

Interim report Q3 2020

October 22, 2020



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Epiroc interim report Q3

- Orders received decreased 2% to MSEK 9 373 (9 600), organic increase of 10%
- Revenues decreased 14% to MSEK 8 724 (10 158), organic decrease of 3%
- Operating profit was MSEK 1 820 (1 927), including items affecting comparability of MSEK -76 (-233)*
- Operating margin improved to 20.9% (19.0). Adjusted operating margin was 21.7% (21.3)*
- Basic earnings per share were SEK 1.10 (1.11)
- Operating cash flow of MSEK 1 355 (1 883)
- The Board of Directors will call for an Extraordinary General Meeting on November 27 and propose a second dividend of SEK 1.20 per share

Key figures

MSEK	2020 Q3	2019 Q3	Δ	2020 Q1-Q3	2019 Q1-Q3	Δ
Orders received	9 373	9 600	-2%	27 250	30 216	-10%
Revenues	8 724	10 158	-14%	26 316	30 569	-14%
Operating profit	1 820	1 927	-6%	5 170	6 120	-16%
<i>Operating margin, %</i>	20.9	19.0		19.6	20.0	
Profit before tax	1 744	1 866	-7%	4 997	5 921	-16%
<i>Profit margin, %</i>	20.0	18.4		19.0	19.4	
Profit for the period	1 324	1 341	-1%	3 773	4 395	-14%
Operating cash flow	1 355	1 883	-28%	4 850	3 861	26%
Basic earnings per share, SEK	1.10	1.11	-1%	3.13	3.66	-14%
Diluted earnings per share, SEK	1.09	1.11	-2%	3.13	3.66	-14%
Return on capital employed, 12 months, %	21.6	29.5				
Net debt period end/EBITDA 12 months, ratio	-0.41	0.24				

* Information on items affecting comparability, see page 6.

CEO comments

Recovery in orders and solid results

The customer demand improved compared to the second quarter as the effects from Covid-19 restrictions were more moderate. Our continued focus on health and business continuity, both for us and our customers, paid off. We achieved organic order growth and I am pleased to see the strong development in our service business and that our customers took decisions to invest. The lower customer activity in some markets following Covid-19 restrictions did however impact the aftermarket business. Internally, we have adapted well and adjusted our cost base. All in all, this translated into a solid result and cash flow.

Organic order growth

Orders received amounted to MSEK 9 373, which corresponds to 23% organic growth sequentially and 10% year-on-year. The order intake was stronger at the end of the quarter, both for equipment and aftermarket.

We expect that the demand, both for equipment and aftermarket, will remain stable in the near term. That said, there are uncertainties regarding the Covid-19 development and related restrictions, which can have an adverse effect on the demand.

Demand for innovative solutions

There is a strong and growing interest from customers in our automation, digitalization and electrification solutions and that is why we continue to invest and bring new solutions to the market. Our automation solutions in operations deliver increased productivity and improved safety to our customers and we won several new automation orders in the quarter. We are happy to report that we have successfully deployed unique solutions for mixed fleet automation - both for underground and surface applications. It is clear that our innovation agenda goes hand in hand with our customers' sustainability agenda.

Service proving its resilience

Currency headwinds and Covid-19 restrictions impacted revenues negatively in the quarter. In total, the revenues declined 14% to MSEK 8 724. Organically, revenues decreased by 3% supported by the resilient service business, which had an increase in revenues. It also reflects our successful and continuous work to increase productivity for customers.

Operational efficiency

The adjusted operating margin was 21.7% (21.3). Our efficiency actions were executed according to plan and supported the profit. Worth noting is that the efficiency actions that we execute around the world make us more agile and resilient while allowing us to continue to prioritize innovation and further develop our technology leadership.

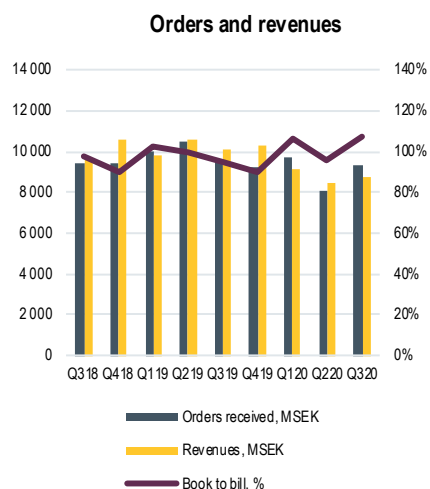
Clear priorities for the future

So far, 2020 has been a year heavily impacted by the Covid-19 pandemic, with many related challenges. We have managed the situation well with the support from dedicated colleagues, valued customers and loyal business partners. Together we have made Epiroc stronger for the future. And speaking of the future, with or without the pandemic, we remain focused on our priorities: innovation, aftermarket, operational excellence and sustainability.



Helena Hedblom
President and CEO

Orders and revenues



Orders and revenues MSEK	2020 Q3	2019 Q3	Δ	2020 Q1-Q3	2019 Q1-Q3	Δ
Orders received	9 373	9 600	-2%	27 250	30 216	-10%
Revenues	8 724	10 158	-14%	26 316	30 569	-14%
Operating profit	1 820	1 927	-6%	5 170	6 120	-16%
Operating margin, %	20.9	19.0		19.6	20.0	

Orders received

Orders received decreased 2% to MSEK 9 373 (9 600) year-on-year, corresponding to an organic growth of 10%. Currency impacted negatively with 12%. Sequentially, i.e. compared to the previous quarter, orders received increased 23% organically.

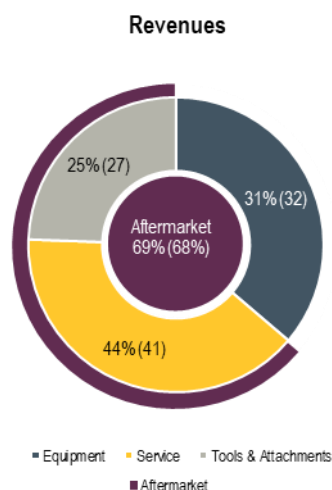
Compared to the previous year, orders received in local currency increased in Africa/Middle East, Asia/Australia and Europe, while they decreased in North America and South America.

Mining customers represented 77% (79) of orders received in the quarter and infrastructure customers represented 23% (21).

