Epiroc

Q2
2018

Epiroc interim report Q2

April - June 2018 in brief

- Orders received increased 21% to SEK 10,483 million (8,662), organic growth of 18%
- Revenues increased 25% to SEK 9,843 million (7,879), organic growth of 22%
- Operating profit was SEK 1,810 million (1,468), including costs of SEK 181 million (53) related to the split from Atlas Copco and change in provision for long-term incentive programs
- Operating margin was 18.4% (18.6), negatively affected with 1.8 percentage points (0.7) by the costs related to the split and incentive programs
- Basic earnings per share were SEK 1.09 (0.89)
- Operating cash flow of SEK 199 million (1,313)
- Epiroc listed on Nasdaq Stockholm on June 18 and refinanced as a stand-alone company

Key figures

SEK million	2018 Q2	2017* Q2	Δ	2018 Q1-Q2	2017* Q1-Q2	Δ	2017* Full year
Orders received	10,483	8,662	21%	20,519	17,182	19%	33,831
Revenues	9,843	7,879	25%	18,076	15,290	18%	31,364
Operating profit	1,810	1,468	23%	3,325	2,882	15%	5,930
Operating margin, %	*18.4*	*18.6*		*18.4*	*18.8*		*18.9*
Profit before tax	1,766	1,458	21%	3,224	2,849	13%	5,793
Profit margin, %	*17.9*	*18.5*		*17.8*	*18.6*		*18.5*
Profit for the period	1,321	1,078	23%	2,402	2,127	13%	4,298
Operating cash flow	199	1,313	-85%	865	2,424	-64%	4,610
Basic earnings per share, SEK	1.09	0.89	22%	1.98	1.75	13%	3.55
Diluted earnings per share, SEK	1.09	-		1.97	-		-
Return on capital employed, %				29.6	-		27.4
Net debt/EBITDA ratio				0.40	-		0.75

*Financial statements prior to 2018 are combined. See page 14.

CEO comments

Another quarter with orders received above SEK 10 billion
The second quarter of 2018 continued on a strong note, as expected. Orders received increased organically by 18% and reached SEK 10,483 million. Revenues increased to SEK 9,843 million, with 22% organic growth. Our operating profit reached SEK 1,810, including costs of SEK 181 million related to the split from Atlas Copco and to change in provision for long-term incentive programs. The operating margin was 18.4%, negatively affected with 1.8 percentage points by the costs related to the split and incentive programs.

Demand development and trend
The customer demand for our equipment and services continued to be strong in all geographic regions, with particularly high order growth in South America and Africa/Middle East. The demand for equipment from our mining and infrastructure customers developed favorably, both for underground and surface applications. For mining, most of our equipment orders continued to be for expansion in existing mines. For infrastructure, orders for both rock drilling equipment and hydraulic attachments grew at a healthy pace. In addition, our aftermarket for service and rock drilling tools had a positive development in nearly all of our markets. Also, we note that the demand continues to be healthy in the beginning of the third quarter.

More output from our factories, but still work to do
I am pleased to see that we were able to increase our equipment deliveries compared to the first quarter. We continued to ramp up our capacity, including increased third-party final assembly in order to maintain our agility and asset utilization. In spite of the progress, we have to take some further steps to bring our capacity on par with the current demand. The increased volumes contributed to an improvement in the underlying operating margin with a satisfactory development in the Equipment & Service segment. The development in the Tools & Attachments segment was less satisfactory and actions to mitigate are in progress. The increase of working capital during the quarter had a negative impact on our cash flow. The bulk of the increase is driven by customer receivables and inventories due to our continued growth, but we are also addressing long-term inefficiencies with our ongoing supply-chain program.

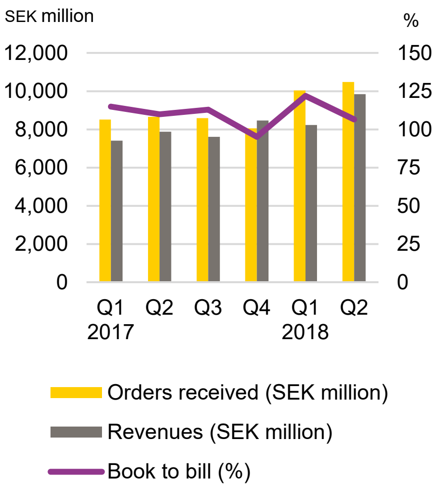
Innovation
The interest from our customers in automation and battery-powered equipment continues to be strong. Not the least, this was demonstrated by the initiative from LKAB, Europe's largest iron ore producer, to form a technology partnership with the ambition to set a new standard for sustainable mining with autonomous, digitalized and CO_2-free equipment. Epiroc is proud to be one of the selected partners in this collaboration. I believe this initiative is indicative of the transformation that our customers are starting to undertake, but it is important to keep in mind that this transformation will take both time and significant development efforts. We continue to increase our activities and resources in this area, as well as in other areas. An example of this is a smart ventilation system that optimizes air quality, air flow and energy expenditure automatically and can significantly reduce energy consumption and ventilation costs for our customers.

Listed on Nasdaq Stockholm
June 18 was the birthday of Epiroc as a stand-alone company and the trading of our shares began on Nasdaq Stockholm. The split from the Atlas Copco Group and the listing process generated costs during the first half of 2018 and we will have some costs also in the second half of the year, albeit on a lower level. We now look forward to deliver shareholder value while continuing to serve our customers in an excellent way.

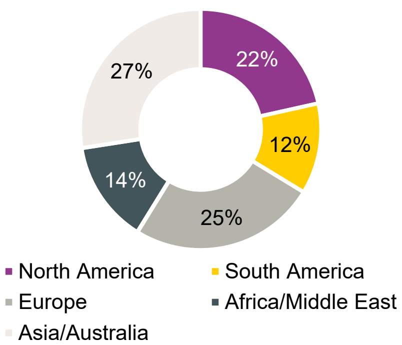
Per Lindberg
President and CEO

Epiroc Group – Q2 review

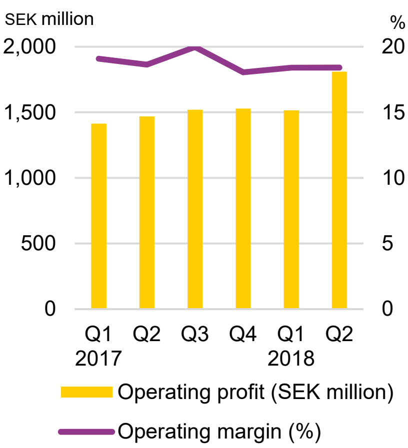
Orders and revenues



Geographic distribution of revenues



Operating profit and margin



Epiroc Group

SEK million	2018 Q2	2017 Q2	Δ	2018 Q1-Q2	2017 Q1-Q2	Δ
Orders received	10,483	8,662	21%	20,519	17,182	19%
Revenues	9,843	7,879	25%	18,076	15,290	18%
Operating profit	1,810	1,468	23%	3,325	2,882	15%
Operating margin, %	*18.4*	*18.6*		*18.4*	*18.8*	
Return on capital employed, %				29.6	-	

Market development and orders received
The demand for Epiroc Group's products and services remained strong. Orders received increased 21% to SEK 10,483 million (8,662), corresponding to 18% organic growth. The strongest order growth was achieved in the Equipment & Service segment. Sequentially, the orders received for the Group increased by 4% compared to Q1 2018, primarily due to more favorable currency rates.

