decisions and on future prospects. During 2019, the above-mentioned issues have been addressed, but further efforts are needed.

Systematic work to improve safety

Employees' health and safety are always a priority for 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 efforts to enhance safety in work continued in 2019 and best practices were shared between the Group's various units in order to improve safety. Safety indicators, such as Lost Time Injury Frequency Rate (LTIFR), are regularly monitored in the company. All employees are obliged to report immediately any safety shortcomings and problems they observe. Monthly LTIFR in 2019 is presented in the adjacent table.

LOST TIME INJURY FREQUENCY RATE (LTIFR)

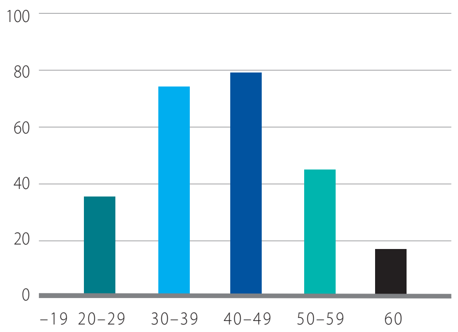


Robit's Distributor Days 2019 event gathered to Tampere, Finland over 200 representatives of company's distributors and Robit's own sales network around the world.

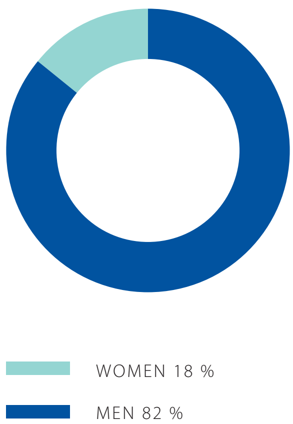
A Responsible Employer

Robit organized during the year strategy workshops in all locations. Team Korea in the picture.

PERSONNEL AGE DISTRIBUTION, %



GENDER DISTRIBUTION



64.4%

ENGAGEMENT INDEX

100%

CODE OF CONDUCT

79%

PERSONNEL SURVEY

Responsible Management of Suppliers

Robit's goal is to build a strong supplier network capable of fulfilling our business needs and honoring our values and expectations regarding social and environmental demands. We want to make sure that we act responsibly throughout the value chain and we also require our suppliers to understand the responsibilities involved in their operations. We expect all of our suppliers to follow a Code of Conduct determined by Robit. This is the starting point for all of Robit's business relationships.

Suppliers are an important stakeholder group for us. Collaboration with suppliers is based on our Code of Conduct, and our commitment to responsible procurement is an integral part of our business. We seek to keep the number of suppliers small so we are better able to verify the responsibility of their operations, which is part of the agreement between the supplier and Robit. An increasing number of our suppliers entered into a written agreement during 2019. Auditing of suppliers is part of our regular quality management, and responsibility has been added to the scope of Robit's supplier audits.

In our procurement decisions, we aim to reduce environmental loading. We try to select value network suppliers close to our production plants in order to reduce the distance and increase the speed of transports as much as possible.

During 2019, the supply chain structure has been simplified to facilitate monitoring of responsibility. We have, among other things, concentrated deliveries of responsibility-related raw materials with fewer suppliers so that we can focus our resources more efficiently on developing responsibility in the supply chain. In 2019, we managed to complete the concentration of procurement of the cobalt-containing components used in our products in just a few sources. This will allow us to better verify the origin of cobalt production.

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 - Utilization of Raw Materials

For Robit, the environment is important and unique. We recognize that we have to use environmental resources responsibly. Our goal is to extend the life cycle of materials, reduce the use of non-renewable raw materials, and facilitate the generation of added value. We constantly strive to reduce the negative environmental impacts of our product range, operations and supply chain. The mining and construction industries in our operating environment present environmental opportunities and risks. We must identify their impacts by seizing positive opportunities while at the same time minimizing risks.

Raw materials and production

The biggest environmental impacts arising from Robit's own operations come from the raw material consumption of our production and from transports. We are constantly working on raw material optimization to ensure that the raw materials supplied to us are as well-suited as possible to the manufacturing of our products. We track this development by measuring raw material wastage both in our own production and in the production of our most significant subcontractors. All waste generated is sorted, and appropriate recycling arranged for it. We take special care when handling hazardous chemicals and waters as well as the waste they produce.

Energy use

Robit's energy use mainly relates to the manufacturing of the steel used in our products, heat treatment, transportation and the actual energy required by products for their particular purpose. The steel we require is nearly 100% produced from recycled steel. In transportation, priority is given to environmentally efficient transports, the proportion of which we have been able to increase during 2019. In addition, we simplified our global production network in 2019 by reducing the number of production locations from six to four. This will further improve the efficiency of our energy use.

Operating environment and product innovations

In 2019, we improved further the drilling efficiency of our products; new records were achieved, particularly in new products. During last year, aided by the technology of the hole deviation measurement Sense Systems products, the amount of customer boulder re-blasting and post-blasting breakage was reduced, which saves energy. We strongly believe that all energy-efficiency product innovations will improve competitiveness and save energy.

All of the above-mentioned development measures will reduce the use of fossil fuels in both our transports and our customers' production. In addition, the use of fossil fuels in our own production is low. Whenever possible, we select the energy we use from energy sources that are less harmful to the environment.

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.

Robit Supports UN's Sustainable Development Goals

In its activities, Robit supports the UN Sustainable Development Goals. We have identified seven goals material to our operations, and we support their implementation in everything we do. These goals provide a broader framework for our responsibility work.

Gender Equality

- Equality, fairness and non-discrimination are important principles that Robit applies throughout its employment relationships. We seek to provide everyone with equal opportunities, regardless of gender.

Clean Water and Sanitation

- We strive to reduce water consumption in our operations.
- We take local measures to reduce water consumption and conserve water.

Affordable and Clean Energy

- We generally seek to limit energy consumption.
- We try to find new ways of reducing energy consumption in our activities.

Decent Work

- We do not accept child labor or forced labor. We evaluate and audit our partners for compliance with these guidelines.
- Safety and well-being are important priorities for Robit.

Sustainable Industry, Innovation and Infrastructure

- We encourage the development of more energy-efficient products, and the energy performance of our products and services is of key significance

Responsible Consumption and Production

- Our goal is to reduce waste generated by our operations and to mitigate the use of fossil fuels.
- We handle chemicals carefully and minimize their use

Peace, Justice, Good Governance

- We do not permit corruption in any form. This is clearly communicated in Robit's Code of Conduct, which all personnel must adhere to.
- All personnel have completed Code of Conduct training

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 Oy, which holds 26,99 percent of Robit Plc's shares.
Share ownership: 19 597 shares Dec. 31, 2019
Committees:
Nomination-, Remuneration- and Working Committee
Main occupation:
Robit, Chairman of the board
Key positions of trust:
Five Alliace Oy, Chairman of the Board (holding co), Tampere University of Applied Sciences, Support foundation, 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: 15 880 shares Dec. 31, 2019
Committees:
Audit and Remuneration committee
Main occupation:
Professional board member
Key positions of trust:
Aspo Oyj, Capman and Ponsse Oyj, Vice Chaiman of the board
Lapti Group Oy, NoridID, 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: 6 858 shares Dec. 31, 2019
Committees: Working committee, Remuneration committee
Main occupation:
Vincit Oyj. CEO 2018 -
Digital age entrepreneur and investor
Key positions of trust:
MRoom Gorup Oy, Member of the board, Soilfood Oy, Member of the board, Cloudberry Capital Oy, 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: 27 102 shares Dec. 31, 2019
Committees: Audit- and Working committee
Main occupation:
Professional board member
Key positions of trust:
Premix Oy, Heatmasters Oy, Telamurska Oy: Chairman of the board, Panostaja Oy, Hydroline Oy
Planex Oy, Vexve Armatury Group, Pemamek Oy, Mapvision Oy, Black Bruin Oy, Koskitukki Oy: 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: 11 361 shares Dec. 31, 2019
Committees: Audit committee
Main occupation:
National Silicon Industry Group, China, Executive Vice President, 2016 -
Okmetic Oy, CEO, 2010 -
Key positions of trust:
Inderes Oy, Verkkokauppa.com, Soitec S.A, France, Member of the board

Management Team

Tommi Lehtonen, b. 1970, M.Sc. (Eng.)
CEO
Employed by the company since 2017.
Share ownership: 12 226 shares Dec. 31, 2019
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 Oy, 2012 – 2014, President, Crushing and Screening Business Line

Ilkka Miettinen, b. 1963, M.Sc. (Econ.)
CFO
Employed by the company since 2017.
Share ownership: 4 000 shares Dec. 31, 2019
Primary work experience:
Vexve Group, CFO, 2016- 2017,
Takoma Oy, CFO, 2012 - 2015,
Metso, CFO, 2005-2009

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, 2019
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, 2019
Primary work experience:
Pöyry Plc, 2013- 2016 Vice President, Human Resources,
Konecranes, 2007-2013 Vice President, Human Resources,
Konecranes, 2004-2007 HR Director, BA Service

Information for Shareholders

The Annual General Meeting 2020

The Annual General Meeting of Robit Plc. will be held on Monday 23 March, 2020 at 2 p.m.in Tampere-talo, Yliopistonkatu 55, Tampere. The reception of persons registered will commence at 1.30 p.m.

The Annual General Meeting will be attended by shareholders who on the record date of the AGM, March 11, 2020 are registered in the shareholder's register, held by Euroclear Finland. A shareholder who's shares are entered into his/her personal Finnish book entry account is registered in the company's register of shareholders.

Shareholder who wish to attend the AGM should register with the company by 10.00 a.m. on March 16, 2020:

- via company's webpages: investors@robitgroup.com
- by email: investrors@robitgroup.com
- by telephone: +358 (0)3 3140 3400 or
- by regular mail to Robit Oyj, AGM, Vikkiniityntie 9, 33880 Lempäälä, Finland

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

Distribution of Funds to Shareholders

The Board of Directors proposes to the Annual General Meeting that EUR 0.03 per outstanding share be paid from the company's distributable funds. The distribution of funds is executed as refund of capital from the company's invested unrestricted equity fund. The refund of capital will be paid to shareholders who are on the record date of the refund of capital, 25th March 2020 in the company's shareholder register maintained by Euroclear Finland Ltd. It is proposed that the payment date would be 1 April 2020. The company currently has 20,935,107 outstanding shares and holds 148,793 treasury shares. The refund of capital proposed to be distributed would amount to EUR 628,053.21.

Robit Plc financial information in 2020

Robit Plc will publish its's financial statement release, half year financial report and two financial reviews as follows:

20.02.2020	Financial Statements release for 2019
23.04.2020	Financial review January – March 2020
06.08.2020	Half year financial report January June 2020
27.10.2020	Financial review January – September 2020

Robit publishes its financial reports and stock exchange release 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 the time to be announced later.

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

Changes of address

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

Euroclear Finland Oy
PL 110
00100 Helsinki

Or filling an electronic form at www.euroclear.fi

Further information:

Katriina Istolahti, IR- and communications manager
Tel. +358 (0)3 3140 3400
email: investors@robitgroup.com

Visit address:
Robit Plc
Vikkiniityntie 9
FI-33880 Lempäälä
Finland

THE REPORT OF THE BOARD OF DIRECTORS

Board of Directors' Annual Report

Year 2019 in brief

- Net sales EUR 86.5 million (82.7)
- EBITDA EUR 1.6 million (-4.8)
- Comparable EBITDA EUR 2.7 million (-3.5)*
- EBITA EUR -4.9 million (-9.7)**
- Comparable EBITA EUR -3.7 million (-8.4)**
- Operating profit as percentage of net sales (EBIT%) was -6.7 (-36.0)
- Review period net income EUR -7.3 million (-31.4)
- Operating cash flow EUR 1.8 million (-1.2)
- Equity ratio at the end of the review period 47.4 % (49.3%)

Key financials	2019	2018	Change %
Net sales, EUR 1.000	86 482	82 683	4.6 %
EBITDA, EUR 1.000	1 605	-4 782	133.6 %
Adjusted EBITDA*, EUR 1.000	2 707	-3 529	176.7 %
EBITA, EUR 1.000	-4 927	-9 658	49.0 %
Adjusted EBITA, EUR 1.000 **	-3 720	-8 405	55.7 %
Adjusted EBITA, percent of sales	-4.3 %	-10.2 %	
EBIT, EUR 1.000 ***	-5 767	-29 800	80.6 %
EBIT, percent of sales	-6.7 %	-36.0 %	
Result for the period, EUR 1.000	-7 265	-31 384	76.9 %

Items affecting comparability:
*EBITDA: In 2019 restructuring costs totalled to EUR 1.102 thousand (EUR 651 thousand related to personnel and EUR 445 thousand to disposal of fixed assets). In 2018 restructuring costs totalled to EUR 240 thousand and full year 2018 restructuring cost of EUR 1 253 thousand related to personnel expenses.
** EBITA: The full year impairment expense was EUR 104 thousand including exchange differences. Company has redefined reporting of write-downs in accordance with the nature of the asset, either for depreciation of tangible or amortization of intangible assets and for impairment losses.
*** EBIT 2018 was pressed due to an impairment of goodwill by EUR 19 289.