Revenues

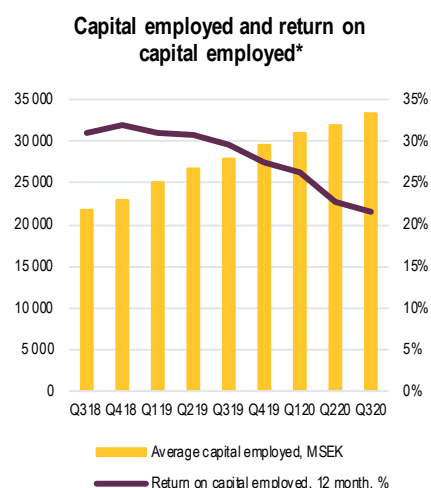
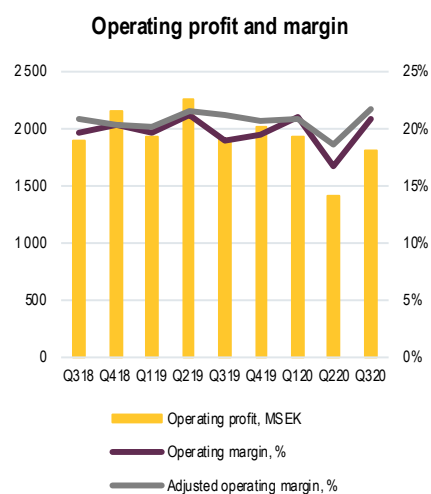
Revenues decreased 14% to MSEK 8 724 (10 158). Organically, revenues declined 3% and currency had a negative impact of 10%. The book to bill ratio was 107% (95).

The aftermarket represented 69% (68) of revenues in the quarter.



Sales Bridge	Orders received	Revenues
	MSEK, Δ, %	MSEK, Δ, %
Q3 2019	9 600	10 158
Organic	+10	-3
Currency	-12	-10
Structure and other	-0	-1
Total	-2	-14
Q3 2020	9 373	8 724

Profits and returns



*Numbers for 2018 are not restated for IFRS 16.

Profit bridge	Operating profit	
	MSEK,Δ	Margin,%,Δ,pp
Q3 2019	1 927	19.0
Organic	-230	-2.3
Currency	-79	+1.7
Structure and other*	+202	+2.5
Total	-107	+1.9
Q3 2020	1 820	20.9

*Includes operating profit/loss from acquisitions and divestments, items affecting comparability, one-time items, and change in provision for share-based long-term incentive programs.

Operating profit was MSEK 1 820 (1 927), including items affecting comparability of MSEK -76 (-233). These items include restructuring costs of MSEK -55 (-179) and change in provision for share-based long-term incentive programs of MSEK -21 (-54). The operating profit was negatively impacted by the decline in revenues and currency, while restructuring costs were lower compared to Q3 2019. The operating margin was 20.9% (19.0). Excluding the items affecting comparability, the margin was 21.7% (21.3).

Net financial items were MSEK -76 (-61). Interest net was MSEK -36 (-54).

Profit before tax was MSEK 1 744 (1 866), corresponding to a margin of 20.0% (18.4). Income tax expense amounted to MSEK -420 (-525), corresponding to an effective tax rate of 24.1% (28.1).

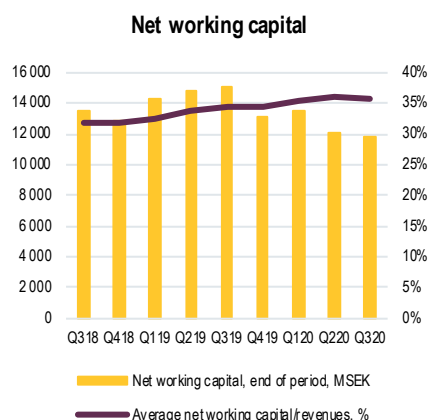
Profit for the period totaled MSEK 1 324 (1 341). Basic earnings per share were SEK 1.10 (1.11).

The return on capital employed during the last 12 months was 21.6% (29.5), affected by lower profit as well as by increased capital employed, mainly from accumulation of cash. Return on equity was 22.4% (30.6)

Employees

On September 30, 2020, the number of employees was 13 902 (14 670). The number of consultants/external workforce was 1 108 (1 485). For comparable units, the total workforce decreased with 782 compared to the previous year. The reduction is mainly related to manufacturing, administration and marketing, while the workforce in service and research and development has been stable.

Balance sheet

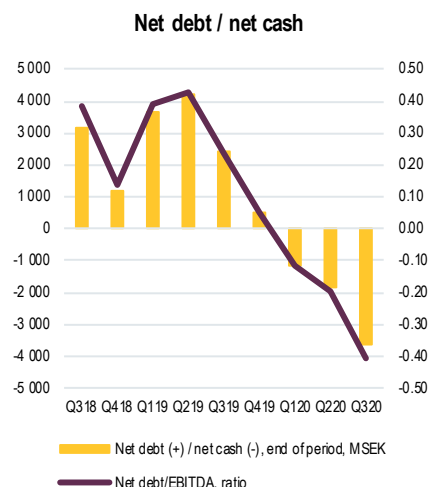


Net working capital

Compared to the previous year, the net working capital decreased 22%, of which 12% related to currency, to MSEK 11 821 (15 120). As a percentage of revenues the last 12 months, the average net working capital was 35.9% (34.3).

Efficiency improvement activities

- The cost-savings program of more than MSEK 500 annually has been completed, with full impact in the third quarter. Additional savings from planned actions, including the reduction of staff in Sweden, will be achieved from the end of the year.
- Savings from short-term actions were maintained at a good level in the quarter.
- The supply-chain improvement program for parts and consumables continued according to plan.



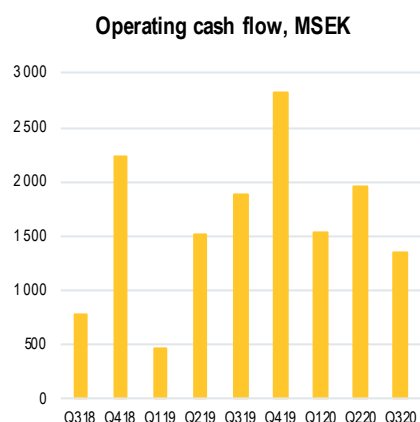
Dividend

Epiroc has a strong financial position and as the economic uncertainty has been reduced, the Board of Directors proposes a second dividend of SEK 1.20 per share. The Board will call for an Extra General Meeting on November 27, 2020, to decide on the proposal, with record date December 1, 2020. Including the dividend paid in May, the total dividend during the year will be SEK 2.40 per share totaling MSEK 2 892 (2 523).

Net cash / net debt

The Group's net cash position amounted to MSEK 3 638 (previous year: net debt of 2 416). The net debt/EBITDA ratio was -0.41 (0.24).

