

Epiroc interim report Q1

January - March 2019 in brief

- Orders received were SEK 10,063 million (10,036), organic decline of 5%
- Revenues increased 19% to SEK 9,785 million (8,233), organic growth of 14%
- Operating profit was SEK 1,930 million (1,515)*
- Operating margin was 19.7% (18.4)*
- Adjusted operating margin was 20.3%*
- Basic earnings per share were SEK 1.14 (0.89)
- Operating cash flow of SEK 472 million (666)

Key figures

SEK million	2019 Q1	2018** Q1	Δ	2018** Full year
Orders received	10,063	10,036	0%	39,400
Revenues	9,785	8,233	19%	38,285
Operating profit	1,930	1,515	27%	7,385
<i>Operating margin, %</i>	19.7	18.4		19.3
Profit before tax	1,830	1,458	26%	7,201
<i>Profit margin, %</i>	18.7	17.7		18.8
Profit for the period	1,374	1,081	27%	5,437
Operating cash flow	472	666	-29%	3,884
Basic earnings per share, SEK	1.14	0.89	28%	4.50
Diluted earnings per share, SEK	1.13	-		4.49
Return on capital employed, %	31.0	28.6		32.0
Net debt/EBITDA ratio	0.39	0.35		0.14

*Information on change in provision for share-based long-term incentive programs can be found on page 3.

**Numbers for 2018 are not restated for IFRS 16. See pages 12-13.

CEO comments



Strong growth in revenues and profit

2019 begins with another solid quarter for Epiroc. Revenues increased by 19% to SEK 9,785 million with an organic growth of 14%. Our operating profit increased by 27% to SEK 1,930 million. The operating margin was 19.7% and excluding change in provision for LTI programs the operating margin was 20.3%. More favorable exchange rates had a positive effect on the margin.

Our service business continues to grow healthily. This has a positive impact on our overall profit and will contribute to our resilience going forward. Equipment revenues increased versus last year, but fell sequentially compared to the very strong Q4, which had a negative effect on our cost efficiency in the quarter. In the Tools & Attachments segment, we are pleased to see that our efficiency actions had a positive effect on the operating profit and margin. Working capital increased in the quarter, and continues to be a focus area for improvement. The operating cash flow was lower than in the previous quarter as a result.

Demand expected to remain at a good level

The customer demand in the first quarter 2019 was largely in line with our expectations, with equipment orders at similar levels as in the second half of 2018. Orders received were SEK 10,063 million, somewhat higher compared to Q4 2018 but an organic decline of 5% compared to a strong Q1 2018. The majority of mining equipment orders are still for expansion in or close to existing mines rather than for replacement. The aftermarket business remained strong, reflecting the solid activity in the market, both in mining and in infrastructure.

While our customers continue to be active and relatively confident about the future, and the mineral prices are at healthy levels, there are still uncertainties related to the economic development. We see that our customers primarily invest in lower risk projects with focus on increased productivity and efficiency. We do not see any clear indications that the current market situation will change and expect that the demand will remain at the current level in the near term.

Business development and efficiency actions

We have completed the earlier announced acquisitions of Fordia and New Concept Mining. This strengthens our position in exploration and rock reinforcement and adds some SEK 1.2 billion in annual revenues. At the same time, we are carrying out a number of efficiency actions. Our supply-chain program is progressing according to plan, and changes are being rolled out in selected geographies. Short term, the program has some negative effects on inventory and cost efficiency, but it is necessary to improve long-term efficiency. In Tools & Attachments, we have also pruned the product portfolio and we see some positive effects of our efficiency actions.

Innovations, automation, digitalization and battery power

We are pleased to see that we received several inquiries and orders for automation and battery solutions. We received a large order for underground battery equipment from Canada and orders were booked for Mobilaris Mining Intelligence, a decision support solution for mine efficiency and safety. We were present at the Bauma exhibition in early April and presented a number of innovations, including My Epiroc, a digital tool to help our customers to become more efficient in managing their fleet, and the new generation SmartROC D65, an automation ready surface drill rig.

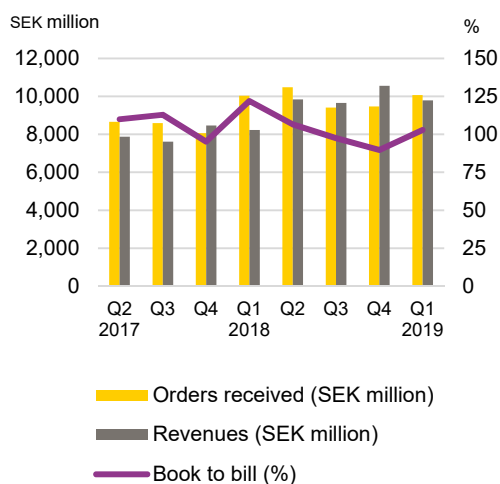
Looking ahead

In 2018 we put a lot of effort into the split and listing of Epiroc. In 2019 we will focus on improving and developing the business further. Besides the continued emphasis on innovation and new product development, a key focus will be on improving efficiency, agility and resilience throughout the company.

Per Lindberg
President and CEO

Q1 review

Orders and revenues



Epiroc Group

	2019	2018		2018
SEK million	Q1	Q1	Δ	Full year
Orders received	10,063	10,036	0%	39,400
Revenues	9,785	8,233	19%	38,285
Operating profit	1,930	1,515	27%	7,385
Operating margin, %	19.7	18.4		19.3
Return on capital employed, 12 months, %	31.0	28.6		32.0

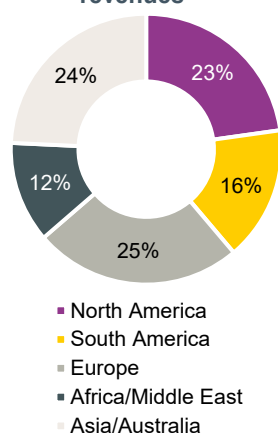
Market development and orders received

In the first quarter, the demand for products and services continued to be good and remained at a similar level as in the second half of 2018. Orders received were SEK 10,063 million (10,036). This corresponds to an organic decline of 5% compared to last year. However, orders increased sequentially compared to Q4 2018.

In Asia/Australia orders received increased compared to the same period last year, while the other regions had lower orders received.

Mining customers represented 74% of orders received in Q1 2019.

