Interim report Q2 2020

July 23, 2020

Epiroc

Epiroc interim report Q2

- **Orders received decreased 23% to MSEK 8 105 (10 553), organic decline of 17%**
- **Revenues decreased 20% to MSEK 8 458 (10 626), organic decline of 15%**
- **Operating profit was MSEK 1 418 (2 263), including items affecting comparability of MSEK -165 (-39)***
- **Operating margin was 16.8% (21.3). Adjusted operating margin was 18.7% (21.7)***
- **Basic earnings per share were SEK 0.85 (1.40)**
- **Operating cash flow of MSEK 1 963 (1 506)**

Key figures

MSEK	2020 Q2	2019 Q2	Δ	2020 Q1-Q2	2019 Q1-Q2	Δ
Orders received	8 105	10 553	-23%	17 877	20 616	-13%
Revenues	8 458	10 626	-20%	17 592	20 411	-14%
Operating profit	1 418	2 263	-37%	3 350	4 193	-20%
Operating margin, %	*16.8*	*21.3*		*19.0*	*20.5*	
Profit before tax	1 367	2 225	-39%	3 253	4 055	-20%
Profit margin, %	*16.2*	*20.9*		*18.5*	*19.9*	
Profit for the period	1 027	1 680	-39%	2 449	3 054	-20%
Operating cash flow	1 963	1 506	30%	3 495	1 978	77%
Basic earnings per share, SEK	0.85	1.40	-39%	2.03	2.54	-20%
Return on capital employed, %	22.7	30.8				
Net debt/EBITDA, ratio	-0.20	0.43				

** Information on items affecting comparability, see page 6.*

CEO comments

Agility in challenging times
The Covid-19 pandemic impacted us significantly in the quarter, yet we managed to quickly adapt our way of working, lower our costs, show resilience in our profitability, and deliver a strong cash flow. We managed to do this while prioritizing health and safety and supporting our customers in this unique and challenging situation. I'm proud to see the way our organization has been able to adapt to the situation.

Lower order intake
Orders received decreased compared to the previous quarter. Our customers were hesitant to place equipment orders and restrictions led to lower customer activity, particularly in the beginning of the quarter, which impacted our aftermarket business negatively. Orders received for the Group was MSEK 8 105, sequentially down 13% organically and down 17% organically compared to the previous year.

We expect that the demand, both for equipment and for aftermarket, will continue to be negatively impacted by the pandemic in the near term.

Resilient operating margin and strong cash flow
Year-on-year, our revenues declined 15% organically, to MSEK 8 458, with the largest drop in Tools & Attachments. The service business had only a moderate organic decline, which contributed to the resilience in profitability. The adjusted operating margin was 18.7% (21.7). Working capital decreased in the quarter, which resulted in a strong operating cash flow of MSEK 1 963.

Compared to Q1, our profit was negatively impacted mainly by lower volumes for our aftermarket business and by lower capacity utilization in our manufacturing facilities. This was partly offset by cost savings.

Savings from efficiency actions
The contingency measures that we have initiated as a response to the effects of the pandemic and to improve efficiency, were carried out as planned in the quarter. We have already achieved cost savings both from the short-term and from the long-term actions. The long-term actions are expected to save more than MSEK 500 annually as from Q3 2020. Additional savings will be achieved from the end of the year, including savings related to planned layoffs.

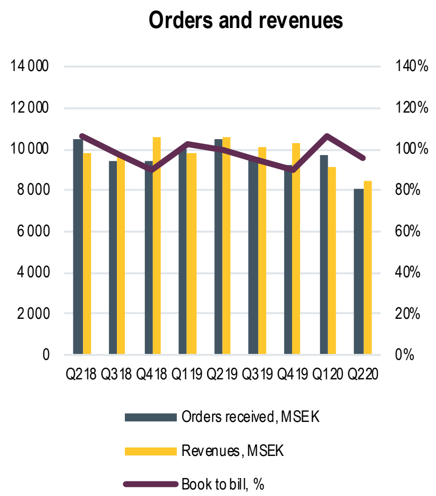
Automation and digitalization
In the quarter, we received multiple orders for automation solutions for both underground and surface applications, including a large order in Chile of equipment with 6th Sense solutions for automation, connectivity and information management. The pandemic has increased customers' interest in our state-of-the-art automation and digital solutions and there is a high activity level in our regional automation centers. It has also led to a further increase in the use of digital tools for training and customer interaction.