Cash flow



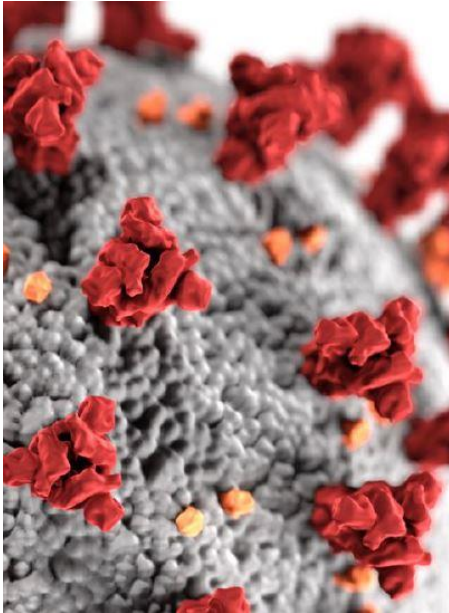
Operating cash flow

The operating cash flow amounted to MSEK 1 355 (1 883). The working capital increased MSEK 32 (decreased 126). Inventories decreased, but this was offset by an increase in receivables due to higher revenues and a seasonal reduction of payables.

Acquisitions and divestments

Cash flow from acquisitions and divestments was MSEK -31 (+33).

Covid-19



Aftermarket

Epiroc continues to focus on safeguarding the availability and the supply of spare parts, rock drilling tools and other essential products in order to support customers' operations. The distribution centers and manufacturing facilities are operational and the capacity is being adapted to the demand. The availability of components and transports is currently stable.

Epiroc's customers, both in mining and infrastructure, are impacted by restrictions from governments and other authorities, which is affecting demand. The number of customers that have temporarily stopped operations or are working with reduced capacity has remained stable since the beginning of the third quarter.

Equipment

The manufacturing facilities for equipment are operational and the capacity is being adapted to the demand. Deliveries and commissioning of equipment are, by and large, being carried out as planned, even if they are sometimes impacted by the restrictions related to Covid-19.

Equipment & Service

The Equipment & Service segment provides rock drilling equipment, equipment for mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, drilling equipment for exploration, water, oil and gas, as well as related spare parts and service for the mining and infrastructure industries.

In brief

- Service orders increased 9% organically
- Equipment orders increased 25% organically
- Adjusted operating margin at 25.9% (26.2)

Orders and revenues	2020	2019		2020	2019	
MSEK	Q3	Q3	Δ	Q1-Q3	Q1-Q3	Δ
Orders received	7 068	6 874	3%	20 298	21 799	-7%
Revenues	6 471	7 334	-12%	19 472	22 151	-12%
Operating profit	1 646	1 923	-14%	4 673	5 591	-16%
Operating margin, %	25.4	26.2		24.0	25.2	

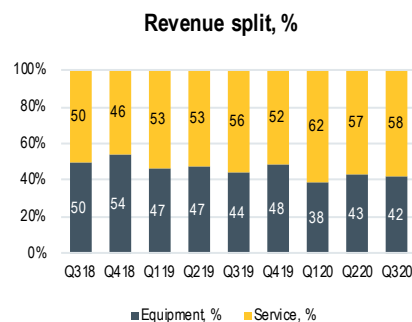
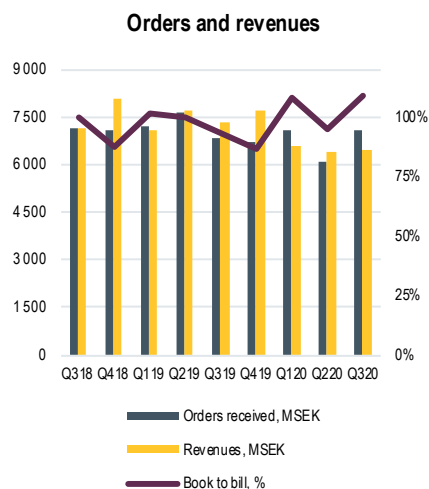
Orders received

The orders received for Equipment & Service increased by 3% to MSEK 7 068 (6 874), corresponding to an organic increase of 15%. Currency impacted negatively with 12%. Sequentially, orders received increased 22% organically.

Compared to the previous year, orders received in local currency increased in Africa/Middle East, Asia/Australia and Europe, all with double digit growth. North America and South America had a negative order development.

For service, the orders received increased 9% organically to MSEK 3 969 (4 147), supported by orders for rebuilds. The customer activity and demand for Epiroc's service solutions were strong in markets that were not impacted by restrictions. The share of orders from service was 56% (60).

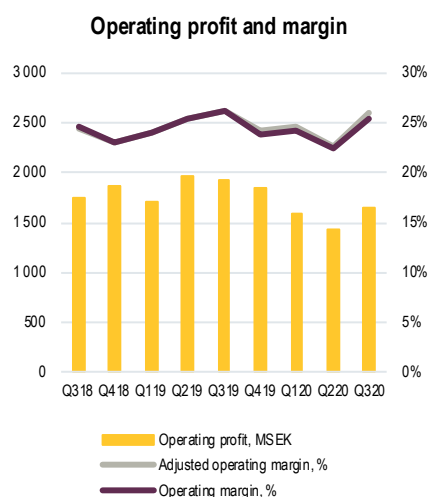
For equipment, the orders received increased 25% organically to MSEK 3 099 (2 727). Orders for underground and surface equipment as well as for automation solutions increased. The share of orders from equipment was 44% (40).



Revenues

Revenues decreased by 12% to MSEK 6 471 (7 334), mainly due to a large negative impact from currency of 10%. Organically, revenues decreased 2%, with an increase of 3% for service and a decrease of 8% for equipment. The share of revenues from service was 58% (56). The book to bill ratio was 109% (94).

Sales Bridge	Equipment and Service		Equipment		Service	
	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%
Q3 2019	6 874	7 334	2 727	3 198	4 147	4 136
Organic	+15	-2	+25	-8	+9	+3
Currency	-12	-10	-11	-8	-13	-12
Structure and other	+0	+0	+0	-0	+0	+0
Total	+3	-12	+14	-16	-4	-9
Q3 2020	7 068	6 471	3 099	2 688	3 969	3 783



Operating profit and margin

Operating profit decreased 14% to MSEK 1 646 (1 923), including restructuring costs of MSEK -33 (-). The operating profit was negatively impacted mainly by lower revenues, but also currency impacted negatively. The operating margin decreased to 25.4% (26.2), negatively impacted by lower volumes and restructuring costs, but supported by revenue mix and currency. The adjusted margin was 25.9% (26.2).