Geographic distribution of revenues



Revenues

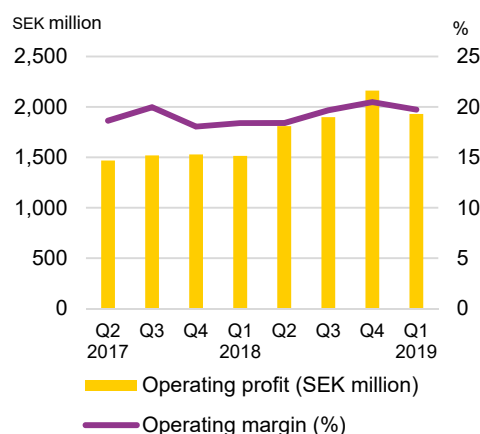
Revenues increased 19% to SEK 9,785 million (8,233), corresponding to 14% organic growth. Currency had a positive impact of 4%. The book to bill ratio was 103% (122). Europe had the Group's highest revenue share in the quarter.

Sales & profit bridge

	Orders received		Revenues		Operating profit	
	SEK million, Δ, %	SEK million, Δ, %	SEK million, Δ	Margin, %, Δ, pp		
Q1 2018	10,036	8,233	1,515	18.4		
Organic	-5	+14	+188	-0.2		
Currency	+4	+4	+222	+1.6		
Structure and other	+1	+1	+5*	-0.1		
Total	+0	+19	+415	+1.3		
Q1 2019	10,063	9,785	1,930	19.7		

*Includes operating profit/loss from acquisitions, contract manufacturing, one-time costs, and change in provision for share-based long-term incentive programs. Contract manufacturing of road construction equipment was discontinued at year-end 2018.

Operating profit and margin



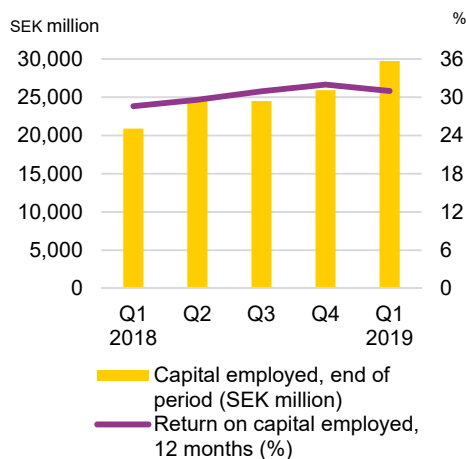
Profits and returns

The operating profit increased to SEK 1,930 million (1,515). Currency had a positive effect of SEK 222 million and change in provision for share-based long-term incentive programs was SEK -59 million (0).

The operating margin increased to 19.7% (18.4), affected positively by currency, but diluted by increased corporate costs, IT, logistics and R&D expenses. Excluding change in provision for long-term incentive programs, the margin was 20.3% (18.4).

Net financial items were SEK -100 million (-57), negatively impacted by exchange rate differences, largely related to revaluation of assets in Zimbabwe. Net interest was SEK -39 million (-28).

Capital employed and return on capital employed*



*Numbers for 2018 not restated for IFRS 16.

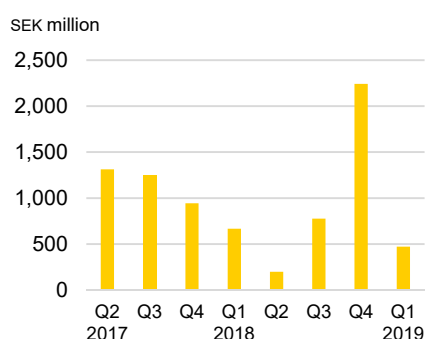
Profit before tax amounted to SEK 1,830 million (1,458), corresponding to a margin of 18.7% (17.7). Income tax expense amounted to SEK -456 million (-377), corresponding to an effective tax rate of 24.9% (25.9).

Profit for the period totaled SEK 1,374 million (1,081). Basic earnings per share were SEK 1.14 (0.89).

The return on capital employed during the last 12 months was 31.0% (28.6). Return on equity was 31.7% (29.2).

Cash flow and Balance sheet

Operating cash flow



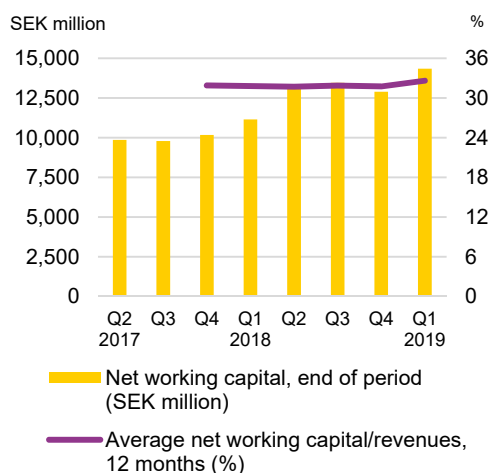
Operating cash flow

Operating cash flow was SEK 472 million (666) in the quarter. Net cash flow from operating activities was SEK 589 million (979). Net financial items paid was SEK -157 million (141). Taxes paid in the quarter was SEK -651 million (-321). Working capital increased by SEK 720 million (465), mainly from a decrease in trade payables as well as in advance payments due to market and product mix. Net investments in rental equipment were SEK -184 million (-102). Net investments in property, plant and equipment were SEK -149 million (-119) and investments in intangible assets were SEK -108 million (-103).

Acquisitions and other investments

Acquisitions impacted cash flow by SEK -449 million (-482). Other investments were SEK -122 million (-137).

Net working capital



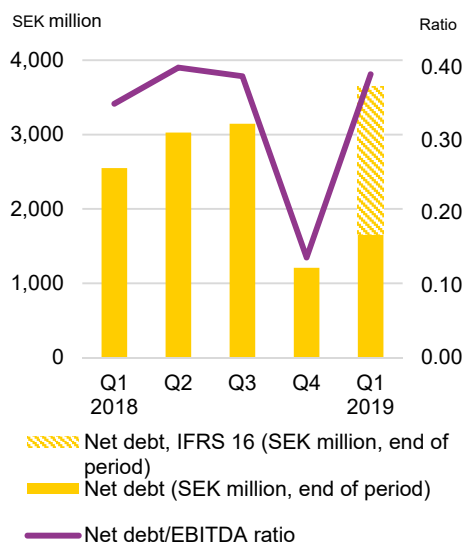
Net working capital

Net working capital was SEK 14,348 million (11,155) at the end of the period, an increase of 29%. The increase compared to last year is mainly driven by higher volumes and the related increase in inventories and receivables, as well as currency. As a percentage of revenues last 12 months, the average net working capital was 32.6% (31.8).