Orders received increased in all geographic regions with the exception for North America where orders were down slightly compared to a strong Q2 2017. South America closely followed by Africa/Middle East had the highest growth rates in the quarter.

Mining customers represented approximately 70% of orders received.

Revenues
Revenues increased 25% to SEK 9,843 million (7,879), corresponding to 22% organic increase. Revenues from acquisitions and contract manufacturing of road construction equipment contributed with 2% growth and currency with 1%. The book to bill ratio was 107%. Asia/Australia had the Group's highest revenue share in the quarter.

Sales & profit bridge

Epiroc Group

	Orders received SEK million, Δ, %	Revenues SEK million, Δ, %	Operating profit SEK million Δ	Margin, %, Δ, pp
Q2 2017	**8,662**	**7,879**	**1,468**	**18.6**
Organic	+18	+22	539	+2.2
Currency	+1	+1	-70	-0.8
Structure and other	+2	+2	-127*	-1.6
Total	+21	+25	+342	-0.2
Q2 2018	**10,483**	**9,843**	**1,810**	**18.4**

*Includes operating profit/loss from acquisitions, contract manufacturing, one-time costs, and changes in provision for share-based long-term incentive programs.

Profits and returns
The operating profit increased to SEK 1,810 million (1,468) and includes costs related to the split from Atlas Copco and change in provision for long-term incentive programs of SEK 181 million (53). Costs related to the split and the listing process was SEK 104 million and change in provision for share-based long-term incentive programs was SEK -77 million (-53). The costs for Epiroc Group's corporate functions were approximately SEK 57 million in the quarter.

The operating margin was 18.4% (18.6) and was positively affected by organic growth, but negatively affected by currency, dilution from acquisitions and contract manufacturing, split and incentive program costs.

The costs related to the split and the change in provisions for the long-term incentive program had a negative impact of 1.8 percentage points (0,7) on the margin.

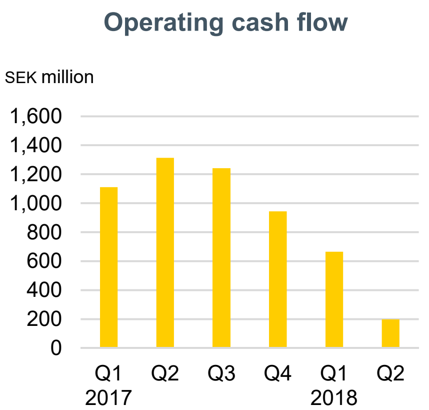
Net financial items were SEK -44 million (-10). Net interest was SEK -38 million (-6). Other financial items were SEK -6 million (-4).

Profit before tax amounted to SEK 1,766 million (1,458), corresponding to a margin of 17.9% (18.5). Income tax expense amounted to SEK -445 million (-380), corresponding to an effective tax rate of 25.2% (26.1). The future reduction in the Swedish tax rate had a slightly positive effect on the deferred income tax expense.

Profit for the period totaled SEK 1,321 million (1,078). Basic earnings per share were SEK 1.09 (0.89).

The return on capital employed during the last 12 months was 29.6%. Return on equity was 30.8%.

Epiroc Group – Cash flow and Balance sheet

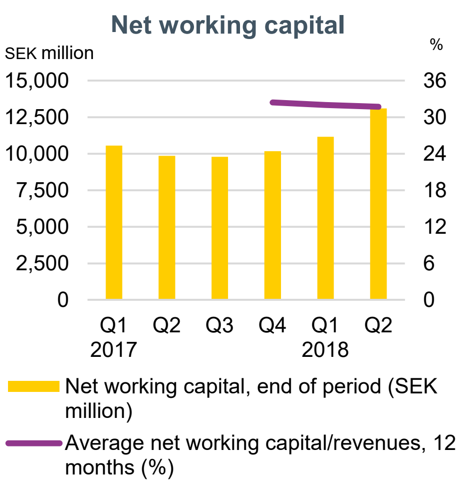


Operating cash flow

Operating cash flow was SEK 199 million (1,313). Net cash flow from operating activities was SEK -62 million (1,486). Net financial items paid was SEK -512 million (-35), an increase due to roll-over of currency hedges of internal loans. Taxes paid in the quarter were SEK -359 million (-190). Due to an increase in customer receivables and inventories following the strong volume growth in revenues and orders received, working capital increased by SEK 1,226 million (53). Net investments in rental equipment were SEK 158 million (150). Net investments in property, plant and equipment were SEK 155 million (114) and investments in intangible assets were SEK 108 million (59).

Acquisitions and other investments

Acquisitions of subsidiaries and associated companies were SEK 0 million (-6). Other investments, net, were SEK -54 million.

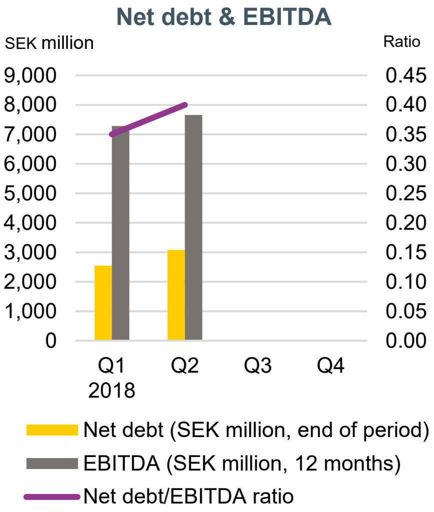


Net working capital

Net working capital was SEK 13,102 million (9,859) at the end of the period, an increase of 33% mainly driven by higher volumes and the related increase in inventories and receivables, partly offset by higher payables. As a percentage of revenues last 12 months, the average net working capital was 31.7%.

Supply-chain program

The supply-chain improvement program that was initiated in the first quarter continued according to plan. The program is expected to run for 3 to 4 years.



Net debt
The Group's net debt amounted to SEK 3,027 million, of which SEK 176 million was attributable to post-employment benefits. The net debt/EBITDA ratio was 0.40. The net debt/equity ratio was 17.3%.