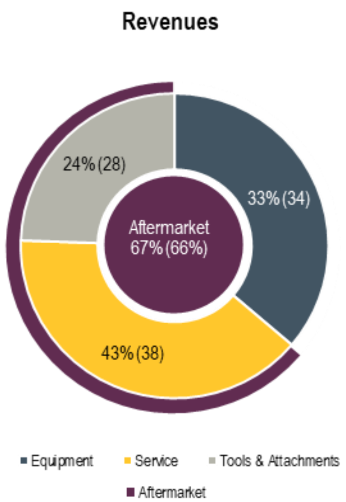
High sustainability ambition
We have high ambitions when it comes to sustainability and it is encouraging to see the positive development of many of our non-financial KPIs, for example on safety and on CO_2 emissions from transport. Our new sustainability goals for 2030 further advance the Group's ambitions related to climate change, safety and diversity. We want to be the enabler and through innovation make the mining and infrastructure industries more sustainable.

Managing the crisis and building for the future
On June 18, we celebrated our two-year anniversary as a listed company. The celebration was of course held online due to Covid-19. The global pandemic crisis is unique and I think that we are managing it well, just like we have managed challenging situations before. Our passionate employees are making it possible. Going forward, we will continue to invest in innovation and aftermarket to support our customers on their journey towards increased productivity and sustainability. This will make Epiroc even stronger for the future.

Helena Hedblom
President and CEO

Orders and revenues





Orders and revenues MSEK	**2020** Q2	**2019** Q2	**Δ**	**2020** Q1-Q2	**2019** Q1-Q2	**Δ**
Orders received	8 105	10 553	-23%	17 877	20 616	-13%
Revenues	8 458	10 626	-20%	17 592	20 411	-14%
Operating profit	1 418	2 263	-37%	3 350	4 193	-20%
Operating margin, %	*16.8*	*21.3*		*19.0*	*20.5*	

Orders received

Orders received decreased 23% to MSEK 8 105 (10 553), corresponding to an organic decline of 17%, year-on-year. Currency and structure impacted negatively with 5% and 1%, respectively. Sequentially, i.e. compared to the previous quarter, orders received decreased approximately 13% organically.

Compared to the previous year, orders received in local currency decreased in all regions. North America had the largest decline in orders, down 25% year-on-year, while South America declined only 9%, supported by a large order received in Chile.

Mining customers represented 77% (75) of orders received in the quarter.

Revenues

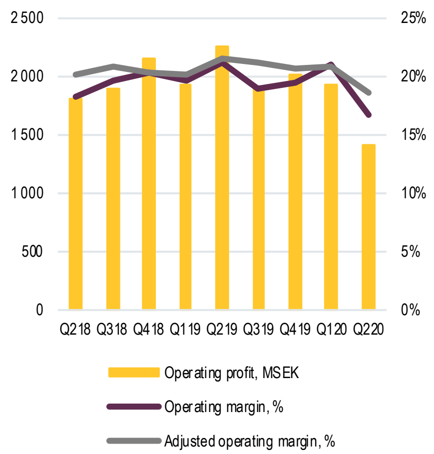
Revenues decreased 20% to MSEK 8 458 (10 626), corresponding to an organic decline of 15%. Currency and structure impacted negatively with 4% and 1%, respectively. The book to bill ratio was 96% (99).

The aftermarket represented 67% (66) of revenues in the quarter.