Supply-chain program

The supply-chain improvement program that was initiated in the first quarter 2018, with the aim to improve delivery service to customers, reduce costs, e.g. for transport, and reduce capital tied-up in inventories, continued according to plan. The program, expected to run until 2021, is being rolled out on selected markets.

Net debt and Net debt/EBITDA*



* Numbers for 2018 not restated for IFRS 16.

Net debt

The Group's net debt amounted to SEK 3,641 million (2,550), of which SEK 380 million (145) was attributable to post-employment benefits. The implementation of IFRS 16 has increased the net debt by SEK 1,982 million as of March 31, 2019. The net debt/EBITDA ratio was 0.39 (0.35). The net debt/equity ratio was 17.6% (15.8).

Refinancing

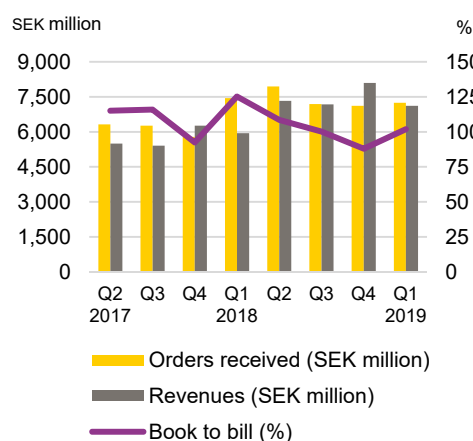
In February 2019, the last part of the bridge facility was refinanced through an 8-year bilateral loan facility of SEK 1,000 million. The Group's long-term financing has now been completed with the next maturity in 2022.

Equipment & Service

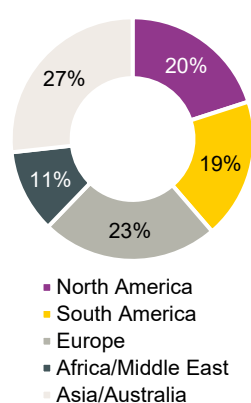
The Equipment & Service segment provides rock drilling equipment, equipment for mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, drilling equipment for exploration, water, oil and gas, as well as related spare parts and service for the mining and infrastructure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

- Orders received lower compared to a strong first quarter last year
- Strong organic revenue growth of 17%
- Operating margin increased to 24.2% (22.9)

Orders and revenues



Geographic distribution of revenues



Equipment & Service

SEK million	2019 Q1	2018 Q1	Δ	2018 Full year
Orders received	7,248	7,442	-3%	29,695
Revenues	7,115	5,943	20%	28,540
Operating profit	1,719	1,364	26%	6,751
Operating margin, %	24.2	22.9		23.7

Market development and orders received

The activity levels remained good in both mining and infrastructure. Demand for service remained strong, but orders received for equipment were lower than in the strong first quarter last year. The orders received for Equipment & Service decreased by 3% to SEK 7,248 million (7,442), corresponding to an organic decline of 5%. Currency contributed positively by 3%. Equipment decreased its part of the orders in the segment to 47% (54) and service increased to 53% (46).

Geographically, Asia/Australia had strong order growth, while most other regions had lower orders received.

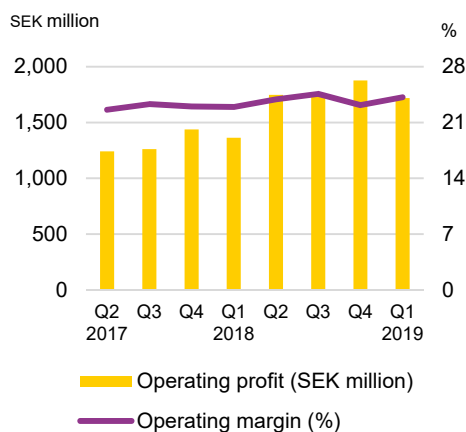
Equipment orders decreased 16% organically compared to last year and amounted to SEK 3,442 million (4,054). Compared to Q4 2018, orders were sequentially slightly up. Orders for both underground and surface equipment were lower than last year. Most of the orders from mining customers continued to relate to expansion in or adjacent to existing mines rather than to replacement.

The service business continued to perform well and orders received increased by 12% to SEK 3,806 million (3,388). The organic growth was 8%, supported by a continued positive market development and additional marketing and sales activities.

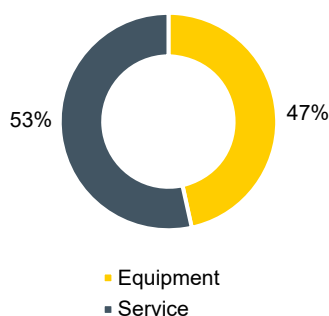
Revenues

Revenues increased by 20% to SEK 7,115 million (5,943), corresponding to an organic growth of 17%. The book to bill ratio was 102% (125). Equipment accounted for 47% (45) of the revenues in the segment and service for 53% (55). Asia/Australia had the segment's highest revenue share in the quarter.

Operating profit and margin



Revenues Q1 2019



Sales & profit bridge

Equipment & Service

	Orders received SEK million, Δ, %	Revenues SEK million, Δ, %	Operating profit SEK million, Δ	Margin, %, Δ, pp
Q1 2018	7,442	5,943	1,364	22.9
Organic	-5	+17	+168	-0.7
Currency	+3	+4	+203	+2.0
Structure and other	-1	-1	-16*	+0.0
Total	-3	+20	+355	+1.3
Q1 2019	7,248	7,115	1,719	24.2

*Includes operating profit/loss from acquisitions and contract manufacturing. Contract manufacturing of road construction equipment was discontinued at year-end 2018.

Sales bridge

	Equipment		Service	
	Orders received SEK million, Δ, %	Revenues SEK million, Δ, %	Orders received SEK million, Δ, %	Revenues SEK million, Δ, %
Q1 2018	4,054	2,678	3,388	3,265
Organic, %	-16	+22	+8	+12
Currency, %	+3	+5	+4	+4
Structure and other, %	-2	-3	+0	+0
Total, %	-15	+24	+12	+16
Q1 2019	3,442	3,313	3,806	3,802

Operating profit and margin

Operating profit was SEK 1,719 million (1,364), corresponding to a margin of 24.2% (22.9). The margin was supported by currency, while increased IT, logistics and R&D expenses and mix effects diluted the margin.