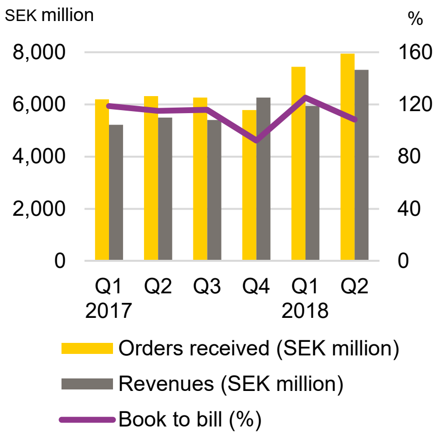
Financing
On June 18, Epiroc entered into two credit facility agreements with a group of banks, a SEK 4,000 million revolving credit facility (not utilized) and a SEK 6,000 million bridge facility. The revolving credit facility has a maturity of five years with two one-year extension options. The bridge facility has a maturity of twelve months with two six-month extension options. SEK 5,000 million of the bridge facility is utilized and the intention is to replace the bridge facility with medium and/or long-term financing. In addition, Epiroc has been granted a bilateral loan of EUR 100 million from the European Investment Bank with a maturity of four years.

Equipment & Service

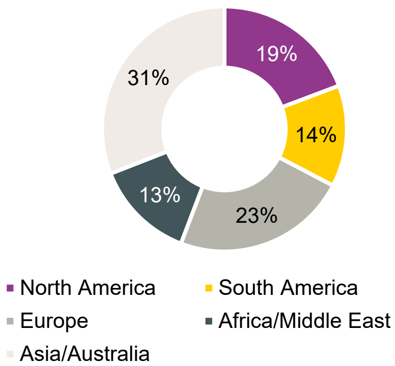
The Equipment & Service segment provides rock drilling equipment, equipment for mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, drilling equipment for exploration, water, oil and gas, as well as related spare parts and service for the mining, infrastructure and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

- Organic order growth of 22%
- Increased output, organic revenue growth of 30%
- Operating margin improved to 23.9%

Orders and revenues



Geographic distribution of revenues



Equipment & Service

SEK million	2018 Q2	2017 Q2	Δ	2018 Q1-Q2	2017 Q1-Q2	Δ
Orders received	7,947	6,323	26%	15,389	12,523	23%
Revenues	7,325	5,495	33%	13,268	10,715	24%
Operating profit	1,747	1,242	41%	3,111	2,408	29%
Operating margin, %	*23.9*	*22.6*		*23.4*	*22.5*	

Market development and orders received

The orders received for Equipment & Service increased by 26% to SEK 7,947 million (6,323), corresponding to 22% organic growth.

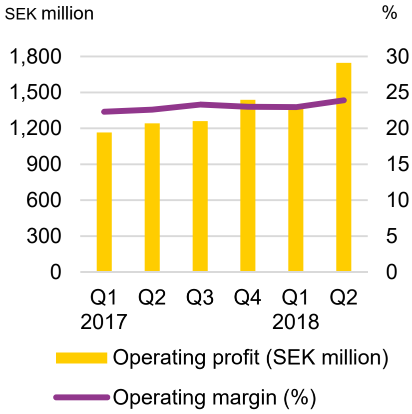
Geographically, orders received increased in all regions. South America outperformed the other regions in relative terms with a very strong order intake, which included a number of large orders for underground equipment. Equipment had an organic growth of 31% and orders received amounted to SEK 4,234 million (3,142). The demand for equipment from mining and infrastructure customers developed favorably with similar organic growth rates for underground and surface equipment. Most of the orders from mining customers continued to relate to expansion in or adjacent to existing mines rather than to replacement.

The service business increased its orders received by 14% organically to SEK 3,713 million (3,181) as a result of a positive market development and additional marketing and sales activities.

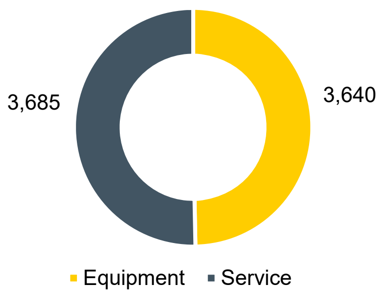
Revenues

Revenues increased by 33% to SEK 7,325 million (5,495), corresponding to an organic growth of 30%. Revenues from acquisitions and contract manufacturing of road construction equipment contributed to 3% growth. The book to bill ratio was 108%, a decrease sequentially from 125% in Q1 2018, reflecting the ramp-up in the production. Equipment accounted for 50% (45) of the revenues in the segment and Service 50% (55). Asia/Australia had the segment's highest revenue share in the quarter.

Operating profit and margin



Revenues Q2 2018
(SEK million)



Sales & profit bridge

Equipment & Service

	Orders received SEK million, Δ, %	Revenues SEK million, Δ, %	Operating profit SEK million Δ	Margin, %, Δ, pp
Q2 2017	**6,323**	**5,495**	**1,242**	**22.6**
Organic	+22	+30	+564	+2.7
Currency	+0	+0	-60	-0.9
Structure and other	+4	+3	+1*	-0.5
Total	+26	+33	+505	+1.3
Q2 2018	**7,947**	**7,325**	**1,747**	**23.9**

*Includes operating profit/loss from acquisitions and contract manufacturing.

Sales bridge

	Equipment		Service	
	Orders received SEK million	**Revenues** SEK million	**Orders received** SEK million	**Revenues** SEK million
Q2 2017	**3,142**	**2,469**	**3,181**	**3,026**
Organic,%	+31	+43	+14	+19
Currency,%	+0	+1	+0	+0
Structure and other,%	+4	+3	+3	+3
Total,%	+35	+47	+17	+22
Q2 2018	**4,234**	**3,640**	**3,713**	**3,685**

Operating profit and margin
Operating profit was SEK 1,747 million (1,242), corresponding to a margin of 23.9% (22.6). The margin was supported by volume, but negatively affected by currency and by dilution from acquisitions and contract manufacturing.

Business development
Epiroc has joined a partnership with LKAB (Europe's largest iron ore producer), ABB, Combitech and AB Volvo to set a new world standard for sustainable mining. In the partnership, new technology will be developed and tested in a real mining environment as well as in a virtual mine. Epiroc will contribute with autonomous and battery-operated products and digital solutions that improve productivity and safety in the mines. The project is a multi-year initiative.

Innovations launched in the quarter
Minetruck MT2010 Battery is the newest machine in Epiroc's fleet of electric-powered equipment, a truck specially built to transport heavy loads of up to 20 metric tons through narrow underground passages. The battery can be replaced in a few minutes or quickly charged. The diesel-free powertrain eliminates harmful particles and gas emissions and generates less noise and waste heat, providing a quieter and healthier work environment.