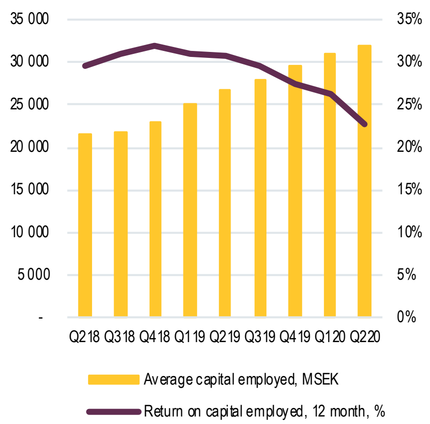
Sales Bridge	**Orders received**	**Revenues**
	MSEK,Δ,%	MSEK,Δ,%
Q2 2019	**10 553**	**10 626**
Organic	-17	-15
Currency	-5	-4
Structure and other	-1	-1
Total	-23	-20
Q2 2020	**8 105**	**8 458**

Profits and returns

Operating profit and margin



Capital employed and return on capital employed*



*Numbers for 2018 are not restated for IFRS 16.

Profit bridge	Operating profit	
	MSEK,Δ	Margin,%,Δ,pp
Q2 2019	**2 263**	**21.3**
Organic	-635	-3.5
Currency	-90	0.0
Structure and other*	-120	-1.0
Total	-845	-4.5
Q2 2020	**1 418**	**16.8**

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

Operating profit was MSEK 1 418 (2 263), including items affecting comparability of MSEK -165. These items include restructuring costs of MSEK -74 and change in provision for share-based long-term incentive programs of MSEK -91 (-39). The operating profit was negatively impacted by the large decline in revenues, but also currency impacted negatively. The operating margin was 16.8% (21.3). Excluding the items affecting comparability, the margin decreased to 18.7% (21.7), mainly due to the decline in revenues.

Net financial items were MSEK -51 (-38). Interest net was MSEK -19 (-57).

Profit before tax was MSEK 1 367 (2 225), corresponding to a margin of 16.2% (20.9). Income tax expense amounted to MSEK -340 (-545), corresponding to an effective tax rate of 24.8% (24.5).

Profit for the period totaled MSEK 1 027 (1 680). Basic earnings per share were SEK 0.85 (1.40).

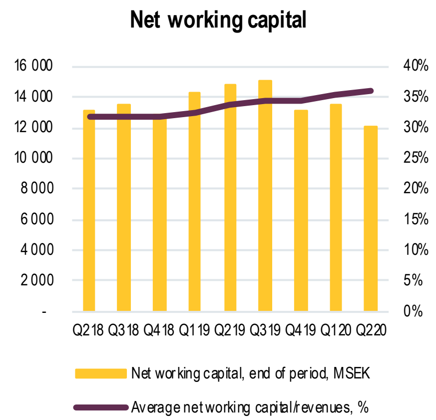
The return on capital employed during the last 12 months was 22.7% (30.8), affected by lower profit as well as by increased capital employed, mainly from accumulation of cash, acquisitions, and the implementation of IFRS 16 Leases. Return on equity was 23.4% (32.3).

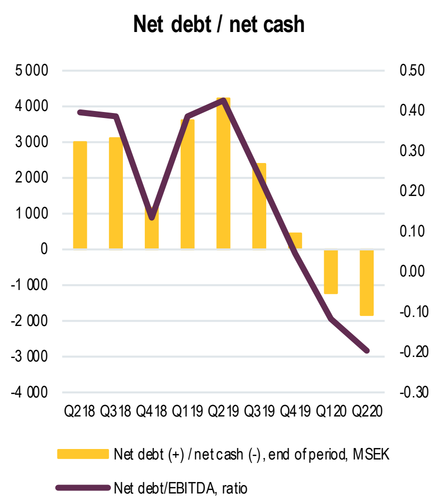
Employees

On June 30, 2020, the number of employees was 13 967 (14 620). The number of consultants/external workforce was 1 145 (1 576). For comparable units, the total workforce decreased with 702 compared to the previous year.