Further information about comparable items is given in the endo of report.

Robit's Outlook for 2020

The global economic situation is exceptionally challenging and difficult to predict. Currently, demand and market conditions are impacted by, among other things, export restrictions, additional customs duties, trade policy negotiations, Brexit, monetary policy changes and global virus epidemics.

The overall outlook for Robit's target markets in 2020 remains stable. There are regional differences, however, in market segment demand. Demand for consumables in the mining industry is positive and the market is expected to remain active. The construction industry and underground construction are more cyclical, which means that regional variations are larger and more prone to the economic distraction. The well drilling market is expected to remain active due to growth in geothermal energy.

Robit's focus will be on drilling consumables. Demand for drilling consumables is less sensitive to economic cycles and uncertainties than demand for investment products. This, combined with the company's current market share, provides a good basis for sales growth.

Guidance for 2020

In 2020, Robit Plc is aiming for growth in net sales and for improved euro-denominated comparable EBITDA profitability than the previous year.

CEO Tommi Lehtonen:

The year 2019 was a period of changes for Robit. The company implemented an efficiency program comprising four elements: developing the distributor network and the company's own sales, better management of working capital, more effective use of factory network capacity and resources, and ensuring the motivation and performance of personnel.

Progress was made in developing the sales and distribution network during the year, and this work will continue in 2020. The program has improved management of trade receivables and liquidity. The reorganization of production in the Down the Hole business increased the utilization rates of the factories manufacturing these products. The strategy and key priorities for 2019 were discussed with personnel in local workshops organized in the early part of the year. These provided good feedback and this was reflected in a clear improvement in a personnel survey compared with the previous year.

Robit's key figures sales and cash flow developed positively as a result of operational efficiencies, particularly in the final quarter. The company's net sales increased by 18.1% in the fourth quarter year-on-year and totaled EUR 22.2 million (18.8). The Top Hammer business grew by 8.7% and the Down the Hole business by 26.2%.

In the full year 2019, the company's net sales grew to EUR 86.5 million (82.7), an increase of approximately 5%. The Top Hammer business grew by approximately 10%, with net sales totaling EUR 40.3 million (36.6). Net sales of the Down the Hole business remained at the 2018 level and totaled EUR 46.2 million (46.1). Order intake increased by 8% compared with the previous year and was EUR 87.3 million (80.8).

Overall, demand was positive in 2019. The mining industry market remained active. The construction industry and underground construction, and projects related to them, are dependent on regional and local financing. Certain regional projects were postponed due to delays in project funding. The project portfolio was sufficient for Robit, however, and significant successes were achieved in piling projects.

Net sales increased, particularly in EMEA, CIS, and North and South America. In these regions, growth was in line with the company's long-term growth target. Sales in the Australasian and Asian regions decreased and fell short of the company's targets. Progress was made in developing the sales and distribution network during the year, but this work will continue in 2020.

The company's result, as measured by EBITA, remained negative and was EUR -4.9 million (-9.7). Due to the efficiency program, the result improved by approximately EUR 4 million. The positive development was based on cost control and better utilization of factory capacity. Comparable EBITA, adjusted for the cost of reorganizing Down the Hole production, was EUR -3.7 million (-8.4).

Due to earnings development and better management of working capital, the company's operating cash flow improved, particularly in the second half of the year, and was EUR 1.8 million (-1.2) on an annual basis. In accordance with its payment program, the company repaid long-term loans amounting to approximately EUR 11.3 million. At the end of the year, the equity ratio was 47%, which provides the basis for the company's development on a growth track in line with its strategy.

During the year, the capacity of the Korean factory increased as planned, and the investment's original volume targets were achieved. Growth is expected to continue in line with plans made. The company carried out a reorganization of Down the Hole production, transferring manufacturing of Halco products to the company's factories in the UK and Australia. Sales of Robit and Halco products as well as a warehouse center were moved to a new operating location in Texas, USA.

These measures resulted in approximately EUR 1.1 million in personnel and machinery realization costs. In addition, an impairment loss on a right-of-use asset resulted in an expense of approximately EUR 0.2 million. The total cost of the reorganization, which affects comparability for 2019, was approximately EUR 1.3 million.

The company's product development in 2019 focused on the significant market change in the mining segment, i.e. increased drilling automation and un-manned drilling. A diamond bit product range, which was launched during the year, was developed for this need. The significance of digitalization in the industry is increasing, and Robit has brought to the market both manual and automatic hole straightness measurement. Products related to this have created a new revenue model for the company's Top Hammer business sector.

During the past year, the Robit Down the Hole product range's largest piling bit, 1.4 meters in diameter and 4.7 tonnes in weight, and largest DTH hammer, weighing 5.7 tonnes, were developed. The drill bits were designed for a major piling contract.

Product development is carried out both by customers and in cooperation with other actors in the industry as well as by Robit's own product development. Robit's product development costs amounted to EUR 0.7 million in 2019.

The number of personnel decreased by 34 employees in 2019 and was 252 (286) at the end of the year. The decrease was mainly due to the reorganization of Down the Hole production operations, in which production at the Halco Brighouse factory was relocated to two of the company's other plants. During 2019, Robit increased resources in sales, and the investment in sales will continue in 2020. The revised strategy was introduced to all personnel in the first half of the year.

Due to the efficiency measures implemented in 2019, the company's cost structure and sales-focused resources will facilitate growth in net sales.

Net Sales and Financial Performance

The Group's net sales for the review period totalled EUR 86.5 million (82,7), a decrease of 5 % compared to the previous year. In constant currencies, the change was 0.4 %.

EUR 40.3 million (36.6) of net sales in the review period came from the Top Hammer business and EUR 46.2 million (46.1) from the Down the Hole (DTH) business. Year on year the DTH business net sales flat but increased to the comparison period 26 %.

EUR 36.2 million (32.0) of net sales came from the EMEA region, EUR 15.4 million (19.9) from Australia, EUR 10.5 million (11.6) from Asia, EUR 15.5 million (12.9) from the Americas, and EUR 8.9 million (6.3) from the East.

EBITA was EUR -4.9 million (-9.7). Comparable EBITA was EUR -3.7 million (-8,4), which is -4.2 % (-10.2) of net sales. Items affecting comparability EUR 1.1 million (1.3) were restructuring costs due to structural and business model changes. Of these expenses, EUR 0.7 million related to staff reductions and EUR 0.4 million to disposals of fixed assets.

EBIT for the review period was EUR -5.8 million (-29.8). This was -6.7 per cent (-36.0) of the review period net sales. In addition to the above mentioned, EUR 1.1 million personnel and asset disposal expense, EBIT includes an impairment expense of right of use assets for Halco Brighouse facilities. This relates to the restructuring of the business and will improve cost efficiency in DTH production. The comparison year's EBIT includes EUR 19.3 million impairment loss related Down the Hole goodwill.

Net financial expenses totalled EUR -0.9 million (-1.6), and EUR -0.9 million of this was interest expenses. Exchange rate changes did not have material impact. The result before taxes was EUR -6.7 million (-31.4) and taxes were EUR -0.6 million (0.0).

Financial Targets

Robit's long term target is to achieve organic net sales growth of 15 % annually and comparable EBITDA of 13 %.

Financing and Investments

The Group's net cash flow from operations totalled EUR 1.8 million (-1.2). Changes in working capital had an impact of EUR 0.5 million (0.4). The change in working capital were caused by the EUR -1.0 million increase in receivables, increase in inventories by EUR -0.7 million and increase of non-interest-bearing liabilities by EUR 2.3 million. Due to application of IFRS 16 -standard, the cashflows from lease arrangements have mainly from operations to financing cashflows. The improvement in operational cashflow is about EUR 2.1 million.

Net working capital was EUR 37.0 million (36.8) at the end of the review period. Translation differenced increased the amount of NWC about EUR 0.7 million

The net cash flow for investment activities was positive EUR 0.9 million (-4.6) due to asset disposal proceeds. Gross investments in production during the review period totalled EUR 1.2 million (4.0). Major items of the investments were final payments of the Korean investment. The proceeds from disposal of fixed assets were EUR 2.1 million.

The net cash flow from financing activities was EUR -13.8 million (-7.6), comprising net changes in loans. The company repaid its loans by EUR 11.3 million during the year. In addition, repayment of lease liabilities of EUR 2.2 million reported in accordance with IFRS 16 in net cash flow from financing activities.

At the end of the review period the Group had financing loans totalling EUR 38.2 million (43.3), which included EUR 6.8 million according to IFRS 16 and other interest-bearing debts EUR 31.2 million. Liquid assets totalled to EUR 15.2 million (27,5). Interest-bearing net debt according to IFRS 16 was EUR 23.0 million (15.8) and without IFRS 16 defined interest-bearing net debt was EUR 16.1 million.

The Group's equity at the end of the review period was EUR 50.7 million (57.8).

The Group's equity ratio was 47.4 % (49.3) and its net debt to equity ratio (gearing) was 45.3 % (27.4).

Depreciation, amortisations and impairments totalled EUR 7.4 million (25.0). EUR 0.9 million of this related to amortisations of customer relationships and brand value from business acquisitions and EUR 0.2 million related to impairment of an use of right asset in Halco Brighouse. IFRS16 depreciations were EUR 1.8 million. In 2018 impairments included EUR 19.3 million write-off relating to Down the Hole goodwill.

Personnel and Management

The number of personnel decreased by 34 persons at the end of the comparison period and at the end of the review period the company's personnel numbered 252 (286) of which 75% were located outside Finland.

Tommi Lehtonen (b.1970), MSc. (Eng.) has been appointed Group CEO. He started in his position 1 May, 2019.

Share Based Incentive Programs

Share based incentive plan 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 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. Based on this incentive program a total of 18,672 shares and EUR 67 thousand in cash was paid as rewards in September 2018. The scheme covers 11 key personnel. In 2019 no rewards were paid based on this incentive program.

Share based incentive plan 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 7 key personnel.

The board decided on June 11, 2019, that there will be no allocation of shares to the commitment period planned to commence September 1, 2019. During 2019 an extensive efficiency programme was launched. Because of the change programme the board decided not start a new plan period. Though, it was decided, that new incentive plan will be started in 2020.

Long term incentive plan for CEO 2019 - 2024

The Board of Directors of Robit Oyj decided on September 24, 2019 to give a long-term share-based incentive plan for the CEO. The plan applies to Tommi Lehtonen, the CEO of the group since May 1, 2019. The share plan has three earning periods and covers the period January 1, 2019 to December 31, 2024.

Board of directors of Robit Plc sets targets for each two-year earning period starting from 2019. Earning periods end with December 31, 2020, December 31, 2022 or December 31, 2024. The fees, payable under this scheme, represent a total of 160.000 Robit Plc's share value, including the monetary contribution to taxes and tax-related payments. The share amount corresponds to approximately 0.8% of the total number of shares.

The incentive plan is paid in three instalments at the end of each earning period.

Resolutions of the Annual General Meeting 2019

The General Meeting adopted the financial statements and consolidated financial statements for the financial period 1 January - 31 December 2018 and resolved that no dividend is paid based on the adopted balance sheet for the financial year 2018.

The General Meeting resolved to discharge the members of the board of directors and the managing directors from liability for the financial period ending 31 December 2018.

The General Meeting resolved that the Board of Directors consists of five (5) members. Harri Sjöholm, Mammu Kaario, Mikko Kuitunen, Kai Seikku and Kalle Reponen were re-elected as members of the Board.

Ernst & Young Oy, an Authorized Public Accounting firm, was re-elected as the company's auditor for a term that will continue until the end of the next Annual General Meeting. Ernst & Young Oy has notified the company that Authorized Public Accountant Mikko Järventausta will serve as the company's principal responsible auditor. The General Meeting resolved to pay the auditor's remuneration in accordance with the reasonable invoice approved by the company.

The General Meeting resolved to authorize the Board of Directors to resolve on the acquisition of a maximum of 2,108,390 shares of the company's own shares and/or accepting the same number of the company's own shares as a pledge, in one or several tranches by using funds in the unrestricted shareholders' equity. The maximum total of shares that will be acquired and/or accepted as a pledge corresponds to 10% of all shares in the company as of the date of the summons to the Annual General Meeting. However, the company cannot, together with its subsidiary companies, own or accept as a pledge altogether more than 10% of its own shares at any point in time. The company's shares may be purchased under this authorisation solely by using unrestricted shareholders' equity. The shares will be acquired otherwise than in proportion to the share ownership of the shareholders via public trading arranged by Nasdaq Helsinki Ltd at the market price on the date on which the acquisition is made or otherwise at a price formed on the market. The authorisation shall be used e.g. for the purposes of implementing the company's share-based incentive systems or for other purposes as decided by the Board of Directors. The authorization to repurchase own shares granted by the General Meeting on 28 March 2018 was revoked. The authorization is valid until the closing of the next Annual General Meeting, however, no longer than until 30 June 2020.