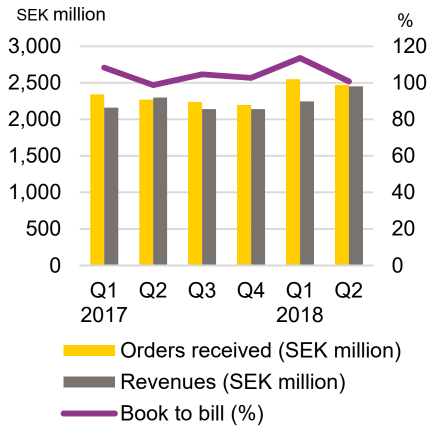
Serpent Automatic is an automatic version of the Serpent ventilation system. The system optimizes air quality, air flow and energy expenditure automatically. Sensors regularly measure carbon monoxide and nitrogen dioxide levels to determine air quality, then automatically adjust fan speed to ensure adequate airflow and a perfectly regulated underground work environment.

Tools & Attachments

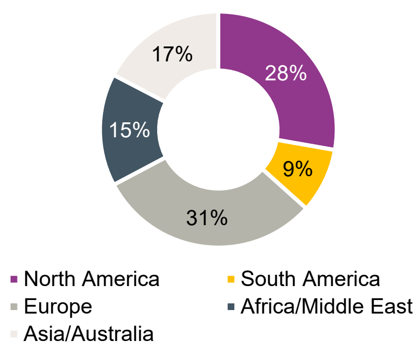
The Tools & Attachments segment provides rock drilling tools and hydraulic attachments that are attached to machines used mainly for drilling, deconstruction and recycling as well as rock excavation. It also provides related service and spare parts and serves the mining, infrastructure and natural resources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

- Organic order growth of 6%
- Good demand for both rock drilling tools and hydraulic attachments
- Operating margin at 12.4% (14.3)

Orders and revenues



Geographic distribution of revenues



Tools & Attachments

SEK million	2018 Q2	2017 Q2	Δ	2018 Q1-Q2	2017 Q1-Q2	Δ
Orders received	2,470	2,270	9%	5,020	4,611	9%
Revenues	2,452	2,297	7%	4,697	4,458	5%
Operating profit	304	328	-7%	591	649	-9%
Operating margin, %	*12.4*	*14.3*		*12.6*	*14.6*	

Market development and orders received
The business environment in both the infrastructure and mining industry continued to be good for Tools & Attachments. The orders received increased by 9% to SEK 2,470 million (2,270), corresponding to an organic growth of 6% with similar growth rates for both rock drilling tools and hydraulic attachments.

Geographically the order intake increased in all regions except for North America where orders were down slightly compared to a strong Q2 2017. The highest growth was achieved in Africa/Middle East.

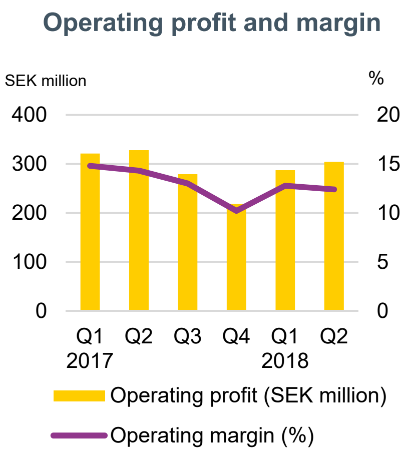
Revenues
Revenues were SEK 2,452 million (2,297), corresponding to an organic growth of 5%. Acquisitions and currency contributed to revenue growth with 1% each. The book to bill ratio was 101%. Europe had the segment's highest revenue share in the quarter.

Sales & profit bridge

Tools & Attachments

	Orders received SEK million, Δ, %	Revenues SEK million, Δ, %	Operating profit SEK million Δ	Margin, %, Δ, pp
Q2 2017	**2,270**	**2,297**	**328**	**14.3**
Organic	+6	+5	-21	-1.5
Currency	+2	+1	-3	-0.3
Structure and other	+1	+1	+0*	-0.1
Total	+9	+7	-24	-1.9
Q2 2018	**2,470**	**2,452**	**304**	**12.4**

*Includes operating profit/loss from acquisitions

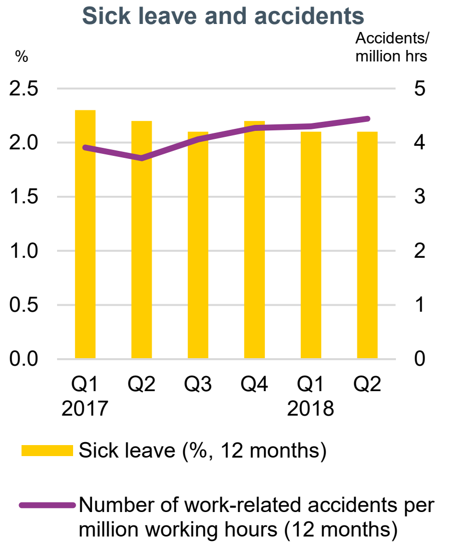


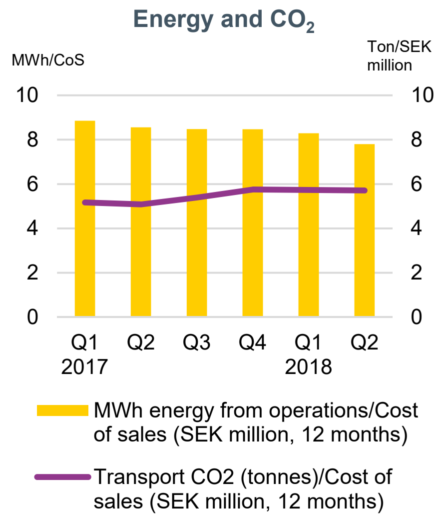
Operating profit and margin
Operating profit was SEK 304 million (328), corresponding to a margin of 12.4% (14.3). The margin was negatively affected by costs, mix and currency and by dilution from acquisitions.

Innovations launched in the quarter
The V-LOK No Weld Clamp is a new system for holding various pieces of the drill string together. It increases safety and productivity by eliminating the need for welding, grinding and hot permit, is easily assembled and replaces the current set-up where weld tabs is used to keep the joint together.

Sustainability development

- Accidents remained on the same level as 2017
- High demand increased air freight and CO_2 emissions
- Energy savings due to concentration of production





Sustainability measurements

	2018 Q2	2017 Q2	2017 Full year
Number of work-related accidents per million working hours (12 months)	4.4	3.7	4.3
Sick leave (%, 12 months)	2.1	2.2	2.2
MWh energy from operations/Cost of sales (SEK million, 12 months)	7.8	8.6	8.5
Transport CO_2 (tonnes)/Cost of sales (SEK million, 12 months)	5.7	5.1	5.8

Accidents

The work-related accidents remained on the same level as in full year 2017. Compared to the 12-month period ending June 30, 2017, work-related accidents increased. Activities and trainings focusing on safety are ongoing.