Epiroc **Q2** 2020

Balance sheet





Net working capital

Compared to the previous year, the net working capital decreased 18%, of which 6% related to currency, to MSEK 12 084 (14 791). As a percentage of revenues the last 12 months, the average net working capital was 36.1% (33.8).

Efficiency improvement activities

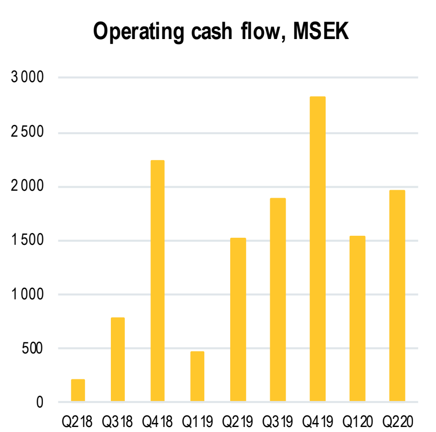
- The cost-savings program that was announced at the end of 2019 is ongoing and in this quarter another MSEK 74 were taken as restructuring costs. Savings of more than MSEK 500 annually are expected starting in Q3 2020.
- Additional savings will be achieved from the end of the year, including savings related to planned layoffs, for example the announced notice of termination given in Sweden.
- Actions with short-term effects, such as reduction of temporary workforce and consultants, work-time reduction, and reduction of discretionary spending and travelling have been implemented as planned.
- The supply-chain improvement program for parts and consumables continued in the quarter.

Net cash / net debt

The Group's net cash position amounted to MSEK 1 819 (previous year: net debt of 4 217). In the quarter, a dividend of SEK 1.20 per share was paid, totaling MSEK 1 445. Epiroc has a strong financial position. However, due to the increased economic uncertainty following the Covid-19 pandemic, funding was increased with a loan of MSEK 2 000.

The net debt/EBITDA ratio was -0.20 (0.43).

Cash flow



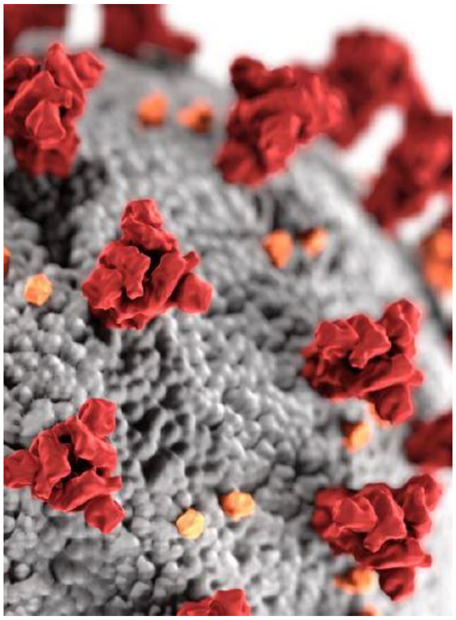
Operating cash flow

The operating cash flow improved to MSEK 1 963 (1 506). It was negatively impacted by lower operating profit, but this was more than offset by a reduction in working capital of MSEK 985 (increased 131), mainly due to a reduction of receivables, and by lower taxes paid.

Acquisitions and divestments

Cash flow from acquisitions and divestments was MSEK -28 (-578).

Covid-19



Aftermarket

Epiroc continues to focus on safeguarding the availability and the supply of spare parts, rock drilling tools and other essential products in order to support customers' operations. The distribution centers and also the manufacturing facilities for Tools & Attachments are operational while the capacity is being adapted to the demand. The availability of components and transports was challenging in the beginning of the second quarter but has improved and is currently stable.

Epiroc's customers, both in mining and infrastructure, are impacted by restrictions from governments and other authorities, affecting demand. The number of customers that have temporarily stopped operations or are working with reduced capacity is, however, fewer than it was during April and May.