Business development

In February Noland Drilling Equipment, a US distributor of water well drilling equipment and related parts, services and consumables, was acquired.

A cooperation was initiated with Railcare Group to equip its railway maintenance equipment with Epiroc's battery system. The system is designed primarily with the mining industry in mind, but is also well suited for other types of machines that operate in tough environments and are traditionally powered by diesel engines. The electric driveline technology used in Epiroc's Minetruck MT42 Battery will be used by Railcare.

Innovations launched in the quarter

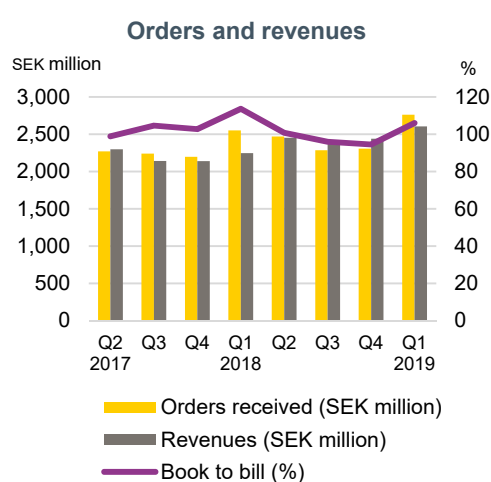
My Epiroc is a digital platform in which customers can manage their fleet on a daily basis. Example of features are real time connected fleet alarms and warnings, digital fleet and production log books, safety notifications with tracking and follow up and service notifications and scheduling.

An automation-ready drill rig SmartROC D65 was launched. It drills high quality blastholes with accuracy and precision, enabling improved fragmentation. It has automated drilling and rod handling and is equipped with a touchscreen that presents a significant amount of real-time data, making the operation faster and more efficient.

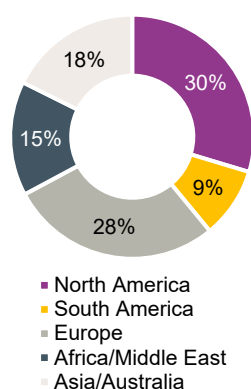
Tools & Attachments

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.

- Orders received decreased 1% organically
- Organic revenue growth of 7%
- Operating margin increased to 14.2% (12.8)



Geographic distribution of revenues



Tools & Attachments

SEK million	2019 Q1	2018 Q1	Δ	2018 Full year
Orders received	2,760	2,550	8%	9,611
Revenues	2,605	2,245	16%	9,519
Operating profit	371	287	29%	1,239
Operating margin, %	14.2	12.8		13.0

Market development and orders received

The business environment continued to be good for Tools & Attachments. The orders received increased by 8% to SEK 2,760 million (2,550) corresponding to an organic decrease by 1%. Acquisitions contributed to the increase by 5% and currency by 4%. The order intake in the rock drilling tools business increased somewhat organically, but continued to be impacted by rationalization of the product portfolio and efficiency actions. The hydraulic attachment tools business had lower order intake compared to the previous year.

Driven by acquisitions, all geographical regions reported positive growth except Europe. South America had the highest growth.

Revenues

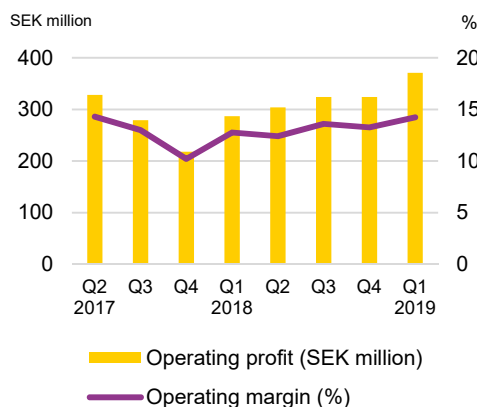
Revenues increased 16% to SEK 2,605 million (2,245), corresponding to an organic growth of 7%. Acquisitions contributed by 5% and currency by 4%. The book to bill ratio was 106% (114). North America had the segment's highest revenue share in the quarter.

Sales & profit bridge

Tools & Attachments	Orders received SEK million, Δ, %	Revenues SEK million, Δ, %	Operating profit SEK million, Δ	Margin, % Δ, pp
Q1 2018	2,550	2,245	287	12.8
Organic	-1	+7	+59	+1.5
Currency	+4	+4	+23	+0.4
Structure and other	+5	+5	+2*	-0.5
Total	+8	+16	+84	+1.4
Q1 2019	2,760	2,605	371	14.2

*Includes operating profit/loss from acquisitions.

Operating profit and margin



Operating profit and margin

Operating profit was SEK 371 million (287), corresponding to a margin of 14.2% (12.8). The margin was positively affected by organic growth, currency and the efficiency actions carried out in rock drilling tools, but diluted by acquisitions.

Business development

The acquisition of Fordia Group was completed in January. Fordia is a Canadian manufacturer of exploration drilling tools. The company has about 250 employees and annual revenues of approx. SEK 580 million.

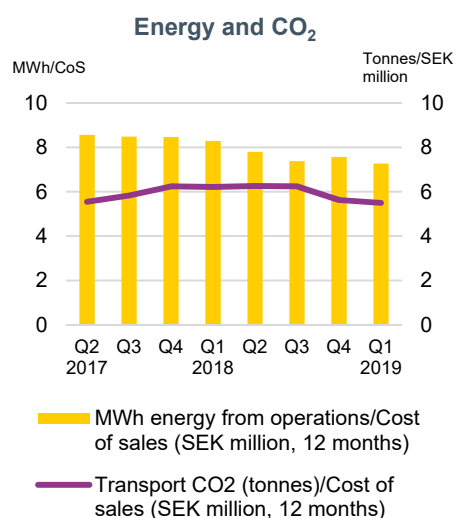
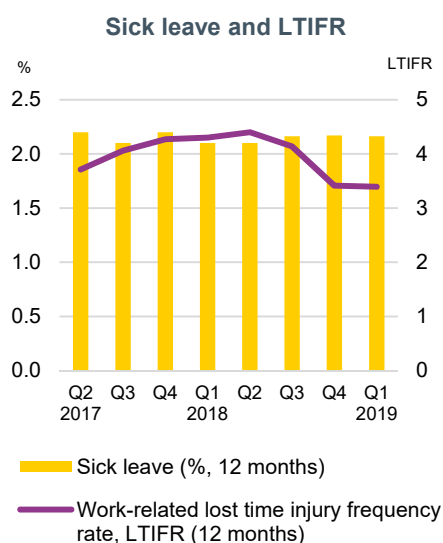
The acquisition of Innovative Mining Products, also known as New Concept Mining, was closed on April 2. The company has about 900 employees and revenues of SEK 645 million in 2018.