The Annual General Meeting resolved to authorize the Board of Directors to resolve on a share issue and on the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act, in one or more tranches, either against or without consideration. The number of shares to be issued, including shares to be issued on the basis of special rights, may not exceed 2,108,390, which amounts to 10% of all shares in the company as of the date of the summons to the Annual General Meeting. The Board of Directors may decide to either issue new shares or to transfer any treasury shares held by the company. The authorisation entitles the Board of Directors to decide on all terms that apply to the share issue and to the issuance of special rights entitling to shares, including the right to derogate from the shareholders' pre-emptive right. The authorisation shall be used e.g. for the purposes of strengthening the company's balance sheet and improving its financial status or for other purposes as decided by the Board of Directors. The authorization is valid until the closing of the next Annual General Meeting, however, no longer than until 30 June 2020. The authorisation will revoke all previously granted, unused authorisations to decide on a share issue and the issuance of options or other special rights entitling to shares.

The General Meeting resolved that a shareholders' nomination board shall be established in order to prepare proposals concerning the election and remuneration of the Board Members as well as the remuneration of the members of the various Board committees that will be submitted to future Annual General Meetings and to any Extraordinary General Meetings where necessary. In addition, the General Meeting resolved that the work schedule of the shareholders' nomination board, which is appended as an Appendix 1 of the Board's proposal, is approved. The work schedule of the shareholders' nomination board is available on the company's website at https://www.robitgroup.com/?investor=corporate-governance/general-meeting. The shareholders' nomination board shall be comprised of representatives appointed by the company's four largest shareholders.

Environment and Sustainable Development

The environment is important and unique to Robit. The major environmental impacts of our own operations are driven from the raw material consumption of our production and from transport. We are constantly working on raw material optimization to ensure that the raw materials that are delivered to us fit as well as possible in the manufacture of our products. We monitor the waste generation in our own as well as in our main subcontractors' production. All waste generated is sorted and appropriate recycling is organised. We pay special attention to the treatment of harmful chemicals and water and for waste arising therefrom.

The energy used in Robit's supply chain is mainly caused by our steel suppliers' manufacturing process, the transport of products to customers and the energy required for the actual purpose of the products. The steel we need is almost completely produced from recycled steel. In transport, priority is given to environmentally efficient transport, the proportion of which we have been able to significantly increase during the year 2019. In 2019 we also simplified our global production network. This will also enable us to simplify transport in the future, as well as to increase the use of less environment-burdening means of transport.

Shares and Share Turnover

On 31 December 2019 the company had 21,083,900 shares and 3 401 shareholders. Trading volume January - December was 7 996 657 shares (3 453 878).

The company holds 148 793 of its own shares (0.7% of total shares). On 31 December 2019 the market value of the company's shares was EUR 60.7 million (share price EUR 2.90).

Shareholding of the board members and management 31.12.2019	Osakkeet	Osuus
Hallituksen omistukset	5 760 491	27,32 %
Harri Sjöholm *	5 708 164	27,07 %
Mammu Kaario	15 880	0,08 %
Kai Seikku	11 361	0,05 %
Kalle Reponen	27 102	0,13 %
Mikko Kuitunen	6 858	0,03 %
Toimitusjohtaja	12 226	0,06 %
Muut johtoryhmän jäsenet	10 000	0,05 %
Yhteensä	5 791 591	

* 26,99 % owned by Harri Sjöholm through Five Alliance Ltd

Shareholdings by owner class (shares) December 31, 2019	Owners	Owners %	Votes	Shares	Share %
1 – 100	1 053	30,961	54 248	54 248	0,26
101 – 500	1 175	34,549	330 856	330 856	1,57
501 - 1 000	509	14,966	420 727	420 727	2,00
1 001 - 5 000	530	15,584	1 178 081	1 178 081	5,59
5 001 - 10 000	72	2,117	540 343	540 343	2,56
10 001 - 50 000	39	1,147	783 945	783 945	3,72
50 001 - 100 000	5	0,147	418 127	418 127	1,98
100 001 - 500 000	10	0,294	2 601 699	2 601 699	12,34
500 001 -	8	0,235	14 755 874	14 755 874	69,99
	3 401	100	21 083 900	21 083 900	100,00
Total					
In administrative registration	10		2 634 501	2 634 501	12,50
In waiting list					
Shared accounts					
On special purpose accounts total					
Shares total			21 083 900	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

There were no changes in the legal group structure during the review period.

Other Events During the Review Period

On 3 Jan 2019, Robit Plc announced that it renegotiated on the restructuring of EUR 35.0 million in loans with its main financing bank. In the new agreement, the 2019 financial year covenants will be monitored for EBITDA between 1 January-30 June 2019 and 1 January -31 December 2019, after which we will return to the old covenant condition. According to the agreement, the loan margin will be raised by an average of 1.1 percentage points. The loan margin will return to the normal level when the covenant condition interest-bearing net debt/EBITDA meets the terms of the original financing agreement.

Robit Plc has on 8 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.

On 5 March 2009, the company announced that it would reorganize Halco's business in the USA. Group has decided to centralize the manufacturing of DTH bits from Robit Sherman factory, USA to other manufacturing units of the company and the production in Sherman ends. Halco business in North and South America continues active and Halco continues to be able to serve its distributors and direct customers. This re-organizing has no impact on Robit branded business nor products in Americas region. This re-organizing reduces four persons from the production of the Sherman unit. The arrangement has no impact on Robit's guidance for the 2019.

The Board of Directors appointed at Robit Plc's Annual General Meeting held on 27 March 2019 elected a Chairman of the Board, a Vice Chairman of the Board, board members to serve on Robit Plc's remuneration committee, working committee and audit committee at its initial board meeting. The Board of Directors elected Harri Sjöholm as a Chairman of the Board and Mammu Kaario as Vice Chairman of the Board. The Board of Directors holds 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 Mikko Kuitunen were elected as members of the remuneration committee. Kalle Reponen (Chairman), Harri Sjöholm and Mikko Kuitunen were elected as members of the working committee. Mammu Kaario (Chairman), Kalle Reponen and Kai Seikku were elected as members of the audit committee.

On April 29, 2019, the company announced that Tommi Lehtonen (b. 1970), M.Sc. (Econ.), Has been appointed Managing Director of Robit Plc.

Robit Plc has on 4th June 2019 received a notification from OP- Finland Mutual Fund (business code 187493-1) in accordance with the Finnish Securities Market Act Chapter 9, Section 5. According to the announcement, the total number of Robit shares owned by OP-Finland Mutual Fund decreased below five (5) per cent of the shares of Robit Plc on 4 June 2019.

On 25 June 2019, the company announced that it will sharpen its Down the hole-business strategy. To develop the company's DTH business Robit is planning to sharpen it's Down the Hole manufacturing strategy and to reorganize the DTH production. In March 2019 the company decided to centralize the manufacturing of DTH bits from Robit Sherman factory to company's factory in Perth, Australia.

On 3 July 2019, the company announced that it will renew its Down the hole-business. Robit Plc has decided to sharpen the manufacturing operations of its DTH business segment and has decided to unify the production of the Brighouse products (UK) to the other manufacturing units in Chesterfield (UK) and Perth (AU).

DTH business segment represents over 50% of Robit Plc's net sales. The reorganization will further sharpen the company's DTH -strategy especially for the Halco brand. Halco will be strengthened as a Sales-Service & Engineering company in selected market segments in the global market under the known Halco-brand. As a result of these measures, personnel were reduced by 23 persons. The transfer of production took place by the end of September 2019.

In the first three quarters, Robit recognised a total of EUR 2.1 million of items affecting comparability according to IFRS standards. On annual level the savings originated from these measures will cover the reorganizing costs. In the last quarter Robit booked a reversal of the impairment for the right of use asset. The cost saving of these actions will cover the reorganizing expenses on annual level.

Robit revised the guidance for 2019 on 2 August 2019. According to new guidance EBITA profitability for the year 2019 will be negative and the release of capital tied up in the business will be less than original target. According to earlier guidance in 2019, the company's goal is to achieve positive EBITA profitability and a significant release of capital tied up in the business.

Robit Plc has on 29 August 2019 received an announcement under Chapter 9, Section 5 of the Securities Markets Act, according to which the holding of Five Alliance Oy (Business ID 0735545-3) has increased above the threshold of 25 percent. According to the notification, the holding of Five Alliance Oy in Robit Plc is 5 688 567 shares corresponding to approximately 26.7 percent of Robit Plc's entire share stock.

Robit Plc has on 26 August 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 information received by the company, Athanase Industrial Partner has re-allocated its shareholding in Robit Plc within the group to another entity, whereby the total number of shares held by that company has increased by more than five (5) percent. Aggregate number of shares held by the group remained unchanged.

Robit Plc has on 30 August 2019 received an announcement under Chapter 9, Section 5 of the Securities Markets Act, according to which the holding of Didner & Gerge Fonder AB has decreased below the threshold of five (5) percent on August 29, 2019

On 3 September 2019, the company announced its four largest registered shareholders (shareholder register maintained by Euroclear Finland Ltd as per 3 September 2019) have nominated the following representatives to the Shareholders' Nomination Board:

- Harri Sjöholm, Chairman of the Board, Five Alliance Oy
- Tuomas Virtala, CEO, Asset Management, OP Financial Group
- Timo Sallinen, Head of Listed Securities, Varma Mutual Pension Insurance Company
- Jukka Vähäpesola, Head of Equities, Elo Mutual Pension Insurance Company

The Committee will elect a Chairman among its members at its first meeting.

The Nomination Board prepares and presents to the Annual General Meeting, a proposal regarding the remuneration of the members of the Board of Directors, the proposal regarding the number of members and a proposal regarding who should be elected as a member of the Board of Directors. In addition the committee prepares and presents for board approval the principles concerning the diversity of the Board of Directors.

The Shareholders' Nomination Board shall be established until further notice by the Annual General Meeting. The newly appointed Nomination Board submits its proposals to the Board of Directors no later than 31 January each year before the next Annual General Meeting.

Further information regarding the Nomination Committees duties can be found on the company's website:
https://www.robitgroup.com/wp-content/uploads/2019/02/Charter-of-the-Shareholders-nomination-board-of-Robit-Plc.pdf

On 19 September 2019, the company announced that, based on the authorisation given to the Board of Directors by the Annual General Meeting on 27 March 2019, the Board of Directors of Robit Plc, at its meeting on 19 September 2019, has decided to start the repurchase of the company's own shares. The Board of Directors has decided to acquire a maximum of 150,000 shares, which corresponds to approximately 0.7% of the company's currently issued shares. The shares will be acquired using the company's distributable unrestricted shareholders' equity at the market price prevailing at the time of acquisition via public trading in the marketplace maintained by Nasdaq Helsinki Ltd.

The acquisition of the company's own shares will start no earlier than 20 September 2019 and end no later than 30 November 2019. The authorisation received by the Board of Directors from the General Meeting is valid until the closing of the next Annual General Meeting, however until no later than 30 June 2020.

On 27 March 2019, the Annual General Meeting authorised the Board of Directors to resolve on the acquisition of a maximum of 2,108,390 of the company's own shares using the company's distributable unrestricted shareholders' equity. The company's own shares may be acquired for the purposes of implementing the company's share-based incentive plans or for other purposes decided by the Board of Directors.

On 24 September 2019, the company announced that The Board of Directors has decided on a new long-term share-based incentive plan for the Group CEO. The applies to Tommi Lehtonen, who started as Group CEO on 1 May 2019. The share-based bonus plan has three performance periods and it covers the period 1 January 2019 – 31 December 2024.

The Board of Directors of Robit Plc will set targets for each two-year performance period, starting from 2019. The new share-based incentive plan for the CEO has three performance periods, which will end on 31 December 2020, 31 December 2022 and 31 December 2024. The rewards to be paid on the basis of this plan correspond to the value of a total of 160,000 Robit Plc's shares including also the cash proportion to be used for taxes and tax-related costs.

On 13 November the company announced that has completed the repurchase of its own shares. Robit Plc acquired 150.000 of its own shares with an average price of EUR 2,1888 per share. The shares were acquired at the market price quoted at the time of the repurchase in public trading on Nasdaq Helsinki Ltd.

The share repurchase was based on an authorization granted by the Annual General Meeting of 2019. The Board of Directors of Robit Plc, at its meeting on 19 September 2019, decided to start the repurchase of the company's own shares and to acquire a maximum of 150,000 shares, which corresponds to approximately 0.7% of the company's currently issued shares.

The company announced on 13 December at the meeting on 13th December 2019, the Board of Directors of Robit Plc decided to grant in total 26.614 shares to its Board of Directors as the annual compensation for the year 2019. The grant was based on the authorization given to the Board by the Annual General Meeting on 27th March 2019. The stock price of the granted shares was 2,48 EUR, which was the closing price of Robit Plc's share on 13th December 2019. The total value of the granted shares is accordingly 66.002,72 EUR.

The Board decided to grant to the CEO in total 3.226 shares as part of the fixed yearly salary. The release is based on CEO contract. The total value of the granted shares is 8.000,48 euros.

The share compensation was granted with the shares, which were already in the assets of Robit Plc, so the total amount of shares did not change. The total amount of shares in Robit Plc's assets is after the release totally 148 793.