Equipment

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

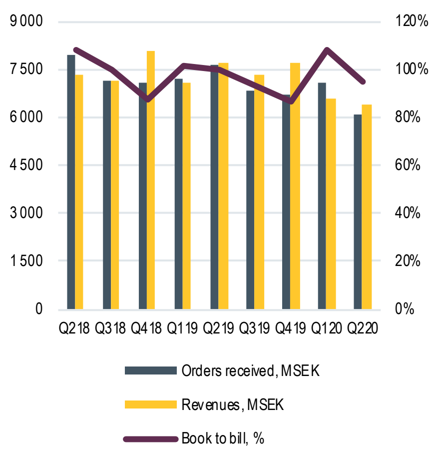
Equipment & Service

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

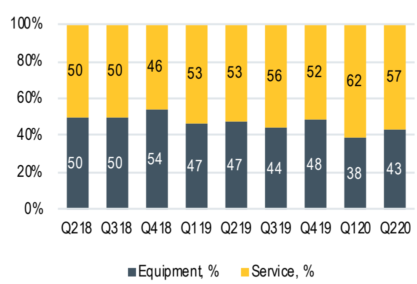
In brief

- Orders received in service decreased by 3% organically
- Equipment orders decreased 29% organically
- Adjusted operating margin at 22.7% (25.5)

Orders and revenues



Revenue split, %



Orders and revenues MSEK	**2020 Q2**	**2019 Q2**	**Δ**	**2020 Q1-Q2**	**2019 Q1-Q2**	**Δ**
Orders received	6 129	7 677	-20%	13 230	14 925	-11%
Revenues	6 422	7 702	-17%	13 001	14 817	-12%
Operating profit	1 441	1 961	-27%	3 027	3 668	-17%
Operating margin, %	*22.4*	*25.5*		*23.3*	*24.8*	

Orders received

The orders received for Equipment & Service decreased 20% to MSEK 6 129 (7 677), corresponding to an organic decline of 15%. Currency impacted negatively with 5%. Sequentially, orders received decreased approximately 10% organically.

Compared to the previous year, orders received in local currency decreased in all regions, with the highest decline in North America.

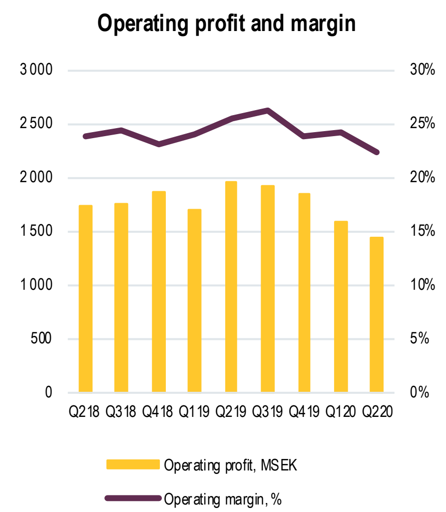
For service, the orders received decreased 3% organically to MSEK 3 719 (4 097). Compared to the previous year, service orders in local currency decreased in all regions, except Asia/Australia. Covid-19-related restrictions varied among countries, which resulted in large differences in order development. The share of orders from service in the segment was 61% (53).

Equipment orders decreased 29% organically compared to the previous year and amounted to MSEK 2 410 (3 580). Orders for both underground and surface equipment decreased. Compared to the previous year, equipment orders in local currency decreased in all regions. The share of orders from equipment in the segment was 39% (47).

Revenues

Revenues decreased to MSEK 6 422 (7 702), corresponding to an organic decline of 13%. Revenues decreased organically 4% for service and 21% for equipment. The share of revenues from service in the segment was 57% (53). The book to bill ratio was 95% (100).