Innovations launched in the quarter

The new bucket screeners increase efficiency by allowing sorting and recycling of material on a demolition site. The basket's polygonal design with 12 sides enables the material to be shaken in an effective way to speed up the screening process. The material passes through hexagonal openings in the mesh, available in different sizes, and become aggregates.

Sustainability development

- Lost time injury frequency rate improved
- CO₂ emissions from transport improved
- Energy savings from concentration of production



Sustainability measurements

	2019 Q1	2018 Q1	2018 Full year
Work-related lost time injury frequency rate, LTIFR (12 months)	3.4	4.3	3.4
Sick leave (%), 12 months)	2.2	2.1	2.2
MWh energy from operations/Cost of sales (SEK million, 12 months)	7.3	8.3	7.6
Transport CO ₂ (tonnes)/Cost of sales (SEK million, 12 months)	5.5	6.2	5.6

Lost time injury frequency rate

The number of work-related lost time injuries per million working hours (LTIFR), improved compared to the 12-month period ending March 31, 2018. Preventive measures and a continued focus on training and activities contributed to the reduction.

Energy and CO₂ emissions

MWh energy from operations/Cost of sales has continued to decrease in the last 12 months, mainly from concentration of production to fewer entities in the United States, but also from several other initiatives to increase energy efficiency.

CO₂ emissions from transport improved compared to the 12-months period ending in March 2018. During 2018 and in the beginning of 2019, actions have been initiated to reduce CO₂ emissions from transportation. Examples of this are combined transport of products, reduction in imports and development of local suppliers substituting imports, and increased pre-planning of orders enabling a higher share of sea shipments instead of air freights.

Employees

On March 31, the number of employees was 13,939 (13,271). The number of consultants/external workforce was 1,531 (1,514). For comparable units, the total workforce increased by 3% from March 31, 2018, mainly in service, but decreased compared to December 31, 2018. Sick leave continued to stay on a low level.

Other key events

Martin Hjerpe was appointed Senior Vice President M&A and Strategy as per March 1, 2019. Martin Hjerpe is a member of Epiroc's Group Management.

Key events after the end of the period

The acquisition of Innovative Mining Products, also known as New Concept Mining, a South African manufacturer of rock reinforcement products for underground mining, was closed on April 2. The company has about 900 employees and revenues of SEK 645 million in 2018.

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 Epiroc's Annual and Sustainability Report 2018. See www.epirocgroup.com/en/investors.

Nacka, April 30, 2019

Epiroc AB

Per Lindberg
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 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 Epiroc's "Annual and Sustainability Report 2018" in note 1 Significant accounting principles except for the adoption of new standards effective as of January 1, 2019, which comply with the accounting principles presented below. The interim report is prepared in accordance with IAS 34 Interim financial reporting.

IFRS 16 Leases

IFRS 16 Leases is effective from January 1, 2019 and replaced the lease standard IAS 17 Leases and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The changes relate mainly to the accounting treatment of the lessee. IFRS 16 introduces a single accounting model for leases and requires the recognition of substantially all leases in the balance sheet and the separation of depreciation of right-of-use assets from interest of lease liabilities in the income statement.

The Epiroc Group as Lessee under IFRS 16

The Epiroc Group as lessee recognizes a right-of-use asset in the balance sheet as well as a lease liability. On commencement date, the lease liability is initially measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement comprise of fixed payments, variable lease payments that depend on an index or a rate, amounts to be paid under a residual value guarantee and lease payments due to the exercise of any options in the contract, if the Group is reasonably certain to use the option. The lease liability is subsequently measured at amortized cost adjusted for any remeasurement.

The right-of use assets comprise the initial measurement of the corresponding lease liability with the addition of any lease payments made at or before the commencement day and any initial direct costs. The leased asset is subsequently measured at cost less accumulated depreciation and impairment and adjusted for any remeasurement. The leased asset is depreciated over the lease term on a straight-line basis or over its useful life of the underlying asset if it is assessed to be reasonably certain that the Group will obtain ownership at the end of the lease term. The depreciation starts at the commencement date of the lease. The depreciation is recognized within operating profit and interest expense on the lease liability within net financial items. The right-of-use asset is impaired following the principle described in Epiroc's "Annual and Sustainability Report 2018" in Note 1 under section "Impairment of non-financial assets".

If the lease contract is considered to include a low value asset or has a lease term that is less than 12 months, or includes non-lease components such as cost for maintenance, such payments are recognized as an expense on a straight-line basis over the lease term. The Group has leases of certain office equipment (i.e. personal computers, printing and photocopying machines) that are considered leases of low value.

Transition to IFRS 16

The standard has been applied by the Epiroc Group from January 1, 2019, using the modified retrospective approach. Comparative information has therefore not been restated. The Group has chosen the option to set the right-of-use asset equal to the lease liability at transition and the lease liability is calculated based on the incremental borrowing rate (IBR) at transition. The Group has at transition further decided to apply the practical expedient that permits not to reassess whether a contract is, or contains, a lease at the date of initial application. The Group has also applied a practical expedient to exclude leases that ends within 12 months of initial application, and leases for which the underlying asset is of low value. IFRS 16 has not resulted in any changes for the Epiroc Group as lessor compared to the accounting under IAS 17.