Treatment of Result for the Financial Year

The Board of Directors proposes to the Annual General Meeting that the loss, EUR -4 652 562,00 for the financial year ended 31 December 2019 to be transferred to cumulative loss.

Distribution of Funds to Shareholders

The Board of Directors proposes to the Annual General Meeting that EUR 0.03 per outstanding share be paid from the company's distributable funds. The distribution of funds is executed as refund of capital from the company's invested unrestricted equity fund. The refund of capital will be paid to shareholders who are on the record date of the refund of capital, 25th March 2020 in the company's shareholder register maintained by Euroclear Finland Ltd. It is proposed that the payment date would be 1 April 2020. The company currently has 20,935,107 outstanding shares and holds 148,793 treasury shares. The refund of capital proposed to be distributed would amount to EUR 628,053.21.

Events After the Review Period

The company announced on 10 January that Arto Halonen (38), M.Sc. Eng., M.Sc. Econ. has been appointed as Chief Operating Officer (COO) and member of the Robit Management Team. He will start in his position in the beginning of May 2020, at the latest.

On 24 January Robit Plc announces that it has re-organized and transferred its subsidiary's business operations in Hong Kong to Millionbase International Ltd. Millionbase International Ltd. continues Robit's sales and customer service as a distributor for Robit DTH-offering in Hong Kong. Millionbase manages also the existing local stock to serve the market needs

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The right of use assets utilized previously by Halco Brighouse Ltd have been sub-leased eth the beginning of February 2020. The impact of the agreement has been taken into account in the financial statements of 2019.

Key Figures Summary

	2019	2018	2017
Net Sales, EUR 1.000	86 482	82 683	88 222
Net Sales growth, percent	4,6 %	-6,3 %	37,7 %
EBITDA, EUR 1.000	1 605	-4 782	1 626
EBITDA, percent of sales	1,9 %	-5,8 %	1,8 %
Adjusted EBITDA, EUR 1.000	2 707	-3 529	3 500
Adjusted EBITDA, percent of sales	3,1 %	-4,3 %	4,0 %
EBITA, EUR 1.000	-4 927	-9 658	-2 734
EBITA, percent of sales	-5,7 %	-11,7 %	-3,1 %
Adjusted EBITA, EUR 1.000	-3 720	-8 405	-861
Adjusted EBITA, percent of sales	-4,3 %	-10,2 %	-1,0 %
EBIT, EUR 1.000	-5 767	-29 800	-3 640
EBIT, percent of sales	-6,7 %	-36,0 %	-4,1 %
Result for the period, EUR 1.000	-7 265	-31 384	-5 190
Result for the period, percent of sales	-8,4 %	-38,0 %	-5,9 %
Earnings per share (EPS), EUR	-0,35	-1,49	-0,27
Return on equity (ROE), percent	-13,4 %	-41,9 %	-7,3 %
Return on capital employed (ROCE), percent	-8,7 %	-27,5 %	-5,8 %
Adjusted return on capital employed (ROCE), percent	-7,4 %	-26,4 %	-4,2 %
Net interest-bearing debt, EUR 1.000	22 967	15 810	7 752
Equity ratio, percent	47,4 %	49,3 %	57,6 %
Equity per share EUR	2,41	2,74	4,37
Net gearing, percent	45,3 %	27,4 %	8,4 %
Gross investments, EUR 1.000	1 375	4 630	13 341
Gross investments, percent of sales	1,6 %	5,6 %	15,1 %
Gross investments, excl.acquisition, EUR 1.000	1 375	4 630	11 139
R&D costs, EUR 1.000	569	1 228	1 482
R&D costs, percentage of sales	0,7 %	1,5 %	1,7 %
Average number of employees	274	308	296
Number of employees at the end of period	252	286	329
Dividend, euro *	0	0	0,10
Dividend % of the result	0,0 %	0,0 %	-37,0 %
Effective dividend yield	0,0 %	0,0 %	1,5 %
Price / Earnings	-8	-1	-37
Share price at the end of the period	2,90	1,64	6,47
Lowest	1,58	1,58	6,42
Highest	3,97	8,18	11,73
Market capitalization, million EUR	61,1	34,6	135,9

Key Figures

ADJUSTED CONSOLIDATED KEY FIGURES	2019	2018
Adjusted EBITDA, EUR 1.000	2 707	-3 529
Adjusted EBITDA, percent of sales	3.1 %	-4.3 %
Adjusted EBITA, EUR 1.000	-3 720	-8 405
Adjusted EBITA, percent of sales	-4.3 %	-10.2 %
Adjusted EBIT, EUR 1.000	-4 560	-28 547
Adjusted EBIT, percent of sales	-5.3 %	-34.5 %
Adjusted return on equity (ROE), percent	-12,5 %	-40.2 %
Adjusted return on capital employed (ROCE), percent	-7.4 %	-26.4 %

Consolidating Alternative Key Figures

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

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

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

Comparable EBITDA and EBITA

EUR thousand	2019	2018
EBIT / Operating profit	-5 767	-29 800
Depreciation and amortisation	7 372	25 018
EBITDA	1 605	-4 782
Items affecting comparability		
Reorganising expenses	1 102	1 253
Comparable EBITDA	2 707	-3 529
EBIT /Operating profit	-5 767	-29 800
Amortizations of acqusitions	840	853
Impairment of acquisitions	0	19289
EBITA	-4 927	-9 658
EBIT /Operating profit	-5 767	-29 800
Items affecting comparability		
Reorganising expenses	1 102	1 253
Impairment of asset lease	104	0
Comparable EBIT	-4 560	-28 547
Items affecting comparability		
Amortizations of acqusitions	840	853
Impairment of acquisitions	0	19 289
Comparable EBITA	-3 720	-8 405

EBITDA: In 2019 restructuring costs totalled to EUR 1.102 thousand (EUR 651 thousand related to personnel and EUR 445 thousand to fixed assets). Full year 2018 restructuring cost of EUR 1 253 thousand related to personnel expenses.
EBITA: This the full year impairment expense was EUR 104 thousand including exchange differences.
EBIT: 2019 was pressed due to an impairment of goodwill by EUR 19 289.

Corporate Governance Statements and Remuneration Review

Robit Corporate Governance Statement for 2019 has been published as a separate statement on Robit website https://www.robitgroup.com/investors/administration.

Also, Robit remuneration review for 2019 has been published in the same address.

In Lempäälä, 20 February 2020
ROBIT PLC
Board

ROBIT PLC FINANCIAL STATEMENTS

1 Jan 2019 – 31 Dec 2019

Contents

Consolidated Statement of Comprehensive Income

EUR thousand	Note	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Net sales	2.1	86 482	82 683
Other operating income	2.4	1 703	1 187
Materials and services	2.2	-55 088	-50 248
Employee benefit expense	2.3	-17 308	-19 168
Depreciation, amortization and impairment	2.5	-7 372	-25 018
Other operating expenses	2.4	-14 184	-19 236
EBIT (Operating profit)		**-5 767**	**-29 800**
Finance income and costs			
Finance income	4.5	807	1 630
Finance cost	4.5	-1 700	-3 253
Finance income and costs net		-893	-1 623
Profit before income tax		**-6 660**	**-31 423**
Income taxes			
Current taxes		-488	-385
Change in deferred taxes		-116	424
Income taxes	6.2	-604	39
Result for the period		**-7 265**	**-31 384**
Attributable to:			
Owners of the parent		-7 265	-31 384
Non-controlling interest			
		-7 265	**-31 384**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	4.1	273	-814
Other comprehensive income, net of tax		**273**	**-814**
Total comprehensive income		**-6 992**	**-32 198**

EUR thousand	Note	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Attributable to:			
Owners of the parent		-6 992	-32 198
Non-controlling interest		0	0
		-6 992	**-32 198**

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

Basic and diluted earnings per share	4.2	-0,35	-1,49

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

Consolidated Balance Sheet

EUR thousand	Note	31-Dec-19	31-Dec-18
ASSETS			
Non-current assets			
Goodwill	3.1	5 420	5 159
Other intangible assets	3.2	5 412	6 923
Property, plant and equipment	5.1	26 779	25 824
Loan receivables	4.4	266	334
Other receivables	4.4, 5.3	3	3
Deferred tax assets	6.2	1 069	1 443
Total non-current assets		38 949	39 686
Current assets			
Inventories	5.2	32 771	30 808
Account and other receivables	4.4, 5.3	20 112	18 640
Loan receivables	4.4	154	222
Income tax receivable	6.2	127	170
Cash and cash equivalents	4.4	15 248	27 470
Total current asset		68 412	77 310
Total assets		107 361	116 996

EUR thousand		31-Dec-19	31-Dec-18
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	82 269	82 266
Cumulative translation difference	4.1	-1 710	-1 983
Retained earnings	4.1	-23 480	7 958
Profit for the year	4.1	-7 265	-31 384
Total equity		50 721	57 763
Total equity		50 721	57 763
Liabilities			
Non-current liabilities			
Borrowings	4.3	22 106	25 862
Deferred tax liabilities	6.2	1 264	1 551
Employee benefit obligations	2.3	512	1 123
Total non-current liabilities		23 881	28 535

EUR thousand	Note	31-Dec-19	31-Dec-18
Current liabilities			
Borrowings	4.3	16 109	17 419
Advances received	5.5	266	142
Income tax liabilities	6.2	289	240
Account payables and other liabilities	5.4	15 921	12 896
Provisions	5.5	174	0
Total current liabilities		**32 759**	**30 697**
Total liabilities		**56 640**	**59 233**
Total equity and liabilities		**107 361**	**116 996**

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 1.1.2018		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

EUR thousand		Share capital	Share premium	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total
Equity at 1.1.2019		705	202	82 266	-1 983	-23 426	57 764
Profit for the period						-7 265	-7 265
Other comprehensive income							
Translation differences					273		273
Total comprehensive changes					273	-7 265	-6 992
Purchase of treasury shares						-328	-328
Share-based payments to employees						197	197
Use of treasury shares to BoD compensation				3		72	74
Other changes						5	5
Total transactions with owners, recognized directly in equity		0	0	3	0	-54	-52
Equity at 31.12.2019	4.1	705	202	82 269	-1 710	-30 744	50 721

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 2019	1 Jan - 31 Dec 2018
Cash flows from operating activities			
Profit before income tax		-6 660	-31 423
Adjustments			
Depreciation, amortization and impairment charges	2.5	5 538	25 018
Finance income and finance costs	4.5	479	1 623
Share-based payments to employees	2.3	197	85
Loss (+) on sale of property, plant and equipment	2.4	263	95
Other non-cash transactions		1 476	3 014
Cash flows before changes in working capital		1 293	-1 588
Change in working capital			
Increase (-) in account and other receivables		-1 047	5 341
Increase (-) / decrease (+) in inventories		-695	-2 370
Increase (+) in account and other payables		2 251	-2 582
Cash flows from operating activities before financial items and taxes		1 802	-1 199
Interest and other finance expenses paid		-992	-887
Interest and other finance income received		74	64
Income taxes paid		-444	-188
Net cash inflow (outflow) from operating activities		**439**	**-2 210**
Cash flows from investing activities			
Purchases of property, plant and equipment	5.1	-1 243	-4 082
Purchases of intangible assets	3.3	-132	-555
Proceeds from the sale of property, plant and equipment		2 133	243
Proceeds from loan receivables	4.4	131	-236
Net cash inflow (outflow) from investing activities		**889**	**-4 630**

EUR thousand	Note	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Cash flows from financing activities			
Acquisition of own shares	4.1	-328	0
Proceeds from loans		0	1 112
Repayments of loans		-11 278	-5 445
Change in bank overdrafts	4.3	74	-803
Payment of lease liabilities	4.3	-2 237	-356
Distribution of dividend	4.3	0	-2 100
Net cash inflow (outflow) from financing activities		**-13 770**	**-7 592**
Net increase (+) / decrease (-) in cash and cash equivalents		-12 442	-14 432
Cash and cash equivalents at the beginning of the financial year	4.4	27 470	42 172
Exchange gains/losses on cash and cash equivalents		219	-270
Cash and cash equivalents at end of the year	4.4	**15 248**	**27 470**

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 10 offices and active sales networks in 115 countries. Robit has production units in Finland, South Korea, Australia and 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, 2020. 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 2019. 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
IFRS 16 adoption	2.4.
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 2019	1 Jan - 31 Dec 2018
Top Hammer	40 322	36 598
Down the Hole	46 160	46 074
Digital services	0	10
Total	86 482	82 683

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 2019	1 Jan - 31 Dec 2018
Europe, Middle East and Africa	36 190	31 919
North and South America	15 501	12 941
Asia	10 482	11 593
Australasia	15 405	19 884
Russia and CIS countries	8 903	6 346
Total	86 482	82 683

None of the Robit's customer generated more than 10 per cent of the Group's revenue for the year ended 31 December 2019.

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). Four manufacturing units located in Finland, South Korea, Australia and UK, are common resources for business operations. These manufacturing units serve the entire sales organization bus concentrating to manufacture certain type or certain size of products.

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 2019 amounted to EUR 55 088 thousand (2018: EUR 50 248 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.