Sales Bridge	Equipment and Service Orders received	Equipment and Service Revenues	Equipment Orders received	Equipment Revenues	Service Orders received	Service Revenues
	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%
Q2 2019	**7 677**	**7 702**	**3 580**	**3 638**	**4 097**	**4 064**
Organic	-15	-13	-29	-21	-3	-4
Currency	-5	-4	-4	-3	-6	-6
Structure and other	0	0	0	0	0	0
Total	-20	-17	-33	-24	-9	-10
Q2 2020	**6 129**	**6 422**	**2 410**	**2 768**	**3 719**	**3 654**



Operating profit and margin

Operating profit decreased 27% to MSEK 1 441 (1 961), including restructuring costs of MSEK -17. The operating profit was negatively impacted mainly by lower revenues and currency. The operating margin decreased to 22.4% (25.5), negatively impacted by lower volumes and restructuring costs, but supported by revenue mix and currency.

Profit bridge	Operating profit MSEK,Δ	Operating profit Margin,%,Δ,pp
Q2 2019	**1 961**	**25.5**
Organic	-430	-3.0
Currency	-69	+0.2
Structure and other	-21	-0.3
Total	-520	-3.1
Q2 2020	**1 441**	**22.4**

Epiroc has taken underground exploration drilling a step forward with the introduction of the Diamec Smart 6M, where M stands for mobile.

Other key events

In April, Epiroc was awarded a large order from Codelco in Chile. The order value is more than MUSD 20 (MSEK 190). The order includes multiple units with technical solutions, such as 6th Sense, which allows for automation and monitoring of machine performance in real-time. Delivery of the equipment will take place later in 2020.

In the quarter Epiroc finalized the previously announced consolidation of the dimension stone industry equipment manufacturing to the production facility in Nashik, India.

Innovations

Epiroc has launched a new generation core-drilling rigs with a mobile carrier built for demanding underground operations. The new rig, Diamec Smart 6M, also features a rod handling system for increased operator safety and productivity.

Q2 2020

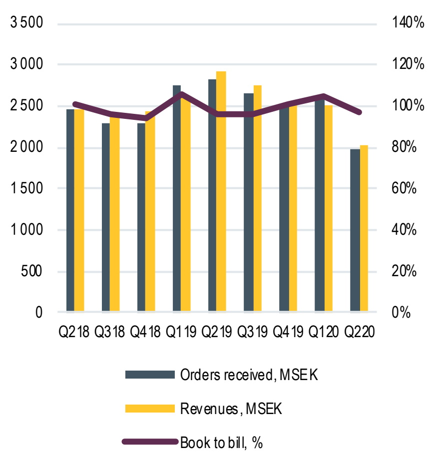
Tools & Attachments

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

In brief

- Orders received decreased 22% organically
- Revenues declined 22% organically
- Adjusted operating margin was 9.8% (14.6)

Orders and revenues



Orders and revenues MSEK	**2020 Q2**	**2019 Q2**	**Δ**	**2020 Q1-Q2**	**2019 Q1-Q2**	**Δ**
Orders received	1 980	2 826	-30%	4 599	5 586	-18%
Revenues	2 035	2 926	-30%	4 540	5 531	-18%
Operating profit	143	429	-67%	480	800	-40%
Operating margin, %	*7.0*	*14.6*		*10.6*	*14.5*	

Orders received

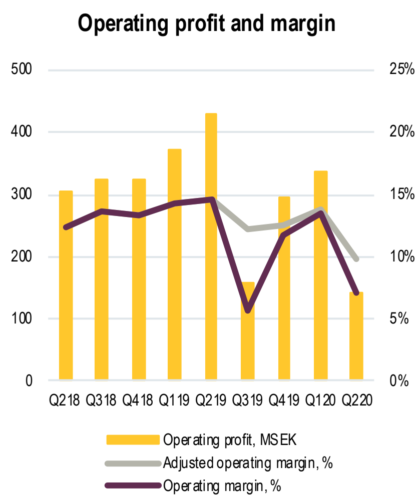
The orders received for Tools & Attachments decreased 30% to MSEK 1 980 (2 826), corresponding to an organic decline of 22%. Currency and structure impacted negatively with 4% each. The order decline was relatively larger for hydraulic attachments than for rock drilling tools. Sequentially, orders received for Tools & Attachments decreased approximately 20% organically.