Energy and CO_2 emissions

MWh energy from operations/Cost of sales has decreased in the last 12 months period, due to concentration of production to fewer entities in US and China.

CO_2 emissions from transport increased compared to the 12-months period ending in June 2017 due to high customer demand, which increased the need for use of air freight.

Employees

On June 30, 2018, the number of employees was 13,572 (12,240). The number of consultants/external workforce was 1,603 (1,264). For comparable units, the total workforce increased by 10% from June 30, 2017. The increase of the workforce mainly took place in service. Sick leave continued to stay on a low level.

Sustainability actions

The Epiroc safety day was held on April 27 to emphasize and reinforce the Group's work on safety and health.

Information and activities to strengthen the knowledge about the Epiroc Code of Conduct were launched. Roll out of translations of the Code into local languages started and a new Code of Conduct training, including a compliance commitment, is now available. The training is mandatory for all managers within the Group.

Epiroc Group January – June 2018 in summary

Orders received in the first half year of 2018 increased to SEK 20,519 million (17,182) an organic growth of 19%. Revenues were SEK 18,076 million (15,290), corresponding to 18% organic increase.

Operating profit was SEK 3,325 million (2,882) including costs for the split from Atlas Copco of SEK 199 million and change in provision for share-based long-term incentive programs of SEK -77 million (-98). The operating margin was 18.4% (18.8). Excluding split and incentive program costs, the operating margin was 19.9% (19.5).

Profit before tax was SEK 3,224 million (2,849), corresponding to a margin of 17.8% (18.6). Profit for the period totaled SEK 2,402 million (2,127). Basic earnings per share were SEK 1.98 (1.75). Operating cash flow amounted to SEK 865 million (2,424).

Key events after the end of the period

No key events occurred after the end of the period.

Risk 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 the prospectus "Admission to trading of shares in Epiroc AB on Nasdaq Stockholm" published in May 2018. See www.epirocgroup.com/en/investors.

The Board of Directors and President declare that the interim report gives a fair view of the business development, financial position and result of operation of the Parent Company and the consolidated Group, and describes significant risks and uncertainties that the parent company and its subsidiaries are facing.

Nacka, July 19, 2018

Epiroc AB

Lennart Evrell *Board member*	Ronnie Leten *Chairman*	Johan Forssell *Board member*
Jeane Hull *Board member*	Per Lindberg *President and CEO, Board member*	Ulla Litzén *Board member*
Astrid Skarheim Onsum *Board member*	Anders Ullberg *Board member*	Kristina Kanestad *Board member, Employee representative*
Bengt Lindgren *Board member, Employee representative*		

Auditors' Review Report

Introduction

We have reviewed the interim report for Epiroc AB for the period January 1 – June 30, 2018. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Nacka, July 19, 2018
Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Accounting principles

The consolidated financial statements of the Epiroc Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The accounting principles applied in the preparation of this interim report apply to all periods and comply with the accounting principles presented in the prospectus “Admission to trading of shares in Epiroc AB on Nasdaq Stockholm” in note 1 Significant accounting in the combined financial statements except for the adoption of new standards effective as of January 1, 2018, which comply with the accounting principles presented in note 2 Changes in accounting policies in the combined financial statements. The interim report is prepared in accordance with IAS 34 Interim financial reporting.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. Comparative information will not be restated. Among other things, IFRS 9 introduces a new model for impairment of financial assets. The purpose of the model is to recognize credit losses earlier than IAS 39. Additionally, the classification of some financial instruments have changed. For Epiroc there were no material effects due to the implementation of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts and IAS 18 Revenue. The standard has been applied by Epiroc Group from January 1, 2018, using the full retrospective method. The same accounting principle for revenue recognition has therefore been applied for all periods presented in the interim report. For further details regarding the effects on the timing of revenue recognition due to the implementation of IFRS 15, see note 2 Changes in accounting policies in the combined financial statements in the prospectus “Admission to trading of shares in Epiroc AB on Nasdaq Stockholm”.

IFRS 15 impact on the financial statement

Balance sheet

SEK million	Jun 30, 2017 before restatement	Restatement	Jun 30, 2017 after restatement
Deferred tax assets	368	9	377
Inventory	7,862	83	7,945
Equity	16,183	-27	16,156
Other liabilities and provisions	3,106	118	3,224

Income statement

SEK million	Q2 2017 before restatement	Restatement	Q2 2017 after restatement
Revenues	15,236	54	15,290
Cost of sales	-9,633	-31	-9,664
Income tax expense	-718	-4	-722

The interim financial statements of Epiroc AB have been prepared in accordance with the Swedish Annual Accounts Act and the accounting standard RFR 2, accounting for legal entities. The most recent annual financial statements of Epiroc AB have been prepared in accordance with the Annual Accounts Act and the standard from the Swedish Accounting Standards Board BFNAR 2012:1 Annual report and consolidated accounts (K3).

Subsidiaries

Participations in subsidiaries are accounted for by the Parent Company at historical cost. The carrying amounts of participations in subsidiaries for the group are reviewed for impairment in accordance with IAS 36, Impairment of Assets.Transaction costs incurred in connection with a business combination are accounted for by the Parent Company as part of the acquisition costs
and are not expensed.

Employee benefits

Defined benefit plans

Defined benefit plans are not accounted for in accordance with IAS 19. In the Parent Company defined benefit plans are accounted for according to the Swedish law regarding pensions, ”Tryggandelagen” and regulations issued by the Swedish Financial Supervisory Board. The primary differences as compared to IAS 19 are the way discount rates are fixed, that the calculation of defined benefit obligations is based on current salary levels, without consideration of future salary increases and that all actuarial gains and losses are included in profit or loss as they occur.

Financial guarantees
Financial guarantees issued by the Parent Company for the benefit of subsidiaries are not valued at fair value. They are reported as contingent liabilities, unless it becomes probable that the guarantees will lead to payments. In such case, provisions will be recorded.

Group and shareholders' contributions
In Sweden, Group contributions are deductible for tax purposes but shareholders' contributions are not. Group contributions are recognized as appropriations in the income statement. Shareholders' contributions are recognized as an increase of Shares in Group companies and tested for impairment.

Combined financials
The term "combined financial statements" refers to financial information prepared by aggregating financial information for entities under common control that do not meet the definition of a group according to IFRS 10. The formation of the Epiroc Group comprised transactions between entities that are under common control. Since these transactions are not covered by any IFRS standard, a suitable accounting principle has been applied in accordance with IAS 8. A suitable and established method is to use the previous carrying amount (predecessor basis of accounting), which is the principle that the Epiroc Group has applied.

The accounting principles are also available in the prospectus "Admission to trading of shares in Epiroc AB on Nasdaq Stockholm" published in May 2018. See www.epirocgroup.com/en/investors.