Profit bridge	Operating profit	
	MSEK,Δ	Margin,%,Δ,pp
Q3 2019	1 923	26.2
Organic	-201	-2.7
Currency	-46	+2.4
Structure and other	-30	-0.5
Total	-277	-0.8
Q3 2020	1 646	25.4

Innovations

Within service, and particularly when customers use autonomous solutions, proper analysis of data and subsequently relevant maintenance, leads to higher productivity and lower Total Cost of Ownership (TCO). With the recently launched "Epiroc TCO supervisory agreement", customers can develop a tailored maintenance plan by analyzing machine data using RPA (Robotic Process Automation).

Acquisition

Italparts Italia S.r.l, a distributor of spare parts, based in Italy, was acquired in August. The company has two employees.



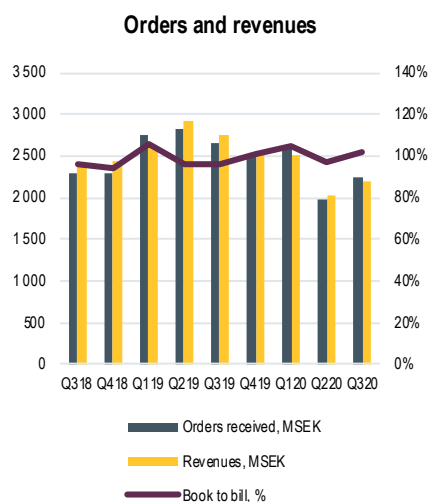
The Epiroc TCO supervisory agreement increases productivity and lowers the total cost of ownership for customers.

Tools & Attachments

The Tools & Attachments segment provides rock drilling tools and hydraulic attachments that are attached to machines used mainly for drilling, deconstruction and recycling as well as rock excavation. It also provides related service and spare parts and serves the mining and infrastructure industries.

In brief

- Orders decreased 3% organically
- Sequentially, the organic order growth was 20%
- Adjusted operating margin was 12.6% (12.2)



Orders and revenues MSEK	2020 Q3	2019 Q3	Δ	2020 Q1-Q3	2019 Q1-Q3	Δ
Orders received	2 249	2 665	-16%	6 848	8 251	-17%
Revenues	2 196	2 765	-21%	6 736	8 296	-19%
Operating profit	254	157	62%	734	957	-23%
Operating margin, %	11.6	5.7		10.9	11.5	

Orders received

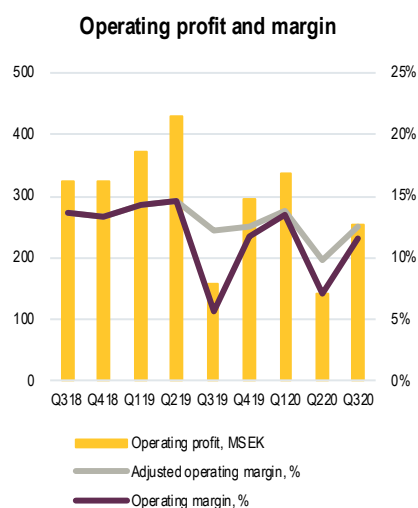
The orders received for Tools & Attachments decreased 16% to MSEK 2 249 (2 665), corresponding to an organic decline of 3%. Currency and structure impacted negatively with 11% and 2% respectively. Orders received increased for hydraulic attachments tools but decreased somewhat for rock drilling tools. Sequentially, orders received for Tools & Attachments increased 20% organically.

Compared to the previous year, orders received in local currency increased in Europe, but decreased in all other regions. Depending on restrictions following the Covid-19 pandemic, the order intake varied among countries and regions.

Revenues

Revenues decreased 21% to MSEK 2 196 (2 765), corresponding to an organic decline of 8%. Currency and structure, i.e. the net effect of acquisitions and divestments, impacted negatively with 10% and 3%, respectively. The book to bill ratio was 102% (96).

Sales Bridge	Orders received	Revenues
	MSEK, Δ, %	MSEK, Δ, %
Q3 2019	2 665	2 765
Organic	-3	-8
Currency	-11	-10
Structure and other	-2	-3
Total	-16	-21
Q3 2020	2 249	2 196



Operating profit and margin

Operating profit was MSEK 254 (157), including restructuring costs of MSEK -22 (-179). The operating margin was 11.6% (5.7), supported by lower restructuring costs while lower volumes and currency impacted negatively. The adjusted margin was 12.6% (12.2).

Profit bridge	Operating profit	
	MSEK, Δ	Margin, %, Δ, pp
Q3 2019	157	5.7
Organic	-40	-2.5
Currency	-52	-0.7
Structure and other	+189	+9.1
Total	+97	+5.9
Q3 2020	254	11.6

Innovation

To avoid unplanned drilling stops Epiroc has launched a new innovative drill bit; Epsilon2. It is a rotary drill bit with several new features which provides up to 61% more drill meters on average before discard.

Other key events

The consolidation of the production of exploration drilling tools in Canada that was announced in April was finalized in the quarter. The production has moved from North Bay to Montréal.

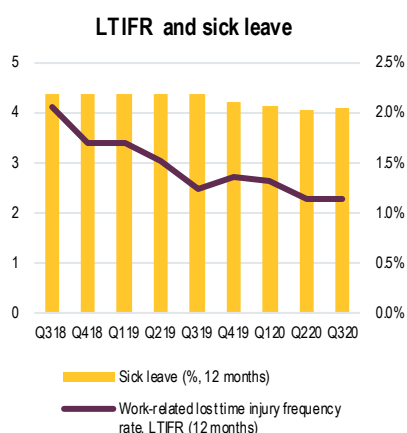


Epsilon2 is a rotary drill bit with several new features which provides up to 61% more drill meters on average before discard.

Sustainability

Epiroc has four prioritized areas within sustainability: We live by the highest ethical standards; We invest in safety and well-being; We grow together with passionate people and courageous leaders; We use resources responsibly and efficiently. For each area there are several targets and key performance indicators, including the long-term goals for 2030 that further advance the Group's ambitions on e.g. climate change and diversity.

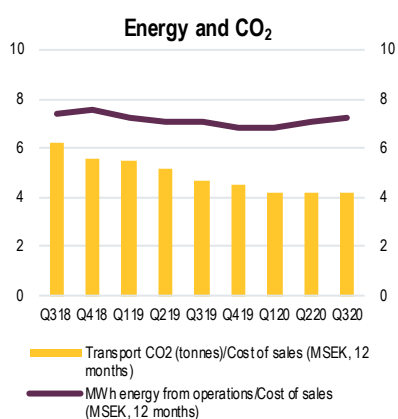
MSEK	2020 Q3	2019 Q3
Work-related lost time injury frequency rate, LTIFR (12 months)	2.3	2.5
Sick leave (% , 12 months)	2.1	2.2
MWh energy from operations/Cost of sales (MSEK, 12 months)	7.2	7.1
Transport CO2 (tonnes)/Cost of sales (MSEK, 12 months)	4.2	4.7



Lost time injury frequency rate and sick leave

The number of work-related lost time injuries per million working hours (LTIFR) the last 12 months decreased compared to period ending September 30, 2019. A continued focus on safety and several preventive measures contributed to the reduction.