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 2019	1 Jan - 31 Dec 2018
Wages and salaries	-14 390	-15 994
Pension costs - defined contribution plans	-1 353	-1 465
Social security expenses	-621	-607
Share-based payments	-221	-151
Other long-term benefits	-263	-432
Other employee benefit expenses	-459	-518
Total	**-17 308**	**-19 168**

Robit's number of personnel decreased in 2019 by 34 persons compared to 31.12.2018, with the total number of personnel being 252 at the end of the period under review (31.12.2018: 286). Robit's average number of personnel was 274 persons during the financial period 2019 and 308 in 2018.

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 46 thousand for the year ended 31 December 2019 (2018: EUR 77 thousand). The liability related to long-service fee amounted to EUR 283 thousand as at 31 December 2019 (31.12.2018: EUR 301 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 136 thousand for the year ended 31 December 2019 (2018: EUR 333 thousand). The employee benefit obligation recognized for severance payment plan amounted to EUR 228 thousand as at 31 December 2019 (31.12.2018: EUR 821 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 11 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. On June 11, 2019 board resolution was that the reward period planned to begin September 1, 2019 will not be commenced and there was no share allocation. Board of director's also decided that new plan will not be started in 2019. Though, it was concluded, that new plan will be commenced during 2020.

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 7 key personnel.

The long-term share-based incentive plan for the CEO applies to Tommi Lehtonen, the CEO of the group since May 1, 2019. The share plan has three earning periods and covers the period January 1, 2019 to December 31, 2024. Board of directors of Robit Plc sets targets for each two-year earning period starting from 2019. Earning periods end with December 31, 2020, December 31, 2022 or December 31, 2024. The fees, payable under this scheme, represent a total of 160.000 Robit Plc's share value, including the monetary contribution to taxes and tax-related payments.

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.

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
As of 1 January 2019, the Group has applied the IFRS 16 standard which replaces old IAS 17 Leases-standard. Robit adopted the IFRS 16 standard from 1 January 2019, using the modified retrospective approach whereby comparative financial information is not restated.

Impact of the adoption of IFRS 16 standard

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 are recorded in the balance sheet, as there is no longer 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.

At the balance sheet date, the Group has non-cancellable leases amounting to EUR 5,538 thousand. A total of EUR 8 073 thousand of leasing liabilities and leasing assets were recognized on 1 January 2019 in accordance with the standard.

EUR thousand	1-Jan-19
Assets	
Right-of-use assets	9 262
Assets prior reported as finance leases	-1 179
Prepayments	-10
Total assets	8 073
Liabilities	
Interest-bearing loans	8 073
Total liabilities	8 073

The Group has leases for various premises, equipment, machinery, vehicles and other equipment. Prior to the adoption of IFRS 16, the Group classified all leases as either finance leases or operating leases. A lease was classified as a finance lease if it transferred all the risks and rewards of ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Financial leases were capitalised at the inception of the lease at the fair value of the leased asset. In an operating lease, the leased asset was not capitalized and the leases were recognised as rental expenses in profit or loss over the lease term.

With the adoption of IFRS 16, the Group applies a uniform recognition and valuation method for all leases, except for short-term leases and leases of low-value assets.

Leases previously classified as finance leases

The Group did not change the original carrying amounts of the recognised assets and liabilities (i.e. the right-of-use assets and lease liabilities are equal to the lease payments and liabilities recognised in accordance with IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases that were previously classified as operating leases, except for short-term leases and leases of low value assets.

Bridge calculation from operating lease commitments to lease liabilities according to the standard:

EUR thousand	
Operating lease commitments as at 31 December 2018	5 538
Weighted average rate as at 1 January 2019	5.6%
Discounted operating lease commitments as at 1 January 2019	4 534
Less:	
Commitments relating to short-term and low-value assets	-87
Add:	
Commitments relating to leases previously classified as finance leases	775
Extensions at management's discretion not recognized at 31 December 2018	3 625
Lease liabilities as at 1 January 2019	8 847

Accounting principles

Right-of-use assets:

The Group records right-of-use assets on the date of adoption of the standard on 1 January 2019. Right-of-use assets are valued at acquisition cost less accumulated depreciation and impairment and are restated through reassessments of the leases.

Leases

On the date of adoption of the standard, 1 January 2019, the Group recognised lease commitments valued at the contractual or estimated present value of the lease term. Lease payments include fixed payments less any income from re-leasing.

When calculating the present value of lease payments, the Group uses the estimated discount rate of the property investor's yield requirement for buildings and land. In machinery and equipment as well as vehicles are used the interest rates specified in the financing agreements or the local estimated additional financing interest rate.

Short-term leases and leases of low-value assets

The Group applies the exemption for short-term leases. This is also applied to leases of low-value assets. Short-term leases and leases of low-value assets are recognised as an expense.

Special consideration in determining the lease term

The Group defines leases as non-cancellable. If a lease includes the possibility to extend or terminate the lease, the extension is taken into account at management's discretion in significant lease items such as premises, land, plant and machinery.

Changes in reporting period in the balance sheet

	Right-of-use assets					
EUR thousand	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Total	Lease liabilities
As at 1 January 2019	1 092	6 545	1 559	65	9 262	8 847
Net changes	-195	-366	-215	369	-407	-20
Depreciation	-56	-1 483	-141	-152	-1 832	
Payments						2 056
As at 31 December 2019	842	4 696	1 203	282	7 023	6 771

Other operating income

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Operational exchange rate income	1 297	968
Other operating income	406	219
Total	1 703	1 187

Other operating expenses

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Administration costs	-8 457	-8 833
Lease payments	-274	-2 325
Premise expenses	-1 479	-1 507
Work performed by the Group and capitalized	0	172
Operational exchange rate expenses	-1 020	-1 267
Other operating expenses	-2 954	-5 475
Total	-14 184	-19 236

Auditor's fees

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Statutory fees	-352	-224
Tax consultancy	-30	0
Other services	-7	-3
Total	-388	-227

Ernst & Young -company portion of statutory fees is 225 thousand euros for auditing. Increase in auditing fee was based on more extensive audit procedures especially relating to impairment testing.

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 2019	1 Jan - 31 Dec 2018
Depreciation by class		
Land and water	-53	
Buildings and constructions	-2 054	-319
Machinery and equipment	-3 158	-3 550
Other tangible assets	-355	-186
Total	**-5 622**	**-4 055**

Right of use asset (IFRS 16) depreciation amounted to EUR 1 904 thousand

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Amortization by class		
Customer relationships and brand	-840	-853
Intangible rights	-149	-96
Other intangible assets	-760	-725
Total	**-1 750**	**-1 675**

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 2019

Robit acquired in October 1, 2019 about 10 % of the shares in Swedish Eurodrilling Services AB. Acquisition price was 99 euros and the acquisition did not materially affect Robit's financial position. In conjunction to the acquisition a distribution was signed.

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).

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. Robit has re-organized its Down the Hole business and substantial savings in production and supply chain are expected to be gained. Before Down the Hole and Halco were tested for impairment as separate cash generating units (CGU), but in the new situation they are tested as one CGU. After this change Robit has two CGU's TTop Hammer and Down the Hole)

Cash flow estimates are based on management's best estimates for future net sales, cost development, general market conditions and applicable tax rates. The estimate covers following three-year period. The cash flows beyond this 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

The table below presents the movements of goodwill:

EUR thousand	2019	2018
Carrying value at 1 January	5 159	25 116
Impairment		-18 900
Exchange differences	261	-1 057
Carrying value at 31 December	**5 420**	**5 159**

The table summarizes the allocation of goodwill to business units:

EUR thousand	2019	2018
Down the hole	5 332	4 354
Halco		717
Top Hammer	88	88
Total	**5 420**	**5 159**

*) Goodwill of Halco has been tested integrated to Down the Hole CGU

The goodwill of Top Hammer cash-generating unit has been tested for impairment as of December 31, 2019. Based on the assumptions below, the recoverable amount of the Top Hammer cash-generating unit is estimated to exceed the carrying amount of tested net assets by EUR 5 559 thousand, which represents 12 % of the carrying amount of the tested assets.

Management has determined the values for key assumptions used in the impairment testing of the Top Hammer 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 16 % during the three-year forecast period. Net sales are expected to increase since training and development of the distribution network has been targeted better as well as the Korean facility's improved performance allows more active pricing and enables growth of market share.
EBITDA-margin	Average EBITDA-margin is expected to be 11.6 % during the three year forecasting period. The long-term EBITDA is expected to be 13.6 % 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 14.3 %. This reflects the specific risks relating to Down the Hole business and the countries in which it operates.

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

Assumed values in goodwill impairment calculations	From	To
Average annual net sales growth during the three-year forecast period	16.0 %	2.0 %
Average EBITDA-margin during the three-year forecast period	11.6%	6.3 %
Average EBITDA-margin (exceeding the three-year forecasting period)	13,6 %	12.6 %
Long-term growth rate (exceeding three-year forecasting period)	1,5 %	-1,5 %
Pre-tax discount rate	14.3 %	16,1 %

The goodwill of Down the Hole cash-generating unit has been tested for impairment as of December 31, 2019.
Robit has re-organized its Down the Hole business and substantial savings in production and supply chain are expected to be gained. Before Down the Hole and Halco were tested for impairment as separate cash generating units (CGU), but in the new situation they are tested as one CGU. 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 7.794 thousand, which represents 27 % 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 5.2 % 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 11.5% during the three-year forecasting period. The long-term EBITDA is expected to be 13.6% 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 13.5%. 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	2019	
Assumed values in goodwill impairment calculations	From	To
Average annual net sales growth during the three year forecast period	5.2%	-0.5%
Average EBITDA-margin during the three year forecast period	11.5%	10.4%
Average EBITDA-margin (exceeding the three year forecasting period)	13.6%	11.2%
Long-term growth rate (exceeding three year forecasting period)	1.5%	-6.0%
Pre-tax discount rate	13.5%	17.0%

3.3 Other intangible assets

Accounting policy

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

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

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

Development costs

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

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.

Other intangible assets

EUR thousand	Customer relation-ships	Brand	Intangible rights	Other intangible assets	Total
2019					
Cost at 1 January	5 693	827	600	5 672	12 793
Additions	0	0	42	67	110
Disposals	0	0	0	0	0
Reclassifications	0	0	22	0	22
Exchange differences	111	42	-1	9	162
Cost at 31 December	5 804	870	663	5 749	13 087
Accumulated amortization and impairment at 1 January	-1 944	-138	-352	-3 436	-5 870
Amortization	-784	-56	-149	-760	-1 750
Disposals And impairment	0	0	-12	12	0
Exchange differences	-43	-9	1	-5	-55
Accumulated amortization and impairment at 31 December	-2 771	-203	-512	-4 188	-7 675
Net book amount at 1 January	**3 749**	**689**	**248**	**2 237**	**6 923**
Net book amount at 31 December	**3 034**	**667**	**151**	**1 561**	**5 412**

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
Reclassifications	0	0	0	0	0
Exchange differences	-284	-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
Reclassifications	0	0	0	0	0
Exchange differences	80	1	0	1	82
Accumulated amortization and impairment at 31 December	-1 944	-138	-351	-3 436	-5 870
Net book amount at 1 January	**4 750**	**751**	**310**	**2 277**	**8 088**
Net book amount at 31 December	**3 749**	**689**	**249**	**2 236**	**6 923**

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 569 thousand in 2019 and EUR 827 thousand in 2018. 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 896 thousand as at December 31st 2019 (31.12.2018: 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 2018	**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**
Use of treasury shares to management compensation	3 226
Use of treasury shares to BoD compensation	25 488
Acquisition of own shares	-150 000
At 31 Dec 2019	**20 935 107**

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 2018	**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**
Use of treasury shares to management compensation	-3 226
Use of treasury shares to BoD compensation	-25 488
Acquisition of own shares	150 000
At 31 Dec 2019	**148 793**

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 2019 and 2018.

Dividends

The annual general meeting resolution March 27, 2019 was not pay dividend in 2019. In 2018 the dividend payment was 0,10 euros per share totalling EUR 2 100 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 2019 or 2018.

	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Profit attributable to the owners of the parent company (euros)	-7 264 646	-31 384 156
Weighted average number of shares (number of shares)	20 967 117	21 003 716
Basic and diluted earnings per share	**-0,35**	**-1,49**

1.1 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-19	31-Dec-18
Non-current borrowings		
Loans from credit institutions	17 450	24 678
Other loans	585	660
Lease liabilities	4 070	524
Total non-current borrowings	**22 106**	**25 862**
Current borrowings		
Loans from credit institutions	9 414	13 246
Other loans	76	76
Bank overdrafts	3 919	3 845
Lease liabilities	2 700	251
Total current borrowings	**16 109**	**17 419**
Total borrowings	**38 215**	**43 280**

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 24 million, 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 ratio is defined to be 2.5 or less from 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 2019. The company has obtained a waiver from its main financing bank to breach the covenant at 31 December 2018. The covenant condition was an absolute EBITDA at 31 December 2019. Robit amortized 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 was 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 2019, the company has EUR 15.2 million in liquid funds and can therefore maintain its debt servicing and liquidity in current amortization schedule.