Condensed consolidated income statement

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Full year
Revenues	9,843	7,879	18,076	15,290	31,364
Cost of sales	-6,275	-4,990	-11,501	-9,664	-20,101
Gross profit	**3,568**	**2,889**	**6,575**	**5,626**	**11,263**
Marketing expenses	-676	-596	-1,276	-1,157	-2,280
Administrative expenses	-713	-550	-1,277	-1,083	-2,121
Research and development expenses	-257	-184	-479	-374	-795
Other operating income and expenses	-112	-91	-218	-130	-137
Operating profit	**1,810**	**1,468**	**3,325**	**2,882**	**5,930**
Net financial items	-44	-10	-101	-33	-137
Profit before tax	**1,766**	**1,458**	**3,224**	**2,849**	**5,793**
Income tax expense	-445	-380	-822	-722	-1,495
Profit for the period	**1,321**	**1,078**	**2,402**	**2,127**	**4,298**
Profit attributable to					
- owners of the parent	1,319	1,078	2,398	2,127	4,298
- non-controlling interests	2	0	4	0	0

Key ratios

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Full year
Basic earnings per share, SEK	1.09	0.89	1.98	1.75	3.55
Diluted earnings per share, SEK	1.09	-	1.97	-	-
Basic number of shares outstanding, millions	1,214	1,212	1,214	1,212	1,212
Diluted number of shares outstanding, millions	1,214	-	1,214	-	-
Operating margin, %	18.4	18.6	18.4	18.8	18.9
Equity per share, period end, SEK			14.45	13.33	9.94
Return on capital employed, %			29.6	-	27.4
Return on equity, %			30.8	-	29.1
Net debt/EBITA ratio			0.40	-	0.75
Net debt/equity ratio, period end, %			17.3	5.4	45.0
Equity/assets ratio, period end, %			50.1	52.2	43.7
Number of employees, period end			13,572	12,420	12,948

Condensed consolidated statement of comprehensive income

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Full year
Profit for the period	**1,321**	**1,078**	**2,402**	**2,127**	**4,298**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit pension plans	-28	0	2	61	65
Income tax relating to items that will not be reclassified	5	1	-3	-14	-14
Total items that will not be reclassified to profit or loss	**-23**	**1**	**-1**	**47**	**51**
Items that may be reclassified subsequently to profit or loss					
Translation differences on foreign operations	97	-587	346	-605	-756
Total items that may be reclassified subsequently to profit or loss	**97**	**-587**	**346**	**-605**	**-756**
Other comprehensive income for the period, net of tax	**74**	**-586**	**345**	**-558**	**-705**
Total comprehensive income for the period	**1,395**	**492**	**2,747**	**1,569**	**3,593**
Total comprehensive income attributable to					
- owners of the parent	1,392	492	2,742	1,569	3,594
- non-controlling interests	3	0	5	0	-1

Condensed consolidated balance sheet

SEK million	2018 Jun 30	2017 Jun 30	2017 Dec 31
Intangible assets	3,637	3,136	3,121
Rental equipment	1,300	1,271	1,215
Other property, plant and equipment	2,455	2,273	2,271
Investments in associates	93	31	94
Financial assets and other receivables	1,399	1,455	1,101
Deferred tax assets	501	377	425
Total non-current assets	**9,385**	**8,543**	**8,227**
Inventories	10,664	7,945	8,440
Trade receivables	7,898	5,857	6,271
Other receivables	1,259	1,066	1,362
Income tax receivables	385	140	287
Financial assets	1,228	6,804	1,152
Cash and cash equivalents	4,205	610	1,808
Total current assets	**25,639**	**22,422**	**19,320**
Total assets	**35,024**	**30,965**	**27,547**
Share capital	500	20	21
Retained earnings	16,989	16,130	12,020
Total equity attributable to equity holders of the parent	**17,489**	**16,150**	**12,041**
Non-controlling interest	48	6	6
Total equity	**17,537**	**16,156**	**12,047**
Interest bearing loans	1,179	5,768	2,250
Post-employment benefits	176	183	181
Other liabilities and provisions	325	269	289
Total non-current liabilities	**1,680**	**6,220**	**2,720**
Interest bearing loans	5,931	854	4,808
Trade payables	4,749	3,467	3,966
Income tax liabilities	761	1,044	436
Other liabilities and provisions	4,366	3,224	3,570
Total current liabilities	**15,807**	**8,589**	**12,780**
Total equity and liabilities	**35,024**	**30,965**	**27,547**

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 value of derivatives and other loans are based on level 2 in the fair value hierarchy, no financial instruments are valued in category 3. Compared to 2017, 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, input or assumptions.

Outstanding derivative instruments recorded to fair value

SEK million	2018 Jun 30	2017 Dec 31
Current assets and liabilities		
Assets	8	193
Liabilities	107	21

Carrying value and fair value of borrowings

SEK million	2018 Jun 30	2018 Jun 30	2017 Dec 31	2017 Dec 31
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Other loans	7,110	7,122	7,058	7,058

Condensed consolidated statement of changes in equity

SEK million	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Opening balance, January 1, 2018	**12,041**	**6**	**12,047**
Impact of change in accounting policy	1	-	1
Restated balance January 1, 2018	12,042	6	12,048
Changes in equity for the period			
Total comprehensive income for the period	2,742	5	2,747
Transactions with shareholders	2,693	37	2,730
Share-based payments, equity settled	12	-	12
Closing balance, June 30, 2018	**17,489**	**48**	**17,537**
Opening balance, January 1, 2017	**15,813**	**-**	**15,813**
Impact of change in accounting policy	-47	-	-47
Restated balance January 1, 2017	15,766	-	15,766
Changes in equity for the period			
Total comprehensive income for the period	1,569	0	1,569
Dividends to Atlas Copco	-229	-	-229
Transactions with shareholders	-975	6	-969
Share-based payments, equity settled	19	-	19
Closing balance, June 30, 2017	**16,150**	**6**	**16,156**
Opening balance, January 1, 2017	**15,813**	**-**	**15,813**
Impact of change in accounting policy	-47	-	-47
Restated balance January 1, 2017	15,766	-	15,766
Changes in equity for the period			
Total comprehensive income for the period	3,594	-1	3,593
Dividends to Atlas Copco	-5,178	-	-5,178
Transactions with shareholders	-2,096	7	-2,089
Share-based payments, equity settled	-45	-	-45
Closing balance, December 31, 2017	**12,041**	**6**	**12,047**

Financing activities and transactions with shareholders

Transaction with shareholders represents the shareholder contribution from Atlas Copco of SEK 4.1 billion, offset by the acquisition of subsidiaries owned by Atlas Copco of SEK 1.3 billion and other cash transfers between Atlas Copco and Epiroc, totaling SEK 2.7 billion net as cash transfer between Epiroc and Atlas Copco.