Sick leave continued to stay on a low level, despite Covid-19. A number of measures have been implemented and maintained to minimize the risk for employees and others getting infected.



Energy and CO₂ emissions

CO₂ emissions from transport the last 12 months improved compared to the period ending in September 2019, mainly due to lower volumes and a higher share of shipments by sea instead of air freight.

MWh energy from operations has decreased, supported by several initiatives to increase energy efficiency. The ratio, MWh energy from operations in percent of Cost of sales, has however increased somewhat, as Cost of Sales has decreased to larger extent and energy from operations is only partly correlated with Cost of Sales.

January – September in summary

Orders received in the first nine months 2020 were MSEK 27 250 (30 216), corresponding to an organic decline of 4%. Revenues decreased 14% to MSEK 26 316 (30 569), corresponding to 8% organic decline.

Sales Bridge	Orders received	Revenues
	MSEK,Δ,%	MSEK,Δ,%
Q1-Q3 2019	30 216	30 569
Organic	-4	-8
Currency	-5	-5
Structure and other	-1	-1
Total	-10	-14
Q1-Q3 2020	27 250	26 316

Operating profit was MSEK 5 170 (6 120), including items affecting comparability of MSEK -220 (-331). These items include restructuring costs of MSEK -173 (-179) and change in provision for share-based long-term incentive programs of MSEK -47 (-152). The operating profit was mainly impacted by the large decline in revenues. The operating margin was 19.6% (20.0). Excluding the items affecting comparability, the margin was 20.5% (21.1), diluted by lower revenue volume, but supported by currency.

Profit bridge	Operating profit	
	MSEK,Δ	Margin,%Δ,pp
Q1-Q3 2019	6 120	20.0
Organic	-1 087	-2.3
Currency	-35	+1.0
Structure and other	+172	+0.9
Total	-950	-0.4
Q1-Q3 2020	5 170	19.6

Profit before tax was MSEK 4 997 (5 921), corresponding to a margin of 19.0% (19.4). Profit for the period totaled MSEK 3 773 (4 395). Basic earnings per share were SEK 3.13 (3.66). Operating cash flow was MSEK 4 850 (3 861).

Other information

Epiroc has not received any material government grants related to Covid-19 and Epiroc has not utilized governmental support for short-time work in Sweden.

In June, Epiroc gave notice to 425 employees in Sweden (out of 3 100). The notice was given partly to strengthen the organization, but also to adapt to lower demand following the Covid-19 pandemic. The negotiations were finalized in October and resulted in a reduction of 175 positions in Örebro (Equipment & Service) and 74 positions in Fagersta (Tools & Attachments). An improved demand situation resulted in that fewer people than initially planned were affected.

Risks and uncertainty factors

The Group's and Parent Company's significant risks and uncertainty factors include market and external risks, financial risks, operational and commercial risks, and legal risks. Further information on risks and risk management can be found in [Epiroc's Annual and Sustainability Report 2019](#). An update to these risks include pandemics, such as the Covid-19 pandemic, which could significantly impact Epiroc's operations related to e.g. production and supply of equipment and aftermarket services, as well as customers and suppliers. Even if Epiroc puts business continuity measures in place to support customers and adjust the way of working to mitigate any impact to the business, the effect of a pandemic may have material adverse effects on Epiroc's business and financial position.

Epiroc AB
Nacka, October 22, 2020

Helena Hedblom
President and CEO

This report has not been audited.

Accounting principles

The consolidated financial statements of the Epiroc Group are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The interim report is prepared in accordance with IAS 34 Interim financial reporting. The accounting principles applied in the preparation of this interim report apply to all periods and comply with the accounting principles presented in the Annual and Sustainability Report 2019, in note 1 Significant accounting principles. New and revised standards and interpretations effective from January 1, 2020, have not had any material impact on the financial reports.

Accounting principles of the Parent Company

The interim financial statements of Epiroc AB have been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2, Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. The accounting principles applied in the preparation of this interim report apply to all periods and comply with the accounting principles presented in the Annual and Sustainability Report 2019, note A1 in the Parent Company accounts. As from 2020, no changed accounting standards and interpretations are considered to have any material effect on the Parent Company's financial statements.

Condensed consolidated income statement

MSEK	2020 Q3	2019 Q3	2020 Q1-Q3	2019 Q1-Q3
Revenues	8 724	10 158	26 316	30 569
Cost of sales	-5 469	-6 431	-16 349	-19 170
Gross profit	3 255	3 727	9 967	11 399
Marketing expenses	- 501	- 734	-1 708	-2 107
Administrative expenses	- 668	- 826	-2 130	-2 413
Research and development expenses	- 231	- 227	- 789	- 773
Other operating income and expenses	- 35	- 13	- 170	14
Operating profit	1 820	1 927	5 170	6 120
Net financial items	- 76	- 61	- 173	- 199
Profit before tax	1 744	1 866	4 997	5 921
Income tax expense	- 420	- 525	-1 224	-1 526
Profit for the period	1 324	1 341	3 773	4 395
Profit attributable to				
- owners of the parent	1 320	1 339	3 766	4 389
- non-controlling interests	4	2	7	6
Basic earnings per share, SEK	1.10	1.11	3.13	3.66
Diluted earnings per share, SEK	1.09	1.11	3.13	3.66

Key ratios

MSEK	2020 Q3	2019 Q3	2020 Q1-Q3	2019 Q1-Q3
Basic number of shares outstanding, millions	1 205	1 202	1 204	1 200
Diluted number of shares outstanding, millions	1 206	1 202	1 205	1 201
Operating margin, %	20.9	19.0	19.6	20.0
Equity per share, period end, SEK	20.40	18.19	20.40	18.19
Return on capital employed, %	21.6	29.5	21.6	29.5
Return on equity, %	22.4	30.6	22.4	30.6
Net debt / EBITDA, ratio	-0.41	0.24	-0.41	0.24
Net cash/debt / equity ratio, period end, %	-14.8	11.1	-14.8	11.1
Equity/assets ratio, period end, %	55.0	52.6	55.0	52.6
Number of employees, period end	13 902	14 670	13 902	14 670