At the date of initial application of IFRS 16 the Group recognized a right-of-use asset of SEK 2,158 million within "Other property, plant and equipment" and a corresponding lease liability amounted to SEK 2,153 million, whereof SEK 1,760 million reported as "long term interest bearing liability" and SEK 393 million as "short term interest bearing liability". The transition to IFRS 16 has no impact on the Group's equity. The table below presents the difference between operating lease commitments under IAS 17 at December 31, 2018 and the initial measurement of lease liabilities under IFRS 16 at January 1, 2019:

Reconciliation of operating lease commitment and lease liabilities as of January 1, 2019:

SEK million	
Operating lease commitment at December 31, 2018 (IAS 17)	1,550
Discounting effect	-77
Operating lease commitment at December 31, 2018 (discounted)	1,473
Adjusted for	
Low-value and short-term leases	-62
Costs attributable to extension option (discounted)	636
Lease liability as a result of initial application of IFRS 16 of previous operating leases at January 1, 2019	2,047
Finance lease liabilities at December 31 2018	106
Total lease liability at January 1, 2019	2,153

The weighted average Incremental borrowing rate (IBR) as of January 1, 2019 was approximately 1.5%. Epiroc Group has established the IBR at the date of transition based on the different contract currencies and lease terms.

Due to the adoption of IFRS 16, the Group's tangible assets and interest-bearing liabilities have increased. The Group's leased properties in Sweden contributes to the amount of right-of-use asset to a large extent. There is no material impact on the Groups income statement. The lease expenses for previous operating leases in operating profit has been replaced by depreciation on the right-of-use asset and interest expense on the lease liability, the latter is presented in net financial items. The transition to IFRS 16 impact EBITDA, which increases due to lease expenses being replaced by depreciation and interest expense. Average capital employed increases while return on capital employed (%) decreases, due to a larger amount of leased assets within the Group. Net debt and the net debt/EBITDA ratio has increased due to additional interest-bearing liabilities.

The timing of cash flows are not impacted by the new standard. However, the amortization portion of Epiroc's lease payment is reported as a financing cash flow instead of operating cash flow. Lease payments for low value and short term leases will continue to be reported as operating cash flows together with interest payments on the lease liability.

In the first quarter 2019, the new accounting standard IFRS 16 impacted EBITDA positive with approximately SEK 108 million, net debt increased with SEK 1,982 million and capital employed with SEK 2,016 million compared to accounting under IAS 17. Operating cash flow during the first three month increased with SEK 96 million due to the shift of lease payments from operating activities to financing activities.

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 used in this interim report are the same as those described in Epiroc's "Annual and Sustainability Report 2018" in Note A1 in the Parent Company accounts. As from 2019, no changed accounting standards and interpretations are considered to have any material effect on the Parent Company's financial statements. The Parent Company will recognize leases in accordance with the exemption rule for IFRS 16 provided in RFR 2, which results in no change compared to previous year (2018).

Condensed consolidated income statement

SEK million	2019 Q1	2018 Q1	2018 Full year
Revenues	9,785	8,233	38,285
Cost of sales	-6,189	-5,226	-24,317
Gross profit	3,596	3,007	13,968
Marketing expenses	-663	-600	-2,574
Administrative expenses	-784	-564	-2,589
Research and development expenses	-275	-222	-977
Other operating income and expenses	56	-106	-443
Operating profit	1,930	1,515	7,385
Net financial items	-100	-57	-184
Profit before tax	1,830	1,458	7,201
Income tax expense	-456	-377	-1,764
Profit for the period	1,374	1,081	5,437
Profit attributable to			
- owners of the parent	1,372	1,079	5,430
- non-controlling interests	2	2	7
Basic earnings per share, SEK	1.14	0.89	4.50
Diluted earnings per share, SEK	1.13	-	4.49

Key ratios

SEK million	2019 Q1	2018 Q1	2018 Full year
Operating margin, %	19.7	18.4	19.3
Return on capital employed, %	31.0	28.6	32.0
Return on equity, %	31.7	29.2	33.2
Net debt/EBITDA ratio	0.39	0.35	0.14
Net debt/equity ratio, period end, %	17.6	15.8	6.4
Equity/assets ratio, period end, %	52.2	52.8	52.1
Equity per share, period end, SEK	17.1	13.3	15.6
Basic number of shares outstanding, millions	1,199	1,212	1,206
Diluted number of shares outstanding, millions	1,200	-	1,206
Number of employees, period end	13,939	13,271	13,847

Condensed consolidated statements of comprehensive income

SEK million	2019 Q1	2018 Q1	2018 Full year
Profit for the period	1,374	1,081	5,437
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	-93	30	-122
Income tax relating to items that will not be reclassified	20	-8	25
Total items that will not be reclassified to profit or loss	-73	22	-97
Items that may be reclassified subsequently to profit or loss			
Translation differences on foreign operations	597	249	8
Cash flow hedges	-25	-	22
Income tax relating to items that may be reclassified	5	-	-5
Total items that may be reclassified subsequently to profit or loss	577	249	25
Other comprehensive income for the period, net of tax	504	271	-72
Total comprehensive income for the period	1,878	1,352	5,365
Total comprehensive income attributable to			
- owners of the parent	1,874	1,350	5,358
- non-controlling interests	4	2	7

Condensed consolidated balance sheet

SEK million	2019	2018	2018
	Mar 31	Mar 31	Dec 31
Intangible assets	3,865	3,539	3,620
Rental equipment	1,318	1,205	1,233
Other property, plant and equipment	4,657	2,345	2,473
Investments in associates and joint ventures	211	94	208
Financial assets and other receivables	1,183	1,313	1,119
Deferred tax assets	619	407	543
Total non-current assets	11,853	8,903	9,196
Inventories	11,207	9,746	10,516
Trade receivables	8,501	6,909	8,005
Other receivables	1,232	1,199	1,289
Income tax receivables	412	330	333
Financial assets	1,086	1,123	944
Cash and cash equivalents	5,371	2,255	5,872
Total current assets	27,809	21,562	26,959
Total assets	39,662	30,465	36,155
Share capital	500	21	500
Retained earnings	20,131	16,024	18,297
Total equity attributable to equity holders of the parent	20,631	16,045	18,797
Non-controlling interest	54	45	50
Total equity	20,685	16,090	18,847
Interest bearing liabilities	7,828	3,868	5,095
Post-employment benefits	380	145	283
Other liabilities and provisions	442	283	412
Total non-current liabilities	8,650	4,296	5,790
Interest bearing liabilities	827	792	1,702
Trade payables	4,575	4,871	4,711
Income tax liabilities	550	585	605
Other liabilities and provisions	4,375	3,831	4,500
Total current liabilities	10,327	10,079	11,518
Total equity and liabilities	39,662	30,465	36,155