Q2
2018

Consolidated statement of cash flow

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Full year
Cash flow from operating activities					
Operating profit	1,810	1,468	3,325	2,882	5,930
Depreciation, amortization and impairment	340	308	657	628	1,254
Capital gain/loss and other non-cash items	54	148	-17	-25	-134
Net financial items received/paid	-512	-35	-371	-92	-344
Taxes paid	-359	-190	-680	-276	-666
Pension funding and payment of pension to employees	-11	-10	-46	-51	-90
Change in working capital	-1,226	-53	-1,691	-132	-403
Investments in rental equipment	-265	-241	-443	-361	-793
Sale of rental equipment	107	91	183	168	422
Net cash from operating activities	**-62**	**1,486**	**917**	**2,741**	**5,176**
Cash flow from investing activities					
Investments in property, plant and equipment	-161	-116	-290	-224	-424
Sale of property, plant and equipment	6	2	16	15	70
Investments in intangible assets	-108	-59	-211	-108	-289
Acquisition of subsidiaries and associated companies	-	-6	-482	-72	-137
Other investments, net	-54	-1,093	-191	269	6,323
Net cash from investing activities	**-317**	**-1,272**	**-1,158**	**-120**	**5,543**
Cash flow from financing activities					
Dividend to/from Atlas Copco	-	-229	-	-229	-5,178
Acquisition of non-controlling interest	-	-	-	6	6
Change in interest-bearing liabilities	2,294	1,612	2,569	-1,242	-889
Net cash from financing activities	**2,294**	**1,383**	**2,569**	**-1,465**	**-6,061**
Net cash flow for the period	**1,915**	**1,597**	**2,328**	**1,156**	**4,658**
Cash and cash equivalents, beginning of the period	2,255	615	1,808	481	481
Exchange differences in cash and cash equivalents	35	-21	69	-20	-39
Other cash flow from transactions with shareholders	-	-1,581	-	-1,007	-3,292
Cash and cash equivalents, end of the period	**4,205**	**610**	**4,205**	**610**	**1,808**

Operating cash flow					
Net cash flow from operating activities	-62	1,486	917	2,741	5,176
Net cash from investing activities	-317	-1,272	-1,158	-120	5,543
Acquisition of subsidiaries and associated companies	-	6	482	72	137
Other adjustments*	578	1,093	624	-269	-6,246
Operating cash flow	**199**	**1,313**	**865**	**2,424**	**4,610**

*Mainly changes in cash-pool with Atlas Copco and currency hedges of loans.

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 receives payments from credit arrangements, for example financial leases, which is reported as financial income. Payment Solutions also has a rental fleet generating operating lease payments, which are reported as revenue.

Orders received

SEK million	2017 Q1	Q2	Q3	Q4	2017 Full year	2018 Q1	Q2
Equipment & Service	6,200	6,323	6,263	5,788	24,574	7,442	7,947
Equipment	*3,147*	*3,142*	*3,281*	*2,676*	*12,246*	*4,054*	*4,234*
Service	*3,053*	*3,181*	*2,982*	*3,112*	*12,328*	*3,388*	*3,713*
Tools & Attachments	2,341	2,270	2,239	2,197	9,047	2,550	2,470
Common group functions	-21	69	89	73	210	44	66
Epiroc Group	**8,520**	**8,662**	**8,591**	**8,058**	**33,831**	**10,036**	**10,483**

Revenues

SEK million	2017 Q1	Q2	Q3	Q4	2017 Full year	2018 Q1	Q2
Equipment & Service	5,220	5,495	5,406	6,262	22,383	5,943	7,325
Equipment	*2,219*	*2,469*	*2,414*	*3,174*	*10,276*	*2,678*	*3,640*
Service	*3,001*	*3,026*	*2,992*	*3,088*	*12,107*	*3,265*	*3,685*
Tools & Attachments	2,161	2,297	2,141	2,139	8,738	2,245	2,452
Common group functions	30	87	63	63	243	45	66
Epiroc Group	**7,411**	**7,879**	**7,610**	**8,464**	**31,364**	**8,233**	**9,843**

Operating profit and profit before tax

SEK million	2017 Q1	Q2	Q3	Q4	2017 Full year	2018 Q1	Q2
Equipment & Service	1,166	1,242	1,261	1,438	5,107	1,364	1,747
Tools & Attachments	321	328	279	218	1,146	287	304
Common group functions	-73	-102	-20	-128	-323	-136	-241
Operating profit	**1,414**	**1,468**	**1,520**	**1,528**	**5,930**	**1,515**	**1,810**
Net financial items	-23	-10	-19	-85	-137	-57	-44
Profit before tax	**1,391**	**1,458**	**1,501**	**1,443**	**5,793**	**1,458**	**1,766**

Operating margin

SEK million	2017 Q1	Q2	Q3	Q4	2017 Full year	2018 Q1	Q2
Equipment & Service	22.3%	22.6%	23.3%	23.0%	22.8%	22.9%	23.9%
Tools & Attachments	14.8%	14.3%	13.0%	10.2%	13.1%	12.8%	12.4%
Epiroc Group	**19.1%**	**18.6%**	**20.0%**	**18.1%**	**18.9%**	**18.4%**	**18.4%**

Split and incentive program costs*

SEK million	2017 Q1	Q2	Q3	Q4	2017 Full year	2018 Q1	Q2
Change in provision for share-based long-term incentive programs	-45	-53	-15	-50	-163	0	-77
Costs for split from Atlas Copco	-	-	-	-	-	-95	-104
Epiroc Group	**-45**	**-53**	**-15**	**-50**	**-163**	**-95**	**-181**

*Split and incentive program costs are reported in common group functions. Incentive program costs are reported as administrative expenses.

Geographical distribution of orders received and revenues

Geographical distribution of orders received

SEK million % currency adjusted	2017 Q1	Q2	Q3	Q4	2017 Full year	%	2018 Q1	Q2	%
Epiroc group	8,520	8,662	8,591	8,058	33,831	*+21*	10,036	10,483	*+20*
North America	1,967	2,092	1,897	1,657	7,613	*+19*	2,176	2,076	*-2*
South America	1,167	1,189	1,105	1,262	4,723	*+23*	1,488	1,844	*+53*
Europe	2,246	2,190	1,937	2,031	8,404	*+21*	2,488	2,503	*+14*
Africa/Middle East	1,033	990	1,339	1,220	4,582	*+14*	1,478	1,518	*+51*
Asia/Australia	2,107	2,201	2,313	1,888	8,509	*+25*	2,406	2,542	*+15*
Equipment & Service	6,200	6,323	6,263	5,788	24,574	*+25*	7,442	7,947	*+25*
North America	1,371	1,349	1,179	1,008	4,907	*+25*	1,426	1,385	*+2*
South America	928	1,015	896	1,062	3,901	*+25*	1,255	1,633	*+58*
Europe	1,518	1,498	1,280	1,368	5,664	*+25*	1,662	1,765	*+18*
Africa/Middle East	690	675	983	881	3,229	*+18*	1,127	1,056	*+55*
Asia/Australia	1,693	1,786	1,925	1,469	6,873	*+28*	1,972	2,108	*+18*
Tools & Attachments	2,341	2,270	2,239	2,197	9,047	*+12*	2,550	2,470	*+7*
North America	646	701	623	604	2,574	*+10*	737	662	*-7*
South America	239	174	216	201	830	*+13*	232	211	*+20*
Europe	709	677	646	641	2,673	*+14*	804	715	*+4*
Africa/Middle East	343	315	358	339	1,355	*+5*	350	462	*+44*
Asia/Australia	404	403	396	412	1,615	*+18*	427	420	*+4*