Condensed consolidated statement of comprehensive income

MSEK	2020 Q3	2019 Q3	2020 Q1-Q3	2019 Q1-Q3
Profit for the period	1 324	1 341	3 773	4 395
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans	129	- 171	99	- 329
Income tax relating to items that will not be reclassified	- 25	37	- 20	72
Total items that will not be reclassified to profit or loss	104	- 134	79	- 257
Items that may be reclassified subsequently to profit or loss				
Translation differences on foreign operations	- 441	537	- 952	1 149
- realized and reclassified to profit and loss	-	- 7	- 33	- 7
Cash flow hedges	-	- 26	0	- 45
Income tax relating to items that may be reclassified	-	6	0	10
Total items that may be reclassified subsequently to profit or loss	- 441	510	- 985	1 107
Other comprehensive income for the period, net of tax	- 337	376	- 906	850
Total comprehensive income for the period	987	1 717	2 867	5 245
Total comprehensive income attributable to				
- owners of the parent	984	1 713	2 863	5 235
- non-controlling interests	3	4	4	10

Condensed consolidated balance sheet

	2020	2019	2019
Assets, MSEK	Sep 30	Sep 30	Dec 31
Intangible assets	4 216	4 242	4 226
Rental equipment	1 108	1 309	1 213
Other property, plant and equipment	4 284	4 775	4 613
Investments in associated companies and joint ventures	195	209	201
Financial assets and other receivables	817	1 135	1 007
Deferred tax assets	1 400	717	630
Total non-current assets	12 020	12 387	11 890
Inventories	9 821	11 392	10 508
Trade receivables	6 197	8 068	7 287
Other receivables	1 387	1 340	1 597
Income tax receivables	176	472	353
Financial assets	783	1 052	862
Cash and cash equivalents	14 250	6 814	8 540
Total current assets	32 614	29 138	29 147
Total assets	44 634	41 525	41 037
Equity and liabilities, MSEK			
Share capital	500	500	500
Retained earnings	24 009	21 282	22 261
Total equity attributable to owners of the parent	24 509	21 782	22 761
Non-controlling interest	47	52	52
Total equity	24 556	21 834	22 813
Interest bearing loans	7 668	7 877	7 724
Post-employment benefits	545	640	596
Deferred tax liabilities	697	-	-
Other liabilities and provisions	338	399	423
Total non-current liabilities	9 248	8 916	8 743
Interest bearing loans	2 475	750	705
Trade payables	3 431	3 701	4 050
Income tax liabilities	420	510	507
Other liabilities and provisions	4 504	5 814	4 219
Total current liabilities	10 830	10 775	9 481
Total equity and liabilities	44 634	41 525	41 037

Fair value of derivatives and borrowings

The carrying value and fair value of the Group's outstanding derivatives and borrowings are shown in the tables below. The fair values of bonds are based on level 1 and the fair values of derivatives and other loans are based on level 2 in the fair value hierarchy. Compared to 2019, no transfers have been made between different levels in the fair value hierarchy for derivatives and borrowings and no significant changes have been made to valuation techniques, inputs or assumptions.

Outstanding derivatives recorded to fair value	2020	2019		
MSEK	Sep 30	Dec 31		
Non-current assets and liabilities				
Assets	-	2		
Liabilities	-	-		
Current assets and liabilities				
Assets	27	99		
Liabilities	110	74		
Carrying value and fair value				
MSEK	2020	2020	2019	2019
	Sep 30	Sep 30	Dec 31	Dec 31
	Carrying value	Fair value	Carrying value	Fair value
Bonds	1 994	2 103	1 995	2 082
Other loans	8 149	8 264	6 434	6 504
Total interest bearing loans	10 143	10 367	8 429	8 586

Condensed consolidated statement of changes in equity

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
Opening balance, Jan 1, 2020	22 761	52	22 813
Total comprehensive income for the period	2 863	4	2 867
Dividend	-1 445	- 9	-1 454
Acquisition and divestment of own shares	319	-	319
Share-based payments, equity settled	11	-	11
Closing balance, September 30, 2020	24 509	47	24 556
Opening balance, Jan 1, 2019	18 797	50	18 847
Total comprehensive income for the period	5 235	10	5 245
Dividend	-2 520	- 8	-2 528
Acquisition and divestment of own shares	295	-	295
Share-based payments, equity settled	- 25	-	- 25
Closing balance, September 30, 2019	21 782	52	21 834
Opening balance, 1 Jan, 2019	18 797	50	18 847
Total comprehensive income for the period	6 175	10	6 185
Dividend	-2 523	- 8	-2 531
Acquisition and divestment of own shares	340	-	340
Share-based payments, equity settled	- 28	-	- 28
Closing balance, Dec 31, 2019	22 761	52	22 813

Condensed consolidated statement of cash flows

MSEK	2020 Q3	2019 Q3	2020 Q1-Q3	2019 Q1-Q3
Cash flow from operating activities				
Operating profit	1 820	1 927	5 170	6 120
Depreciation, amortization and impairment	426	556	1 307	1 496
Capital gain/loss and other non-cash items	80	- 104	239	- 224
Net financial items received/paid	114	- 113	345	- 385
Taxes paid	- 544	- 559	-1 273	-1 900
Pension funding and payment of pension to employees	- 8	- 13	- 34	- 43
Change in working capital	- 32	126	434	- 725
Increase in rental equipment	- 149	- 181	- 463	- 726
Sale of rental equipment	112	213	258	438
Net cash from operating activities	1 819	1 852	5 983	4 051
Cash flow from investing activities				
Investments in other property, plant and equipment	- 129	- 111	- 356	- 386
Sale of other property, plant and equipment	1	18	22	43
Investments in intangible assets	- 118	- 90	- 363	- 358
Sale of intangible assets	- 1	1	- 5	1
Acquisition of subsidiaries and associated companies	- 32	- 107	- 62	-1 134
Sale of subsidiaries	1	140	- 12	140
Proceeds to/from other financial assets, net	95	78	274	32
Net cash from investing activities	- 183	- 71	- 502	-1 662
Cash flow from financing activities				
Dividend	-	-	-1 445	-1 260
Dividend to non-controlling interest	- 8	- 1	- 9	- 8
Sale/Repurchase of own shares	180	248	319	295
Change in interest-bearing liabilities	- 508	- 152	1 524	- 639
Net cash from financing activities	- 336	95	389	-1 612
Net cash flow for the period	1 300	1 876	5 870	777
Cash and cash equivalents, beginning of the period	13 005	4 883	8 540	5 872
Exchange differences in cash and cash equivalents	- 55	55	- 160	165
Cash and cash equivalents, end of the period	14 250	6 814	14 250	6 814
Operating cash flow				
Net cash flow from operating activities	1 819	1 852	5 983	4 051
Net cash from investing activities	-183	- 71	- 502	-1 662
Acquisitions and divestments of subsidiaries	31	- 33	74	994
Other adjustments	-312	135	- 705	478
Operating cash flow	1 355	1 883	4 850	3 861

Condensed segments quarterly

Epiroc has two reporting segments; Equipment & Service and Tools & Attachments. In addition, Epiroc reports common group functions, which includes Payment Solutions, offering financing to customers, Group management and common functions, as well as eliminations. Payment Solutions also has a rental fleet generating operating lease payments, which are reported as revenue.