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. Factoring limit available in Korea was not utilized at the end of 2019.

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 3 919 thousand liability as at 31 December 2019 (31.12.2018: EUR 3 845 thousand) related to its credit facility agreement including one Finnish bank limit. The maximum amount at 31 December 2019 was EUR 4 000 thousand (31.12.2018 EUR 4 000 thousand).

Finance lease liabilities

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

Lease liabilities are reported as use of asset liabilities with bank financing.

Net debt

EUR thousand	31-Dec-19	31-Dec-18
Cash and cash equivalents	15 248	27 470
Current loans	-16 108	-17 419
Non-current loans	-22 106	-25 862
Net debt	**-22 967**	**-15 810**
Cash	15 248	27 470
Gross debt - fixed interest rate	-2 228	-1518
Gross debt - variable interest rate	-35 987	-48 406
Net debt	**-22 967**	**-15 810**

EUR thousand	Cash / bank overdraft	Current leases	Non-current leases	Current loans	Non-current loans	Total
Net debt as at 1 January 2018	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
Cash flows	-11 634	-32	-1 388	3 832	15 110	5 888
Acquisitions	0	0	0	0	0	0
Foreign exchange adjustments	-662	0	1 597	0	-7 807	-6 873
Other non-cash movements**	0	-2 417	-3 755	0	0	-6 172
Net debt as at 31 December 2019	11 329	-2 700	-4 070	-9 490	-18 035	-22 967
Net book amount at 1 January 2018	23 625	-251	-524	-13 322	-25 338	-15 810
Net book amount at 31 December 2019	11 329	-2 700	-4 070	-9 490	-18 035	-22 967

*Reclassification of loan maturity in the balance sheet
**Net change in liabilities due to IFRS16

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-19	31-Dec-18
Carrying amounts of loans and receivables		
Loan receivables	154	222
Account and other receivables	20 112	18 640
Cash and cash equivalents	15 248	27 470
Total current	**35 514**	**46 332**
Loan receivables	266	334
Other receivables	0	0
Total non-current	**266**	**334**
Total	**35 781**	**46 666**

Loan receivables

Loan receivables previously reported as share loan receivables amounted to EUR 128 thousand as at 31 December 2019 (31.12.2018: EUR 366 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 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 2019	1 Jan - 31 Dec 2018
Finance income		
Foreign exchange gains on financing activities	733	1 567
Other finance income	53	24
Interest income on cash equivalents	21	40
Finance income total	807	1 630
Finance cost		
Foreign exchange losses on financing activities	-357	-2 383
Interest expenses on borrowings	-1 226	-710
Interest expense on deferred consideration	-24	-25
Other finance costs	-94	-135
Finance cost total	-1 700	-3 253
Finance income and costs total	**-893**	**-1 623**

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.

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 2019, 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 757 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian dollar-denominated loan amounted to EUR 7 846 thousand granted by the parent company to the Australian subsidiary.

As 31 December 2019, 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 1 520 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated loans amounted to EUR 5 112 thousand and US dollar denominated account receivables from group companies and third parties amounting to EUR 11 965 thousand.

As 31 December 2019, 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 1 088 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of Korean won -denominated loan amounted to EUR 5 918 thousand and internal account payables.

As 31 December 2019, 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 651 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of GBP -denominated loan amounted to EUR 4 572 thousand.

As 31 December 2019, 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 224 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.

(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 did not reports fixed rate loans at year end 2019 (31.12.2018: EUR 2 706 thousand). During the presented periods, the Group's borrowings at variable rate were denominated in euro, South Korean Won and sterling pound.

At 31 December 2019, 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 140 thousand (2018: EUR 193 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 account receivables 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.

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

EUR thousand	31-Dec-19	31-Dec-18
Not due	12 366	10 126
Overdue by		
Less than 30 days	3 331	2 409
30-60 days	746	927
61-90 days	420	714
More than 90 days	774	1 584
Total	17 637	15760

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 842 thousand in financial year 2019 and EUR 1 298 thousand in 2018. 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 15 248 thousand as at 31 December 2019 (31.12.2018: EUR 27 476 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 has been defined to be 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 47 % as at 31 December 2019 (31.12.2018: 49%) 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.

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	12 546					12 546	13 043
Lease liabilities	991	990	1 408	1 803	2 030	7 221	6 771
Loans from credit institutions	4 570	5 272	17 555	31		27 428	26 864
Bank overdrafts	3 974					3 974	3 919
Other loans	203	3	204	251		662	661
Total financial liabilities	22 284	6 265	19 167	2 085	2 030	51 830	51 258

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
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

Capital management

Robit defines capital as equity plus borrowings as shown on the balance sheet 31.12.2019 EUR 88 142 thousand (31.12.2018 EUR 101 044 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 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 47 (31.12.2018: 49) per cent and the ratio of net debt to adjusted EBITDA was 7 as at 31 December 2019. We are referring to note 4.3 information on the covenant breach.

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

4.7 Commitments and contingent liabilities

Guarantees given and contingent liabilities

EUR thousand	31-Dec-19	31-Dec-18
Guarantees and mortgages given on own behalf:		
Enterprise mortgages	41 012	42 169
Real estate mortgages	2 856	3 856
Total	**43 868**	**46 025**

EUR thousand	31-Dec-19	31-Dec-18
Other guarantees:		
Other guarantee liabilities	83	261
Total	**83**	**261**

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.

Robit has adopted IFRS 16 -standard in the beginning of 2019. Further information in note 6.5

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. Company did not make alteration to the use of the real estate.

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 127 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 27 thousand.

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 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
2019						
Cost at 31 December 2018	163	11 248	27 045	1 345	88	39 890
Recognition of right-of-use asset on initial application of IFRS 16	1 092	6 545	1 559	65		9 262
Cost at 1 January 2019	1 255	17 794	28 604	1 410	88	49 152
Additions	-200	7 302	610	698	329	8 740
Disposals	0	-1 092	-2 348	-90	-349	-3 879
Reclassifications	0	0	-220	76	-70	-213
Exchange differences	6	13	263	40	1	323
Cost at 31 December	1 061	17 472	25 350	2 089	0	45 972
Accumulated depreciation and impairment at 1 January	0	-2 011	-11 265	-790	0	-14 066
Depreciation	-56	-1 822	-3 719	-355	0	-5 952
Reclassifications	0	0	141	-65	0	76
Disposals And impairment	0	0	895	54	0	949
Exchange differences	0	-13	-159	-28	0	-201
Accumulated depreciation and impairment at the end of period	-56	-3 846	-14 108	-1 184	0	-19 193
Net book amount at 1 January	163	9 238	15 780	555	88	25 824
Net book amount at 31 December	1 005	13 626	11 242	905	0	26 779

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 31 December	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

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 leases

Robit leases laptops, cars and some production machinery in UK and South Africa under non-cancellable finance lease agreements. IFRS 16 standard has been applied to the use of right assets.

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 complete the sales.

EUR thousand	31-Dec-19	31-Dec-18
Materials and supplies	4 238	4 449
Work in progress	2 024	1 719
Finished goods	26 509	24 639
Total	**32 771**	**30 808**

The inventories include mainly raw materials used in the production and finished products, such as button bits, drilling rods, casing systems hammer components and assembled hammers. Inventory of finished goods include obsolescence provision of EUR 1 486 thousand. The increase of the provision was EUR 594 thousand and the release EUR 1 186 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	2019	2018
At 1 January	2 273	3 629
Provision for impairment recognised during the year	594	1 192
Inventories written off during the year	-1 186	-2 233
Unused amounts reversed	-196	-314
At 31 Dec	1 486	2 273

5.3 Account and other receivables

Accounting policies

Account receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Account receivables are recognized initially at fair value and subsequently at amortized cost less impairment. 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-19	31-Dec-18
Account receivables	17 637	15 760
Prepayments and accrued income	253	227
Other receivables*	2 223	2 653
Total	**20 112**	**18 640**

* Incl. mainly VAT receivables EUR 1 437 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	2019	2018
At 1 January	1 327	257
Provision for impairment recognised during the year	147	1 194
Receivables written off during the year as uncollected	-265	-119
Unused amounts reversed	-46	-4
At 31 Dec	842	1 327

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	2019	2018
Impairment losses		
Individually impaired receivables	-483	-857
Movement in provision for impairment	337	-337
Reversal of previous impairment losses	46	4
	-101	-1 189

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 in the previous year included receivables which were 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, Robit has still the credit risk as credit risk is not transferred to financing companies. The group therefore continues to recognise the transferred assets in their entirety in its balance sheet. In 2019 this facility was not in use.

The relevant carrying amounts are as follows:

EUR thousand	2019	2018
Factored receivables	0	194
Associated secured borrowing (bank loans see note 4.3)	0	194

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-19	31-Dec-18
Account payables	13 043	8 575
Accrued expenses	2 700	2 917
Other	179	1 248
Total	**15 921**	**12 740**

Material items included in accrued expenses:

EUR thousand	31-Dec-19	31-Dec-18
Accrued salaries	1 018	1 055
Accrued social security costs	192	221
Accrued interests	16	4
Other *	1 474	1 637
Total	**2 700**	**2 917**

* 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 45 thousand at 31 December 2019 (2018: EUR 148 thousand).

Movements in the provision for warranty provisions

EUR thousand	2019	2018
At 1 January	148	36
Provision for warranty costs recognised during the yea	28	137
Warranty costs during the year	-20	-25
Unused amounts reversed	-113	0
At 31 Dec	45	148

5.6 Advance payments received

Advance payments received amounted to EUR 266 thousand as at 31 December 2019 (31.12.2018: EUR 142 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 2019	1 Jan - 31 Dec 2018
Included in EBIT /operating profit	277	-299
In finance income and expenses	376	-816
Total	**654**	**-1 115**

Group's subsidiaries as at 31 December 2019 and 2018 were as follows:

	Parent % 31.12.2019	Parent % 31.12.2018	Group % 31.12.2019	Group % 31.12.2018
Halco Brighouse Ltd, UK, Parent Robit UK			100 %	100 %
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 %	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. Robit USA LLC name was changed to Halco USA LLC.

*** 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 2019	1 Jan - 31 Dec 2018
Current tax:		
Current tax on profits for the year	434	-358
Adjustments in respect of prior years	-17	-27
Total current tax expense	417	-384
Deferred tax:		
Decrease (-) / increase (+) in deferred tax assets	-306	-350
Decrease (+) / increase (-) in deferred tax liabilities	190	691
Adjustments in respect of prior years	-5	-170
Total deferred tax expenses	-506	424
Income tax expense	**-604**	**39**

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Profit before tax	**-6 660**	**-31 423**
Tax calculated at Finnish tax rate	-1 332	-6 285
Tax effect of:	0	0
Effect of other tax rates for foreign subsidiaries	-12	-2 162
Expenses not deductible for tax purposes	134	6 052
Income not subject to tax	-1	0
Unrecognized deferred tax assets from tax losses	1 792	2 567
Utilization of previously unrecognized tax losses	0	15
Other adjustments	0	0
Adjustment in respect of prior years	23	-226
Taxes in income statement	**604**	**-40**

In 2019 there were no taxes posted to directly equity. In 2018 the entry was EUR - 193 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	2019	2018
As at 1 of January	-110	-354
Recognized in profit or loss	-116	424
Recognized in equity	0	-193
Acquisition of subsidiaries	0	0
Exchange rate differences	34	14
As at 31 of December	-191	-110

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	Recignised directly to equity	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2019						
Deferred tax assets						
Inventories	248	63	0	0	0	311
Employee benefits	190	93	0	0	1	284
Property, plant and equipment	530	-41	0	0	7	496
Tax losses	0					0
Other	601	-587	0	0	13	28
Total	**1 570**	**-472**	**0**	**0**	**21**	**1 119**
Set-off of deferred taxes	-126					-49
Deferred tax assets, net	**1 444**					**1 069**

	At 1 Jan	Recognized in profit or loss	Recignised directly to equity	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2019						
Deferred tax liabilities						
Property, plant and equipment	140	0	0	0	0	140
Intangible assets	1 253	-78	0	0	-10	1 165
Inventories	0	0	0	0	0	0
Other items	286	-278	0	0	-1	8
Total	**1 679**	**-672**	**-115**	**0**	**-100**	**1 313**
Set-off of deferred taxes	-126					-49
Deferred tax liabilities, net	**1 553**					**1 264**

EUR thousand	At 1 Jan	Recognized in profit or loss	Recignised 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**					**1 444**

	At 1 Jan	Recognized in profit or loss	Recignised 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**

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 2019 was 26,99% (21,1 % as at 31 December 2018). The chairman of the board of directors Harri Sjöholm has control in Five Alliance Oy.