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 2018, 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 derivative instruments recorded to fair value

SEK million	2019	2018
	Mar 31	Dec 31
Non-current assets and liabilities		
Assets	3	0
Liabilities	-	-
Current assets and liabilities		
Assets	9	108
Liabilities	55	7

Carrying value and fair value of borrowings

SEK million	2019	2019	2018	2018
	Mar 31	Mar 31	Dec 31	Dec 31
	Carrying value	Fair value	Carrying value	Fair value
Bonds	1,998	2,101	1,996	2,010
Other loans	6,657	6,717	4,801	4,852
	8,655	8,818	6,797	6,862

Condensed consolidated statement of changes in equity

SEK million	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
Opening balance, January 1, 2019	18,797	50	18,847
Total comprehensive income for the period	1,874	4	1,878
Acquisition and divestment of own shares	-33	-	-33
Share-based payments, equity settled	-7	-	-7
Closing balance, March 31, 2019	20,631	54	20,685
Opening balance, January 1, 2018	12,041	6	12,047
Impact of change in accounting principles	1	-	1
Restated balance January 1, 2018	12,042	6	12,048
Changes in equity for the period			
Total comprehensive income for the period	1,350	2	1,352
Transactions with shareholders	2,651	37	2,688
Share-based payments, equity settled	2	-	2
Closing balance, March 31, 2018	16,045	45	16,090
Opening balance, January 1, 2018	12,041	6	12,047
Impact of change in accounting principles	1	-	1
Restated balance January 1, 2018	12,042	6	12,048
Changes in equity for the period			
Total comprehensive income for the period	5,358	7	5,365
Transactions with shareholders	2,693	37	2,730
Acquisition and divestment of own shares	-1,308	-	-1,308
Share-based payments, equity settled	12	-	12
Closing balance, December 31, 2018	18,797	50	18,847

Consolidated condensed statement of cash flow

SEK million	2019 Q1	2018 Q1	2018 Full year
Cash flow from operating activities			
Operating profit	1,930	1,515	7,385
Depreciation, amortization and impairment	472	317	1,369
Capital gain/loss and other non-cash items	-84	-71	101
Net financial items received/paid	-157	141	-483
Taxes paid	-651	-321	-1,747
Pension funding and payment of pension to employees	-17	-35	-52
Change in working capital	-720	-465	-1,875
Increase in rental equipment	-266	-178	-896
Sale of rental equipment	82	76	522
Net cash from operating activities	589	979	4,324
Cash flow from investing activities			
Investments in other property, plant and equipment	-158	-129	-577
Sale of other property, plant and equipment	9	10	26
Investments in intangible assets	-108	-103	-459
Acquisition of subsidiaries and associated companies	-449	-482	-546
Proceeds to/from other financial assets, net	-122	-137	219
Net cash from investing activities	-828	-841	-1,337
Cash flow from financing activities			
Sale/ Repurchase of own shares	-33	-	-1,307
Change in interest-bearing liabilities	-326	275	2,367
Net cash from financing activities	-359	275	1,060
Net cash flow for the period	-598	413	4,047
Cash and cash equivalents, beginning of the period	5,872	1,808	1,808
Exchange differences in cash and cash equivalents	97	34	17
Cash and cash equivalents, end of the period	5,371	2,255	5,872
Operating cash flow			
Net cash flow from operating activities	589	979	4,324
Net cash from investing activities	-828	-841	-1,337
Acquisition of subsidiaries and associated companies	449	482	546
Other adjustments*	262	46	351
Operating cash flow	472	666	3,884

*Changes in cash-pool with Atlas Copco prior to the split, divestment of Payment Solutions portfolios 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	2018				2018	2019
	Full year	Q1	Q2	Q3	Q4	Full year	Q1
Equipment & Service	24,574	7,442	7,947	7,190	7,116	29,695	7,248
<i>Equipment</i>	12,246	4,054	4,234	3,601	3,355	15,244	3,442
<i>Service</i>	12,328	3,388	3,713	3,589	3,761	14,451	3,806
Tools & Attachments	9,047	2,550	2,470	2,285	2,306	9,611	2,760
Common group functions	210	44	66	-62	46	94	55
Epiroc Group	33,831	10,036	10,483	9,413	9,468	39,400	10,063

Revenues

SEK million	2017	2018				2018	2019
	Full year	Q1	Q2	Q3	Q4	Full year	Q1
Equipment & Service	22,383	5,943	7,325	7,178	8,094	28,540	7,115
<i>Equipment</i>	10,276	2,678	3,640	3,570	4,350	14,238	3,313
<i>Service</i>	12,107	3,265	3,685	3,608	3,744	14,302	3,802
Tools & Attachments	8,738	2,245	2,452	2,382	2,440	9,519	2,605
Common group functions	243	45	66	91	24	226	65
Epiroc Group	31,364	8,233	9,843	9,651	10,558	38,285	9,785

Operating profit and profit before tax

SEK million	2017	2018				2018	2019
	Full year	Q1	Q2	Q3	Q4	Full year	Q1
Equipment & Service	5,107	1,364	1,747	1,764	1,876	6,751	1,719
Tools & Attachments	1,146	287	304	324	324	1,239	371
Common group functions	-323	-136	-241	-190	-38	-605	-160
Operating profit	5,930	1,515	1,810	1,898	2,162	7,385	1,930
Net financial items	-137	-57	-44	-37	-46	-184	-100
Profit before tax	5,793	1,458	1,766	1,861	2,116	7,201	1,830

Operating margin

SEK million	2017	2018				2018	2019
	Full year	Q1	Q2	Q3	Q4	Full year	Q1
Equipment & Service	22.8%	22.9%	23.9%	24.6%	23.2%	23.7%	24.2%
Tools & Attachments	13.1%	12.8%	12.4%	13.6%	13.3%	13.0%	14.2%
Epiroc Group	18.9%	18.4%	18.4%	19.7%	20.5%	19.3%	19.7%

Split and incentive program costs*

SEK million	2017	2018				2018	2019
	Full year	Q1	Q2	Q3	Q4	Full year	Q1
Change in provision for share-based long-term incentive programs	-163	0	-77	-56	67	-66	-59
Costs for split from Atlas Copco	-	-95	-104	-70	-59	-328	-17
Epiroc Group	-163	-95	-181	-126	8	-394	-76