Compared to the previous year, orders received in local currency decreased in all regions. In North America, orders were down 32% whereas Europe had a 16% decline. The orders received varied significantly among countries depending on restrictions and was negatively impacted also by inventory adjustments.

Revenues

Revenues decreased 30% to MSEK 2 035 (2 926), corresponding to an organic decline of 22%. Structure, i.e. the net effect of acquisitions and divestments, and currency impacted negatively with 5% and 3%, respectively. The book to bill ratio was 97% (97).

Sales Bridge	**Orders received**	**Revenues**
	MSEK,Δ,%	MSEK,Δ,%
Q2 2019	**2 826**	**2 926**
Organic	-22	-22
Currency	-4	-3
Structure and other	-4	-5
Total	-30	-30
Q2 2020	**1 980**	**2 035**



The CB 5500 enables cracking even the hardest concrete with outstanding performance.

Operating profit and margin

Operating profit was MSEK 143 (429). The operating profit was negatively impacted by the large decline in revenues, underabsorption due to temporarily closed manufacturing facilities, and by restructuring costs of MSEK -57. The operating margin was 7.0% (14.6). The adjusted margin was 9.8%.

Profit bridge	**Operating profit**	
	MSEK,Δ	Margin,%,Δ,pp
Q2 2019	**429**	**14.6**
Organic	-201	-5.1
Currency	-26	-0.6
Structure and other	-59	-1.9
Total	-286	-7.6
Q2 2020	**143**	**7.0**

Other key events

In April, it was announced that Epiroc will consolidate the production of exploration drilling tools in Canada. The production will gradually move from North Bay to Montréal during 2020, affecting about 65 employees in North Bay.

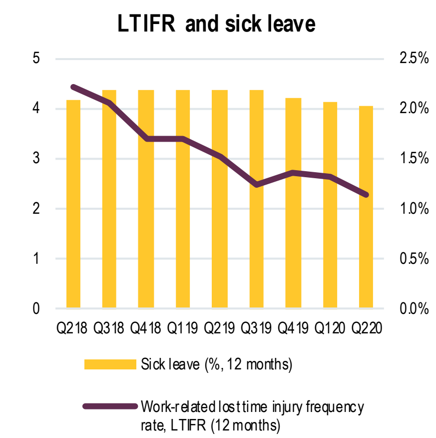
Innovations

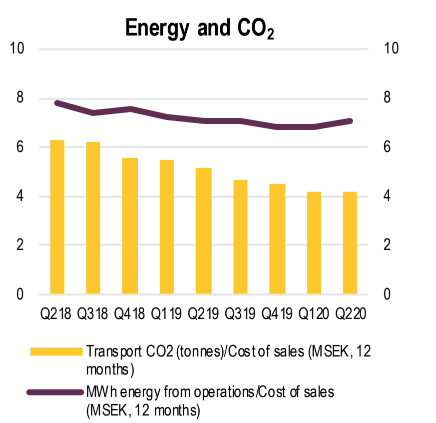
The product range of concrete busters has been extended to include the CB 5500 and CB 7500. These have been specially developed for heavy foundation work and are particularly suitable for demolition with long-front excavators and in areas where a hydraulic hammer cannot be used.

Sustainability

Epiroc has four prioritized areas within sustainability: We live by the highest ethical standards; We invest in safety and well-being; We grow together with passionate people and courageous leaders; We use resources responsibly and efficiently. For each area there are several targets and key performance indicators.

MSEK	2020 Q2	2019 Q2
Work-related lost time injury frequency rate, LTIFR (12 months)	2.3	3.0
Sick leave (%, 12 months)	2.0	2.2
MWh energy from operations/Cost of sales (MSEK, 12 months)	7.1	7.1
Transport CO_2 (tonnes)/Cost of sales (MSEK, 12 months)	4.2	5.2





Lost time injury frequency rate and sick leave

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

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

Energy and CO_2 emissions

CO_2 emissions from transport improved compared to the 12-month period ending in June 2019, mainly due to lower volumes and a higher share of shipments by sea instead of air freight.