Orders received, MSEK	2019			2019		2020		
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Equipment & Service	7 248	7 677	6 874	6 710	28 509	7 101	6 129	7 068
Equipment	3 442	3 580	2 727	2 606	12 355	2 850	2 410	3 099
Service	3 806	4 097	4 147	4 104	16 154	4 251	3 719	3 969
Tools & Attachments	2 760	2 826	2 665	2 517	10 768	2 619	1 980	2 249
Common group functions	55	50	61	49	215	52	- 4	56
Epiroc Group	10 063	10 553	9 600	9 276	39 492	9 772	8 105	9 373

Revenues, MSEK	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Equipment & Service	7 115	7 702	7 334	7 740	29 891	6 579	6 422	6 471
Equipment	3 313	3 638	3 198	3 712	13 861	2 519	2 768	2 688
Service	3 802	4 064	4 136	4 028	16 030	4 060	3 654	3 783
Tools & Attachments	2 605	2 926	2 765	2 503	10 799	2 505	2 035	2 196
Common group functions	65	- 2	59	37	159	50	1	57
Epiroc Group	9 785	10 626	10 158	10 280	40 849	9 134	8 458	8 724

Operating profit and profit before tax, MSEK	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Equipment & Service*	1 707	1 961	1 923	1 844	7 435	1 586	1 441	1 646
Tools & Attachments	371	429	157	295	1 252	337	143	254
Common group functions	- 148	- 127	- 153	- 123	- 551	9	- 166	- 80
Epiroc Group	1 930	2 263	1 927	2 016	8 136	1 932	1 418	1 820
Net financial items	- 100	- 38	- 61	- 94	- 293	- 46	- 51	- 76
Profit before tax	1 830	2 225	1 866	1 922	7 843	1 886	1 367	1 744

Operating margin, %	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Equipment & Service	24.0	25.5	26.2	23.8	24.9	24.1	22.4	25.4
Tools & Attachments	14.2	14.6	5.7	11.8	11.6	13.5	7.0	11.6
Epiroc Group	19.7	21.3	19.0	19.6	19.9	21.2	16.8	20.9

Items affecting comparability, MSEK	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Change in provision for LTI-program	59	39	54	42	194	-65	91	21
Agreement with previous CEO	-	-	-	28	28	-	-	-
Costs in Equipment & Service	-	-	-	28	28	34	17	33
Costs in Tools & Attachments	-	-	179	17	196	10	57	22
Epiroc Group	59	39	233	115	446	-21	165	76

Adj. margin for items affecting comparability, %	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Adjusted operating margin, %	20.3	21.7	21.3	20.7	21.0	20.9	18.7	21.7
Adjusted operating margin, E&S, %	24.0	25.5	26.2	24.2	25.0	24.6	22.7	25.9
Adjusted operating margin, T&A, %	14.2	14.6	12.2	12.5	13.4	13.9	9.8	12.6

Split and incentive program costs, MSEK**	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Change in provision for LTI-program	59	39	54	42	194	-65	91	21
Costs for split from Atlas Copco	17	23	11	11	62	6	11	1
Epiroc Group	76	62	65	53	256	-58	102	22

* As from Q2 2020, the Epiroc IT-function is part of the segment E&S instead of in common group functions. Previous periods have been restated and the amounts are not material.

** Reported in common group functions. Change in provision for long-term incentive programs is reported as administrative expenses.

Geographical distribution of orders received

MSEK % currency adjusted	2019				2019 Full year	2020			Δ, Y-o-Y
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	
Epiroc group	10 063	10 553	9 600	9 276	39 492	9 772	8 105	9 373	9%
North America	2 160	2 262	2 360	1 962	8 744	2 168	1 654	2 002	-6%
South America	1 344	1 481	1 451	1 120	5 396	1 284	1 175	1 157	-5%
Europe	2 430	2 399	2 063	2 165	9 057	2 381	1 891	2 092	12%
Africa/Middle East	1 311	1 409	1 274	1 474	5 468	1 409	943	1 411	31%
Asia/Australia	2 818	3 002	2 452	2 555	10 827	2 530	2 442	2 711	18%
Equipment & Service	7 248	7 677	6 874	6 710	28 509	7 101	6 129	7 068	15%
North America	1 265	1 444	1 529	1 278	5 516	1 427	1 108	1 355	-1%
South America	1 041	1 207	1 189	884	4 321	1 011	982	960	-4%
Europe	1 690	1 655	1 436	1 474	6 255	1 623	1 320	1 461	13%
Africa/Middle East	893	863	716	959	3 431	934	641	955	57%
Asia/Australia	2 359	2 508	2 004	2 115	8 986	2 106	2 078	2 337	25%
Tools & Attachments	2 760	2 826	2 665	2 517	10 768	2 619	1 980	2 249	-5%
North America	867	783	797	665	3 112	714	524	616	-15%
South America	303	274	262	236	1 075	273	193	197	-9%
Europe	724	738	613	675	2 750	745	600	618	10%
Africa/Middle East	418	547	557	515	2 037	475	302	457	-3%
Asia/Australia	448	484	436	426	1 794	412	361	361	-9%