*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	2017	2018				2018	2019	
% currency adjusted	Full year	Q1	Q2	Q3	Q4	Full year	Q1	%
Epiroc group	33,831	10,036	10,483	9,413	9,468	39,400	10,063	-3
North America	7,613	2,176	2,076	2,180	2,379	8,812	2,160	-9
South America	4,723	1,488	1,844	1,236	1,657	6,225	1,344	-13
Europe	8,404	2,488	2,503	2,388	1,969	9,349	2,430	-3
Africa/Middle East	4,582	1,478	1,518	1,191	1,260	5,446	1,311	-12
Asia/Australia	8,509	2,406	2,542	2,418	2,203	9,568	2,818	+13
Equipment & Service	24,574	7,442	7,947	7,190	7,116	29,695	7,248	-6
North America	4,907	1,426	1,385	1,572	1,709	6,093	1,265	-19
South America	3,901	1,255	1,633	1,023	1,449	5,360	1,041	-21
Europe	5,664	1,662	1,765	1,790	1,275	6,491	1,690	+0
Africa/Middle East	3,229	1,127	1,056	811	906	3,899	893	-21
Asia/Australia	6,873	1,972	2,108	1,994	1,777	7,852	2,359	+16
Tools & Attachments	9,047	2,550	2,470	2,285	2,306	9,611	2,760	+4
North America	2,574	737	662	689	634	2,721	867	+8
South America	830	232	211	213	209	865	303	+26
Europe	2,673	804	715	598	691	2,807	724	-11
Africa/Middle East	1,355	350	462	380	354	1,547	418	+18
Asia/Australia	1,615	427	420	405	418	1,671	448	+2

Geographical distribution of revenues

SEK million	2017	2018				2018	2019	
% currency adjusted	Full year	Q1	Q2	Q3	Q4	Full year	Q1	%
Epiroc group	31,364	8,233	9,843	9,651	10,558	38,285	9,785	+15
North America	7,136	1,888	2,118	2,141	2,300	8,447	2,227	+8
South America	4,276	1,024	1,199	1,230	1,573	5,026	1,571	+49
Europe	7,992	1,864	2,471	2,224	2,545	9,104	2,432	+29
Africa/Middle East	4,085	1,103	1,350	1,444	1,456	5,353	1,182	+6
Asia/Australia	7,875	2,354	2,705	2,612	2,684	10,355	2,373	-3
Equipment & Service	22,383	5,943	7,325	7,178	8,094	28,540	7,115	+16
North America	4,357	1,173	1,410	1,412	1,644	5,639	1,425	+12
South America	3,311	813	981	1,020	1,361	4,175	1,327	+58
Europe	6,081	1,235	1,696	1,488	1,807	6,225	1,674	+35
Africa/Middle East	2,638	766	972	1,054	1,031	3,823	787	+2
Asia/Australia	5,996	1,956	2,266	2,204	2,251	8,678	1,902	-6
Tools & Attachments	8,738	2,245	2,452	2,382	2,440	9,519	2,605	+12
North America	2,513	700	681	703	641	2,725	773	+1
South America	782	211	218	210	212	851	244	+11
Europe	2,593	607	750	688	738	2,783	733	+19
Africa/Middle East	1,297	337	378	390	425	1,530	395	+16
Asia/Australia	1,553	390	425	391	424	1,630	460	+14

Condensed parent company income statement

	2019	2018	2018
SEK million	Q1	Q1	Full year
Administrative expenses	-62	-36	-143
Marketing expenses	-5	-2	-13
Other operating income and expenses	0	-54	-43
Operating profit/loss	-67	-92	-199
Financial income and expenses	-3	0	-17
Appropriations	-	-	4,424
Profit/loss before tax	-70	-92	4,208
Income tax	14	20	-927
Profit/loss for the period	-56	-72	3,281

Condensed parent company balance sheet

	2019	2018	2018
SEK million	Mar 31	Mar 31	Dec 31
Total non-current assets	51,898	45,578	50,823
Total current assets	4,369	6,335	5,553
Total assets	56,267	51,913	56,376
Total restricted equity	503	24	503
Total non-restricted equity	49,457	47,797	49,553
Total equity	49,960	47,821	50,056
Total provisions	201	166	167
Total non-current liabilities	6,038	0	5,023
Total current liabilities	68	3,926	1,130
Total equity and liabilities	56,267	51,913	56,376

Acquisitions

Date	Company	Segment	Revenues SEK million*	Number of employees*
2019 Apr 2	New Concept Mining	Tools & Attachments	645	900
2019 Feb 1	Noland Drilling Equipment	Equipment & Service		8
2019 Jan 3	Fordia	Tools & Attachments	580	250
2018 Nov 2	Sautec	Equipment & Service		6
2018 Oct 30	ASI Mining (34%)**	Equipment & Service	55	
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

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

**Included as an associated company

Transactions with related parties

Significant related-party transactions are described in Note 28 to the consolidated accounts in Epiroc's Annual and Sustainability Report 2018. No material changes have taken place in relations or transactions with related parties compared with the description in Epiroc's Annual and Sustainability Report 2018.

Share buy-backs

The Board of Directors of Epiroc has been authorized to purchase, transfer and sell own shares in relation to Epiroc's performance based personnel option plans. More information regarding the option plans can be found in Epiroc's Annual and Sustainability Report 2018. See www.epirocgroup.com/en/investors.

In the first quarter, Epiroc purchased 1,500,000 shares class A at SEK 133,622,312 and divested 1,100,323 shares class A at SEK 100,675,921 in accordance with mandates granted. As of March 31, 2019, Epiroc AB held 14,391,554 shares class A.

The total numbers of issued Epiroc shares as of March 31, 2019 were 1,213,738,703 shares, whereof 823,765,854 shares class A and 389,972,849 shares class B.

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

May 9, 2019	Annual General Meeting 2019
July 18, 2019	Q2 2019
October 25, 2019	Q3 2019
January 31, 2020	Q4 2019

This information is information that Epiroc AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 07:30 CEST on April 30, 2019.

Epiroc in brief

Epiroc is a leading productivity partner for the mining and infrastructure industries. With cutting-edge 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 solutions for automation and interoperability. The company is based in Stockholm, Sweden, and had revenues of SEK 38 billion in 2018 and has more than 14,000 passionate employees supporting and collaborating with customers in more than 150 countries. Learn more at www.epirocgroup.com.

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