The remuneration of Board of Directors

Salaries, remuneration and other benefits paid in 2019 and 2018 to the Board of Directors were as follows:

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec .2018
Harri Sjöholm	57,8	35,0
Tapio Hintikka		34,0
Mammu Kaario	42,8	44,0
Kai Seikku	39,5	40,0
Kalle Reponen	46,5	46,0
Heikki Allonen		40,0
Mikko Kuitunen	41,0	9,0
Matti Kotola		5,0
Total	227,5	253,0

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. Committee meeting fee is 500 for each attended 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. Meeting fees are paid in cash. Travel claims are paid according to company travel policy. Members of the board do not participate into share-based remuneration plans and they do not have any pension agreements with the company. There are on restriction in the shareholdings granted as the annual board fee.

Total 26 614 shares were granted to the Board of Directors.

As annual board fee 7 258 shares were granted to the chairman of the board Harri Sjöholm and 4 839 shares to Mammu Kaario, Kai Seikku, and Kalle Reponen each.

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 2019 to the CEO, Tommi Lehtonen, amounted to EUR 195 thousand. In 2018 previous CEO Mika Virtanen was paid Eur 521 thousand, which included and compensation EUR 220 thousand to terminate his CEO agreement. During the financial year, 3 226 shares, which is worth of EUR 8 thousand to the CEO in respect of his CEO agreement. In addition, a pension scheme fee of 12 thousand was paid on behalf of CEO.

For more information on the share reward program, see section 2.3.

In the CEO contract his term of notice has been specified as six (6) months in case CEO or decides to withdraw, and six (6) months should the contract be terminated by the company. Upon termination of contract of the CEO by the company, the CEO will be paid a compensation corresponding to three (3) months without benefits. CFO Ilkka Miettinen acted as interim CEO between December 7, 2018 and April 30, 2019.

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 2019 and 2018 were as follows:

Compensation to other management *

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Salaries and other short-term employee benefits	382	758
Share-based payments	0	28
Total	382	786

*) The remuneration of the CEO has been reported separately and the comparison year has been adjusted accordingly. The management team members did not have voluntary pension plans that would have been classified as defined contribution plan. In the comparison year the costs related to the plan amounted to EUR 18 thousand. For more information on the share-based incentive program, see section 2.3.

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. 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 2019 (2018: 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	5 760 491	27,32 %
Harri Sjöholm *	5 708 164	27,07 %
Mammu Kaario	15 880	0,08 %
Kai Seikku	11 361	0,05 %
Kalle Reponen	27 102	0,13 %
Mikko Kuitunen	6 858	0,03 %
CEO	12 226	0,06 %
Other members of the management team	10 000	0,05 %
Total	5 791 591	

*26,99% owned by Harri Sjöholm through Five Alliance Oy

6.4 Subsequent events

The company announced on 10 January that Arto Halonen (38), M.Sc. Eng., M.Sc. Econ. has been appointed as Chief Operating Officer (COO) and member of the Robit Management Team. He will start in his position in the beginning of May 2020, at the latest.

On 24 January Robit Plc announces that it has re-organized and transferred its subsidiary's business operations in Hong Kong to Millionbase International Ltd. Millionbase International Ltd. continues Robit's sales and customer service as a distributor for Robit DTH-offering in Hong Kong. Millionbase manages also the existing local stock to serve the market needs.

The right of use assets utilized previously by Halco Brighouse Ltd have been sub-leased eth the beginning of February 2020. The impact of the agreement has been taken into account in the financial statements of 2019.

6.5 New and amended standards adopted by the group

Used new IFRS standards
Since 1 January 2019 IFRS 16 standard has applied. The impact of the adoption has been reported in the note 2.4

Parent Company Financial Statements

Robit Plc, Business ID: 0825627-0

Robit Plc (parent company)		
Income statement	1.1.2019 - 31.12.2019	1.1.2018- 31.12.2018
	€	€
Net sales	3 494 372,83	4 048 433,20
Manufacturing for own use	0,00	160 209,96
Other operating income	455 954,71	402 114,98
Purchases during the financial year	-272,05	-471 682,83
Change in inventories	0,00	169 382,35
External services	-3 513,94	-6 483,72
Total materials and services	-3 785,99	-308 784,20
Personnel expenses		
Wages and salaries	-1 404 025,56	-2 868 934,73
Indirect personnel expenses		
Pension expenses	-211 382,89	-410 719,08
Other indirect security expenses	-28 263,48	-74 939,28
Total personnel expenses	-1 643 671,93	-3 354 593,09
Depreciation and amortisation		
Depreciation according to plan	-1 968 516,68	-1 837 139,16
Other operating expenses	-4 580 506,54	-4 045 546,67
OPERATING PROFIT (LOSS)	-4 246 153,60	-4 935 304,98
Financial income and expenses		
Financial income and expenses		
Other interest and financial income	1 351 289,61	1 452 678,02
To group companies	704 251,25	-903 901,46
From others		
Interest and other financial expenses	-2 607 408,19	-15 000 000,00
To others	-841 106,88	-666 869,94
Total financial income and expenses	-1 392 974,21	-15 118 093,38
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-5 639 127,81	-20 053 398,36
Appropriations		
Change in depreciation difference, increase (-) or decrease (+)	15 885,42	-32 454,50
Group contribution	975 000,00	130 000,00
Income taxes	-4 319,61	-4 004,90
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-4 652 562,00	-19 959 857,76

1 Jan - 31 Dec 2019

Robit Plc, Business ID: 0825627-0

Robit Plc (Parent company)

Balance sheet

Assets	Dec 31, 2019	Dec 31, 2018
NON-CURRENT ASSETS		
Intangible assets		
Development costs	973 266,73	1 352 324,88
Intellectual property rights	656 498,07	699 349,30
Other non-current expenses	2 727 771,52	3 779 553,76
Total non-current assets	4 357 536,32	5 831 227,94
Tangible assets		
Land and waters areas	163 040,87	163 040,87
Buildings and structures	3 332 798,11	3 511 014,73
Machinery and equipment	182 238,92	252 801,87
Other tangible assets	54 304,45	72 895,11
Advance payments and purchases in progress	0,00	0,00
Total tangible assets	3 732 382,35	3 999 752,58
Investments		
Shares in group companies	52 229 612,11	49 748 038,49
Other shares and interests	0,00	16,81
Total investments	52 229 612,11	49 748 055,30
Total non-current assets	60 319 530,78	59 579 035,82
Current assets		
Receivables		
Long-term		
Receivables from group companies	26 163 339,95	32 188 860,17
Loan receivables	128 278,28	138 145,84
Long-term receivables total	26 291 618,23	32 327 006,01
Short-term		
Trade receivables	7 676 583,75	7 791 055,25
Receivables from group companies	153 346,40	219 407,57
Loan receivables	187 919,02	40 375,26
Other receivables	131 382,66	123 516,02
Accrued income	8 149 231,83	8 174 354,10
Securities		
Other shares	6 000 414,54	18 000 414,54
Financial assets	6 000 414,54	18 000 414,54
Cash and equivalents	160 118,23	202 248,94
Total current assets	40 601 382,83	58 704 023,59
TOTAL ASSETS	100 920 913,61	118 283 059,41

Robit Plc, Business ID: 0825627-0

	1.1.2019- 31.12.2019 €	1.1.2018- 31.12.2018 €
Equity		
Share capital	705 025,14	705 025,14
Share premium reserve	201 825,51	201 825,51
Invested unrestricted equity reserve	85 018 892,88	85 016 374,58
Retained earnings (loss)	-12 600 035,48	7 616 657,39
Profit (loss) for the financial year	-4 652 562,00	-19 959 857,76
Total equity	68 673 146,05	73 580 024,86
Accrued appropriations		
Depreciation difference	423 079,71	438 965,13
LIABILITIES		
Long-term liabilities		
Loans from financial institutions	17 940 972,23	25 195 781,87
Total long-term liabilities	17 940 972,23	25 195 781,87
Short-term liabilities		
Loans from financial institutions	11 182 880,67	14 673 165,42
Advances received		
Accounts payable	171 714,40	671 698,86
Payables to group companies	2 155 511,71	2 797 890,79
Other liabilities	115 578,70	252 409,07
Accrued liabilities	258 030,14	673 123,41
Total short-term liabilities	13 883 715,62	19 068 287,55
Short-term liabilities total	31 824 687,85	44 264 069,42
TOTAL EQUITIES AND LIABLITIES	100 920 913,61	118 283 059,41

Robit Plc, Business ID: 0825627-0

Cash flow statements (parent company)	1.1.2019- 31.12.2019	1.1.2018- 31.12.2018
Cash flow from operations:		
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-4 246 154	-20 053 398
Adjustments:		
Depreciation according to plan	1 952 631	1 869 594
Financial income and expenses		15 118 093
Other adjustments	1 449 472	668 024
Cash flow before changes in working capital	**-844 050**	**-2 397 687**
Changes in working capital:		
Increase (-) or decrease (+) in trade and other receivables	143 804,34	15 465 061
Increase (-) or decrease (+) in inventories	0	369 768
Increase (-) or decrease (+) in trade payables	-1 693 350	-20 126 401
Cash flow from operations before taxes	-2 393 595	-6 689 259
Interest paid and other finance costs from operations	-842 044	-666 870
Interests and other financial income from operations	2 055 541	548 777
Direct income taxes paid	-19 810	-410
Cash flow from operations (A)	-1 199 909	-6 807 763
Cash flows from investing activities:		
Investments in tangible and intangible items	-227 455	-934 621
Investments in group companies	-400 000	-802 427
Granted subsidiary loans		-3 056 847
Repayment of loan receivables	777 296	1 820 725
Changes in long-term receivables	9 868	217 368
Cash flow from investments (B)	159 708	-2 755 802
Cash flows from investing activities	-1 040 201	-9 563 565
Cash flows from investing activities		
Proceeds from financial instruments and deposits	12 000 000	16 999 545
Loan amortizations	-10 745 094	-5 445 110
Acquisition of own shares	-256 835	0
Dividends paid		-2 099 751
Cash flow from financing (C)	998 071	9 454 685
Change in cash and cash equivalents (A+B+C)	-42 131	-108 880
Cash and cash equivalents at beginning of financial year	202 249	311 129
Cash and cash equivalents at the end of financial year	160 118	202 249
Cash and cash equivalents according to balance sheet	-42 131	-108 880

Notes to the Financial Statements

Applied accounting principles

Company information

Robit group is specializing to sell, design and manufacture drilling consumables.
Robit Oyj is a company listed in Nasdaq OMX Helsinki Ltd main list Finland marketplace with trading code ROBIT.
Robit Plc has a registered address in Vikkiniityntie 9, FI-33880 Lempäälä, Finland.

Group information

Robit Plc parent company of Robit group. The company prepares consolidated financial statements including subsidiaries, which are listed in note xx and Robit share is 20 % or more. Copy of the consolidated group accounts is available in the group head quarters in Vikkiniityntie 9, FI. 33880, Lempäälä, Finland
Vikkiniityntie 9, 33880 Lempäälä.

Intercompany transactions and consolidation

Intra-group profit distributions, internal transactions, internal receivables and liabilities have been eliminated.
The group reserves established in the acquisition of minority shareholding have restated the
The group activating the acquisition. Similarly, the group activation depreciation has been corrected.
The group reserve was recognized as the end of the comparison period.

In Robit SA Ltd Pty, the increase in equity in the directed share issue for the minority has been recognised in its entirety.
Minority interest is separated into the income statement and balance sheet.

Translation differences

The income statements of foreign subsidiaries have been accounted at the average rate of the financial year and the balance sheets have been accounted at the closing date. The exchange differences of the acquisitions have been entered into equity. The exchange difference derived from income statement average exchange rate and balance sheet closing exchange rate has been accounted as translation difference to equity.

Material events during the period

The company implemented an efficiency program comprising four elements: developing the distributor network and the company's own sales, better management of working capital, more effective use of factory network capacity and resources and ensuring the motivation and performance of personnel. Due to the efficiency program the essential focus areas namely net sales and cash flow developed favourably.

The company's new CEO Tommi Lehtonen, M.Sc. (Eng.), started May 1, 2019. He has held in various positions in the company since 2017 CFO Ilkka Miettinen acted as interim CEO from December 7, 2018 until April 30, 2019. Board of Directors were Mammu Kaario, Kalle Reponen, Kai Seikku, Harri Sjöholm and Mikko Kuitunen. Harri Sjöholm was elected to chair the board.

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) per cent of the shares of Robit Plc on 8 Jan,2019. Athanase Industrial Partners Ltd sold their share August 26, 2019. Didner & Gerge Fonder AB sold their shareholding August 29, 2019. These shares were mainly acquired by Five Alliance Ltd, whose shareholding increased to 26,99 % of total shares.

Robit re-organized the production of the Halco -branded product and production was moved to Robit GB and Robit Australia Ltd Pty during the year.

Robit acquired 150.000 own shares with a cost of 328.320,10 euros and average price being 2,1888 euros per share.

Material event after the financial period
Robit Plc did not have any material events after the financial period.

Valuation Principles of Non-Current Assets
Variable costs resulting from acquisition and manufacture of assets have been included in the acquisition cost of the non-current assets. The non-current assets will be depreciated during their useful life according to plan. In the previous financial year, depreciation according to plan were introduced in depreciation of buildings and movable tangible assets. Buildings and movable tangible assets are depreciated during their economic life.