Geographical distribution of revenues

MSEK % currency adjusted	2019				2019 Full year	2020			Δ, Y-o-Y
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	
Epiroc group	9 785	10 626	10 158	10 280	40 849	9 134	8 458	8 724	-4%
North America	2 227	2 403	2 191	2 119	8 940	2 099	1 841	1 962	0%
South America	1 571	1 616	1 646	1 547	6 380	1 116	1 251	994	-28%
Europe	2 432	2 473	2 154	2 372	9 431	2 132	1 959	2 096	7%
Africa/Middle East	1 182	1 396	1 351	1 504	5 433	1 369	1 063	1 283	12%
Asia/Australia	2 373	2 738	2 816	2 738	10 665	2 418	2 344	2 389	-9%
Equipment & Service	7 115	7 702	7 334	7 740	29 891	6 579	6 422	6 471	-2%
North America	1 425	1 580	1 362	1 477	5 844	1 332	1 261	1 343	10%
South America	1 327	1 341	1 356	1 271	5 295	875	1 073	789	-31%
Europe	1 674	1 682	1 469	1 697	6 522	1 427	1 362	1 472	11%
Africa/Middle East	787	847	792	1 003	3 429	923	761	868	29%
Asia/Australia	1 902	2 252	2 355	2 292	8 801	2 022	1 965	1 999	-9%
Tools & Attachments	2 605	2 926	2 765	2 503	10 799	2 505	2 035	2 196	-11%
North America	773	848	802	637	3 060	735	575	588	-19%
South America	244	276	290	274	1 084	241	177	205	-15%
Europe	733	777	669	658	2 837	703	614	611	0%
Africa/Middle East	395	549	559	501	2 004	446	302	415	-12%
Asia/Australia	460	476	445	433	1 814	380	367	377	-8%

Condensed parent company income statement

MSEK	2020 Q3	2019 Q3	2020 Q1-Q3	2019 Q1-Q3
Administrative expenses	- 45	- 59	- 148	- 173
Marketing expenses	- 3	- 4	- 11	- 13
Other operating income and expenses	34	11	81	36
Operating profit/loss	- 14	- 52	- 78	- 150
Financial income and expenses	- 3	- 4	- 11	- 9
Profit/loss before tax	- 17	- 56	- 89	- 159
Income tax	15	28	27	48
Profit/loss for the period	- 2	- 28	- 62	- 111

Condensed parent company balance sheet

MSEK	2020 Sep 30	2019 Sep 30	2019 Dec 31
Total non-current assets	52 066	52 003	52 016
Total current assets	5 836	3 278	5 106
Total assets	57 902	55 281	57 122
Total restricted equity	503	503	503
Total non-restricted equity	49 102	47 192	50 277
Total equity	49 605	47 695	50 780
Total provisions	163	191	216
Total non-current liabilities	6 041	6 059	6 029
Total current liabilities	2 093	1 336	97
Total equity and liabilities	57 902	55 281	57 122

Acquisitions and divestments

Date	Acquisitions	Divestments	Segment	Revenues*	Employees
2020 Aug 26	ItalParts		E&S		2
2019 Oct 23		Consumables manufacturing facility	T&A		-40
2019 Sep 3		Geotechnical consumables	T&A	-275	-40
2019 Apr 2	New Concept Mining		T&A	645	900
2019 Feb 1	Noland Drilling Equipment		E&S		8
2019 Jan 3	Fordia		T&A	580	250

*Annual revenues, MSEK, and number of employees at time of acquisition/divestment. For distributors, revenues are not disclosed.

Transactions with related parties

In the quarter, no material changes have taken place and no significant related-party transactions were made. More information on related parties can be found in Note 28 "Related parties" in [Epiroc's Annual and Sustainability Report 2019](#).

Share buy-backs

The Board of Directors has been authorized to purchase, transfer and sell Epiroc shares in relation to Epiroc's share-based long-term incentive programs. More information can be found in [Epiroc's Annual and Sustainability Report 2019](#) and on [Epiroc's website](#).

Share information	A share	B share	Total
Total number of shares	823 765 854	389 972 849	1 213 738 703
Whereof shares held by Epiroc	8 172 118		
Divestments in the quarter, number	1 402 442		
Divestment value, SEK	179 958 415		

Financial definitions

Financial definitions, non-IFRS measures and calculations can be found on [Epiroc's website](#).

Epiroc in brief

Epiroc is a leading global productivity partner for the mining and infrastructure industries. With ground-breaking technology, Epiroc develops and produces innovative, safe and sustainable drill rigs, rock excavation and construction equipment and tools. The company also provides world-class service and solutions for automation and interoperability. Epiroc is based in Stockholm, Sweden, had revenues of BSEK 41 in 2019, and has about 14 000 passionate employees supporting and collaborating with customers in more than 150 countries.

Financial goals

Revenues: To achieve annual revenue growth of 8% over a business cycle and to grow faster than the market. Growth will be organic and supported by selective acquisitions.

Margin: To have an industry-best operating margin, with strong resilience over the cycle.

Capital efficiency: To improve capital efficiency and resilience. Investments and acquisitions shall create value.

Investment rating: To have an efficient capital structure and the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating.

Dividend: To provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50% of net profit over the cycle.

Sustainability goals and KPIs

For each focus area, see page 13, there are a number of key performance indicators to ensure that Epiroc's business stays competitive, innovative and ethically sound. Epiroc has also adopted sustainability goals for 2030 that further advance the Group's ambitions on e.g. climate change and diversity:

Safety and Health

- Substantially reduce work-related injuries.

Balanced workforce

- Double the number of women in operational roles.

Ethical: Walk the talk

- Have all employees and business partners comply with Epiroc's Code of Conduct.
- Responsible Sales Assessment Process implemented.

Halve CO₂ emissions

- Halve CO₂ emissions in operations.
- 90% renewable energy in own operations.
- Halve CO₂ emissions from transport.
- Offer a full range of emission-free products.
- Halve CO₂ emissions from equipment sold (in 2030 compared to 2019).
- Require 50% reduction of CO₂ emissions from relevant suppliers.

More information about Epiroc's sustainability work can be found on [Epiroc's website](#).

This information is information that Epiroc AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons on page 28, at 18:01 CEST on October 22, 2020.

Further information

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Financial calendar

Webcast & conference call:

At 10.00 CEST on October 23, 2020, Epiroc will host a report presentation and conference call for investors, analysts and media. The report will be presented by President and CEO Helena Hedblom and CFO Anders Lindén. Please find webcast link and presentation material here: www.epirocgroup.com/en/investors/financial-publications.

Dial-in numbers for the conference call:

- Sweden: +46 8 566 42651
- United Kingdom: +44 333 300 0804
- United States: +1 631 913 1422
- PIN: 24343570#

Upcoming investor events:

- November 23, 2020: Capital Markets Digital Fika at 15:00 CET
- November 27, 2020: Extraordinary General Meeting
- January 26, 2021: Q4 2020 report
- April 28, 2021: Q1 2021 report
- April 28, 2021: AGM in Nacka at 16:00 CET
- July 20, 2021: Q2 2021 report
- October 21, 2021: Q3 2021 report

United in performance. Inspired by innovation.

Performance unites us, innovation inspires us, and commitment drives us to keep moving forward.

Count on Epiroc to deliver the solutions you need to succeed today and the technology to lead tomorrow.

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