Geographical distribution of revenues

SEK million % currency adjusted	2017 Q1	Q2	Q3	Q4	2017 Full year	%	2018 Q1	Q2	%
Epiroc group	7,411	7,879	7,610	8,464	31,364	*+14*	8,233	9,843	*+24*
North America	1,806	1,722	1,785	1,823	7,136	*+14*	1,888	2,118	*+23*
South America	1,100	1,104	969	1,103	4,276	*+18*	1,024	1,199	*+7*
Europe	1,758	2,109	1,977	2,148	7,992	*+14*	1,864	2,471	*+16*
Africa/Middle East	997	1,003	1,037	1,048	4,085	*+2*	1,103	1,350	*+28*
Asia/Australia	1,750	1,941	1,842	2,342	7,875	*+19*	2,354	2,705	*+42*
Equipment & Service	5,220	5,495	5,406	6,262	22,383	*+17*	5,943	7,325	*+27*
North America	1,126	958	1,084	1,189	4,357	*+17*	1,173	1,410	*+41*
South America	827	880	745	859	3,311	*+21*	813	981	*+5*
Europe	1,323	1,564	1,484	1,710	6,081	*+20*	1,235	1,696	*+3*
Africa/Middle East	615	647	691	685	2,638	*+1*	766	972	*+35*
Asia/Australia	1,329	1,446	1,402	1,819	5,996	*+21*	1,956	2,266	*+54*
Tools & Attachments	2,161	2,297	2,140	2,140	8,738	*+9*	2,245	2,452	*+4*
North America	649	683	635	546	2,513	*+11*	700	681	*-3*
South America	189	184	196	213	782	*+7*	211	218	*+16*
Europe	638	694	640	621	2,593	*+8*	607	750	*+5*
Africa/Middle East	319	324	320	334	1,297	*+3*	337	378	*+13*
Asia/Australia	366	412	349	426	1,553	*+12*	390	425	*+2*

Condensed parent company income statement

SEK million	2018 Q2	2017* Q2	2018 Q1-Q2	2017* Q1-Q2	2017 Full year
Administrative expenses	-34	0	-70	0	-8
Marketing expenses	-4	-	-6	-	-
Other operating income and expenses	-19	0	-73	0	-6
Operating profit/loss	**-57**	**0**	**-149**	**0**	**-14**
Financial income and expenses	-3	0	-3	0	-1
Appropriations	-	-	-	-	15
Profit/loss before tax	**-60**	**0**	**-152**	**0**	**0**
Income tax	16	0	36	0	-
Profit/loss for the period	**-44**	**0**	**-116**	**0**	**0**

* No comparable numbers for Q1 and Q2 2017 available since the company was not in operation.

Condensed parent company balance sheet

SEK million	2018 Jun 30	2017 Jun 30	2017 Dec 31
Total non-current assets	46,838	-	45,574
Total current assets	7,432	39	4,555
Total assets	**54,270**	**39**	**50,129**
Total restricted equity	503	24	24
Total non-restricted equity	47,464	14	43,886
Total equity	**47,967**	**38**	**43,910**
Total provisions	193	-	-
Total non-current liabilities	1,042	-	-
Total current liabilities	5,068	1	6,219
Total equity and liabilities	**54,270**	**39**	**50,129**
Assets pledged	0	-	0
Contingent liabilities	57	-	-

Acquisitions

Date	Company	Segment	Revenues SEK million*	Number of employees*
2018 Feb 1	Hy-Performance Fluid Power	Equipment & Service	50	26
2018 Jan 3	Rock Drill Services Australia	Equipment & Service	90	37
2018 Jan 3	Cate Drilling Solutions	Equipment & Service		35
2018 Jan 2	Renegade Drilling Supplies	Tools & Attachments		22
2017 Jul 4	Mobilaris MCE AB (34%)**	Equipment & Service	30	20
2017 Feb 2	Erkat	Tools & Attachments	110	38

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

**Not consolidated.

Transactions with related parties

During 2018 there have been transactions between Atlas Copco Group and Epiroc Group related to lending and allocation of net debt between the groups. These transactions have been classified as transactions with shareholders and been carried out via equity and are presented in the consolidated statement of changes in equity. On March 31, 2018 Epiroc AB received an unconditional shareholder's contribution of SEK 4,150 million from Atlas Copco AB. As of April 26, 2018 the foreign exchange derivatives between Epiroc Treasury AB and Atlas Copco AB matured and was cash settled. On June 18, 2018 Epiroc AB repaid the borrowing of SEK 3,752 million to Atlas Copco AB. Receivables and payables between Atlas Copco and Epiroc from the period when Atlas Copco AB was the parent company, have been included in the balance sheet as external balances. The balances between Atlas Copco and Epiroc are not material.

In the combined financial statements for the annual report December 31, 2017 accounts receivables and accounts payables include receivables and payables that will be collected and paid by another Group entity than the entity included in the combined financial statements.

Share buy-backs

The Board of Directors of Epiroc has been authorized to acquire a maximum of 30,200,000 shares in order to hedge delivery of shares and social securities charges under the option plans 2014-2018 as well as a maximum of 70,000 shares in order to hedge for costs in relation to remuneration in form of synthetic shares for Board members. No such hedging actions had taken place as of June 30, but will be initiated in the third quarter.

Financial definitions

Financial definitions can be found on Epiroc's website www.epirocgroup.com/en/investors. Non-IFRS measures are also presented in the report since they are considered to be important supplemental measures of the company's performance. Further information on how these measures have been calculated can also be found on www.epirocgroup.com/en/investors.

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Financial calendar

Q3 2018 – October 25, 2018
Q4 2018 – February 5, 2019

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 set out above, at 12:00 CEST on July 19, 2018.

Epiroc in brief

Epiroc is a leading productivity partner for the mining, infrastructure and natural resources industries. With cutting-edge technology, Epiroc develops and produces innovative drill rigs, rock excavation and construction equipment, and provides world-class service and consumables. The company was founded in Stockholm, Sweden, and has passionate people supporting and collaborating with customers in more than 150 countries. Learn more at www.epirocgroup.com.

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