Depreciation periods

Development costs	5 years	Straight-line depreciation
Other long-term expenses	5 - 7 years	Straight-line depreciation
Capitalized listing expenses	5 -10 years	Straight-line depreciation
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 management s view of the economic lifetime.

Investment
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:

	31.12.2019	31.12.2018
Domestic	1 301 461	1 353 210
European community	224 397	407 680
Other countries	1 968 515	2 287 543
Total	3 494 373	4 048 433

Personnel information

Average count of personnel		
Office workers	13	25

Salaries of Members of the Board of Directors and managing director

	31.12.2019	31.12.2018
CEO Tommi Lehtonen since 1.5.2019	203 130	
CEO Mika Virtanen (1.5.2017-7.12.2018)		
Remuneration		321 378
Severance payment		220 000
		541 378
	2019	**2018**
Members of the Board of Directors		
Harri Sjöholm	57 750	34 897
Kai Seikku (since 2018)	39 500	40 000
Kalle Reponen	46 500	46 000
Mammu Kaario (since28.3.2017)	42 750	44 284
Matti Kotola (until 2018)		4 750
Mikko Kuitunen (since 4.12.2018)	41 000	9 288
Heikki Allonen (since 28.3.2018)		39 819
Tapio Hintikka		34 212
	227 500	253 250

Auditors' fees detail

1) Statutory audit	97 181	57 734
2) Assignments according to the Auditing act 1,1 §		
3) Tax consulting		
4) Other services	2 800	3 000
	99 981	60 734

Depreciation according to plan by balance sheet items

Development costs	442 904,50	406 541,91
Intellectual property rights	192 844,51	147 435,11
Other non-current expenses	1 051 782,24	1 017 160,96
Buildings	183 416,62	167 103,76
Machinery and equipment	78 978,15	80 306,76
Other tangible assets	18 590,66	18 590,66
	1 968 516,68	1 837 139,16

Tangible and intangible assets	**31.12.2019**	**31.12.2018**
Development costs		
Acquisition cost 1.1.	2 165 239,65	1 985 074,02
Additions	63 846,35	180 165,63
Reclassification	0,00	0,00
Acquisition cost 31.12.	2 229 086,00	2 165 239,65
Accumulated depreciation 1.1.	-812 914,77	-406 372,86
Depreciation for the financial period	-442 904,50	-406 541,91
Book value 31.12.	973 266,73	1 352 324,88
Intangible assets		
Acquisition cost 1.1.	1 045 565,04	521 862,51
Additions	149 993,28	523 702,53
Reclassification	0,00	0,00
Acquisition cost 31.12.	1 195 558,32	1 045 565,04
Accumulated depreciation 1.1.	-346 215,74	-198 780,63
Depreciation for the financial period	-192 844,51	-147 435,11
Book value 31.12.	656 498,07	699 349,30
Other non-current expenses		
Acquisition cost 1.1.	7 073 453,80	6 954 913,40
Additions	0,00	118 540,40
Reclassification		
Acquisition cost 31.12.	7 073 453,80	7 073 453,80
Accumulated depreciation 1.1.	-3 293 900,04	-2 276 739,08
Depreciation for the financial period		0,00
Book value 31.12.		
Depreciation for the financial period	-1 051 782,24	-1 017 160,96
Book value 31.12.	2 727 771,52	3 779 553,76
Land and water areas		
Acquisition cost 1.1.	163 040,87	163 040,87
Additions	0,00	0,00
Disposals	0,00	0,00
Book value 31.12.	163 040,87	163 040,87

Buildings and structures	**31.12.2019**	**31.12.2018**
Acquisition cost 1.1.	5 337 334,68	5 179 350,41
Additions	5 200,00	157 984,27
Reclassification		0,00
Acquisition cost 31.12.	5 342 534,68	5 337 334,68
Accumulated depreciation 1.1.	-1 826 319,95	-1 659 216,19
Depreciation for the financial period	-183 416,62	-167 103,76
Book value 31.12.	3 332 798,11	3 511 014,73

Machinery and equipment

Acquisition cost 1.1.	2 299 962,35	2 271 562,35
Additions	8 415,20	28 400,00
Reclassification	0,00	0,00
	0,00	0,00
Acquisition cost 31.12.	2 308 377,55	2 299 962,35
Accumulated depreciation 1.1.	-2 047 160,48	-1 966 853,72
Depreciation for the financial period	-78 978,15	-80 306,76
Book value 31.12.	182 238,92	252 801,87

Other tangible assets	**31.12.2019**	**31.12.2018**
Acquisition cost 1.1.	99 065,05	77 425,56
Additions	0,00	21 639,49
Acquisition cost 31.12.	99 065,05	99 065,05
Accumulated depreciation 1.1.	-26 169,94	-7 579,28
Depreciation for the financial period	-18 590,66	-18 590,66
Book value 31.12.	54 304,45	72 895,11

Shares in subsidiaries

Opening balance 1.1.	49 748 038,49	59 329 224,92
Additions x)	5 088 965,00	5 418 813,57
Deductions xx)	-2 607 391,38	-15 000 000,00
Nook value31.12.	52 229 612,11	49 748 038,49

x) Robit Korea, share capital addition 2019 EUR 0,4 million and Robit Australia Holdings Pty, equity conversion EUR 4,6 million. Robit Australia Holdings Ltd Pty, equity conversion AUD 7.5 million in 2018

x) established Robit Asia Ltd 2,4keur in 2018

xx) Robit GB ja Robit Australia write down in 2018, Halco Brighouse write-down in 2019

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

	31.12.2019 Sahre %	31.12.2018 Share %
Robit Ab, Sweden	100 %	100 %
Robit Korea LTD, Korea	100 %	100 %
Robit OOO, Russia	100 %	100 %
Robit Inc. USA	100 %	100 %
Robit SA Ltd, South Africa	100 %	100 %
Robit S.A.C, Peru 1)	99 %	99 %
Robit Africa Holdings Ltd, South Africa2)	100 %	100 %
Robit Finland Oy Ltd, Suomi	100 %	100 %
Robit Australia Holdings Ltd, Australia	100 %	100 %
Robit GB Ltd, UK	100 %	100 %
TOO Robit, Kazakastan	100 %	100 %
Robit UK Ltd, UK	100 %	100 %
Robit Asia Ltd	100 %	100 %

Robit 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, USA ownership 1%
2) Robit Africa Holdings Ltd and Robit Ab not consolidated since they are dormant.

Robit had a branch in Thailand, Robit Thailand, which has been closed 2018.

	31.12.2019	31.12.2018
Receivables from group companies		
Trade receivables	5 282 133,46	6 433 267,30
Group loan receivables	30 852 304,95	32 188 860,17
Other group receivables	2 394 450,29	1 357 787,95
	38 528 888,70	39 979 915,42
Loans from group companies		
Account payables	891 081,68	339 599,85
Groups loans		
Other accruals	1 264 430,03	2 458 290,94
	2 155 511,71	2 797 890,79
Material items in receivables carried forward		
Personnel cost accruals	235 939,72	392 714,53
Tax accruals	0,00	0,00
Other accruals	22 090,42	280 408,88
	258 030,14	673 123,41

Changes of equity during the financial period

	31.12.2019	31.12.2018
Share capital 1.1.	705 025,14	705 025,14
Changes	0,00	0,00
Share capital 31.12.	705 025,14	705 025,14
Share premium reserve	201 825,51	201 825,51
Invested unrestricted equity fund 1.1	85 016 374,58	84 944 588,28
Treasury shares x)	2 518,30	71 786,30
Invested unrestricted equity fund 31.12	85 018 892,88	85 016 374,58
Retained earnings of previous periods 1.1.	7 616 657,39	12 714 121,44
Prior year loss	-19 959 857,76	-2 997 713,52
Dividend distribution	0,00	-2 099 750,53
Acquisition of own shares	-256 835,11	0,00
Retained earnings 31.12	-12 600 035,48	7 616 657,39
Profit / loss for the period	-4 652 562,00	-19 959 857,76
	-17 252 597,48	-12 343 200,37
Restricted equity	906 850,65	906 850,65
Distributable shareholders equity	67 766 295,40	72 673 174,21
Shareholders' equity	**68 673 146,05**	**73 580 024,86**
Distributable equity		
Invested unrestricted equity fund	85 018 892,88	85 016 374,58
Retained earnings of previous periods	-12 600 035,48	7 616 657,39
Profit / loss for the period	-4 652 562,00	-19 959 857,76
Capitalised R&D expenses	-973 266,73	-1 352 324,88
	66 793 028,67	71 320 849,33

Accrued appropriations

Depreciation difference, buildings	353 227,49	350 607,91
Depreciation difference, machinery and equipments	69 852,22	88 357,22
	423 079,71	**438 965,13**

Amount of shares in the company by their class of share and main provisions concerning each class of share.

	31.12.2019	31.12.2018
All shares are of the same class	21 083 900 kpl	21 083 900 kpl

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

	31.12.2019	31.12.2018
Receivables (before classified as receivables from shareholders)	145 119,62	357 553,41
Loans maturing in more than 5 years		
Loans from financing institutions	0,00	0,00

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

	31.12.2019	31.12.2018
Of own debts and liabilities		
Business mortgages pledged as a security	41 068 787	42 168 787
Real estate mortgages pledged as a security	2 856 000	3 856 000
	43 924 787	46 024 787
Amount of loan		
Loans from financial institutions	29 123 852	39 868 947

The covenants relating to loans

The Company has financial institution loans of 24.492.222,33€, 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 to be 2,5 or less. EBITDA is adjusted by the annualized net performance of the possibly acquired companies.

It has been agreed with the main financier that in 2019 EBITDA covenant is absolute EBITDA.

Margin was increased to 2,75 % per cent until original covenant net debt to EBITDA will be met.

Robit did not meet the covenant term. Robit has received a waiver to breach the covenant as of December 31, .2019.

Lease liabilities

	31.12.2019	31.12.2018
Items to be paid pursuant to the lease agreements		
During the following financial period	15 803,52	69 314,82
In later periods	6 001,06	45 690,74
Total	21 804,58	115 005,56

Lease liabilities related to company cars and computers.

These terms of contract are in line with general practices in this field.

Other liabilities	31.12.2019	31.12.2018
Guarantee liabilities	83 133,40	260 954,60

Parent company has granted a counter guarantee on behalf of its 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 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 126.622,38.

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 26 593,79.

Related party transactions

Company did not do transactions during 2019 with related parties.
More details of related party transactions in the group report.

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

Helsinki February 20, 2020

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

Tommi Lehtonen
CEO

The auditor's note

Our auditor´s report has been issued today.

Helsinki February 20, 2020

Ernst & Young Oy
Authorized Public Accountants

Mikko Järventausta
Authorized Public Accountant

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	Electronically (Netsuite)
Projects	01	Electronically (Netsuite)
Sampo USD	09	Electronically (Netsuite)
Nordea	10	Electronically (Netsuite)
Cash vouchers	11	Electronically (Netsuite)
Nordea USD -193	12	Electronically (Netsuite)
Nordea -211	13	Electronically (Netsuite)
Nordea -823	14	Electronically (Netsuite)
Sampo	16	Electronically (Netsuite)
Sampo CAD	17	Electronically (Netsuite)
Handelsbanken	18	Electronically (Netsuite)
Osuuspankki	19	Electronically (Netsuite)
VAT vouchers	20	Electronically (Netsuite
Sales invoices	30	Electronically (Netsuite)
Account sales, non-ledger	32	Electronically (Netsuite)
Account sales, payments	35	Electronically (Netsuite)
Purchasing invoices, WF	53	Electronically(Netsuite)
Salaries	60	Electronically in sub-ledger
Year end momorandum vouchers	95	Electronically(Netsuite)
Details to the notes	0	Separate electronic file

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Ernst & Young Oy
Alvar Aallon katu 5 C
FI-00100 Helsinki
FINLAND

Tel. +358 207 280 190
www.ey.com/fi
Business ID 2204039-6,
domicile Helsinki

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Robit Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Robit Plc (business identity code 0825627-0) for the year ended 31 December, 2019. 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.

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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 86 million euros in the financial year 2019. 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 5 % of total assets and 11 % of total equity. Goodwill valuation was a key audit matter because the impairment testing imposes estimates and judgment. The Group management uses assumptions in respect of determining weighted average cost of capital and future market and economic conditions such as economic growth, revenue and margin developments. 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 goodwill valuation included, among others: • 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, 2019, the carrying value of trade receivables amounted to 18 million euros. 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 the 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 seven 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, 20 February 2020

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

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

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

Return on equity,%

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

Return on capital employed (ROCE),%

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

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

Equity ratio,%

$$= \frac{\text{Equity}}{\text{Balance sheet total – advances received}} \times 100$$

Gearing,%

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

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Robit PLC • Vikkiniityntie 9, FI-33880 Lempäälä (Tampere), Finland
Tel. +358 3 3140 3400 • investors@robitgroup.com • Business ID: FI08256270 • robitgroup.com

If You have any feedback or comments on Robit's annual report 2019, please contact via e-mail investors@robitgroup.com

Printed: Grano, Tampere 2020