MWh energy from operations has decreased, supported by the changes in the rock drilling tools business and several initiatives to increase energy efficiency. The ratio, MWh energy from operations/Cost of sales, was however unchanged, as Cost of Sales has decreased.

Sustainability goals for 2030

Epiroc has launched new sustainability goals for 2030 that further advance the Group's ambitions on e.g. climate change and diversity. Examples of new sustainability goals (base year 2019):

- Halving CO_2 emissions from operations, transport, as well as from equipment sold
- Doubling the number of women in operational roles
- Substantially reducing work-related injuries
- Further strengthening the Group's commitment to the company's Code of Conduct.

January – June in summary

Orders received in the first six months 2020 were MSEK 17 877 (20 616), corresponding to an organic decline of 10%. Revenues decreased 14% to MSEK 17 592 (20 411), corresponding to 11% organic decline.

Sales Bridge	Orders received	Revenues
	MSEK,Δ,%	MSEK,Δ,%
Q1-Q2 2019	**20 616**	**20 411**
Organic	-10	-11
Currency	-2	-2
Structure and other	-1	-1
Total	-13	-14
Q1-Q2 2020	**17 877**	**17 592**

Operating profit was MSEK 3 350 (4 193), including items affecting comparability of MSEK -144. These items include restructuring costs and change in provision for share-based long-term incentive programs. The operating profit was negatively impacted by the large decline in revenues and restructuring costs, but was supported by currency. The operating margin was 19.0% (20.5). Excluding the items affecting comparability, the margin was 19.9% (21.0), diluted by lower revenue volume, but supported by currency.

Profit bridge	Operating profit	
	MSEK,Δ	Margin,%,Δ,pp
Q1-Q2 2019	**4 193**	**20.5**
Organic	-857	-2.2
Currency	+44	+0.7
Structure and other	-30	+0.0
Total	-843	-1.5
Q1-Q2 2020	**3 350**	**19.0**

Profit before tax was MSEK 3 253 (4 055), corresponding to a margin of 18.5% (19.9). Profit for the period totaled MSEK 2 449 (3 054). Basic earnings per share were SEK 2.03 (2.54). Operating cash flow was MSEK 3 495 (1 978).

Other key events

On June 2, Epiroc announced that it is giving notice of termination to 425 employees in Sweden in response to lower global demand from mining and infrastructure companies amid the Covid-19 pandemic and to position the company better for the future. No restructuring costs related to this have been booked in the quarter.

Epiroc has received government grants related to Covid-19, but these are not material. Epiroc has not utilized governmental support for short-time work in Sweden.

Risks and uncertainty factors

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

Signatures of the President and the Board

The Board of Directors and President of Epiroc AB 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 22, 2020

Ronnie Leten Chair of the Board	**Lennart Evrell** Board member	**Johan Forssell** Board member	**Jeane Hull** Board member
Ulla Litzén Board member	**Sigurd Mareels** Board member	**Astrid Skarheim Onsum** Board member	**Anders Ullberg** Board member
Helena Hedblom Board member President and CEO	**Kristina Kanestad** Board member Employee representative	**Bengt Lindgren** Board member Employee representative	

Auditor's report

Introduction

We have reviewed the interim report for Epiroc AB for the period January 1 – June 30, 2020. 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 22, 2020

Thomas Strömberg
Authorized Public Accountant, Deloitte AB

Accounting principles

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

Accounting principles of the Parent Company

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

Condensed consolidated income statement

MSEK	2020 Q2	2019 Q2	2020 Q1-Q2	2019 Q1-Q2
Revenues	8 458	10 626	17 592	20 411
Cost of sales	-5 309	-6 550	-10 880	-12 739
Gross profit	**3 149**	**4 076**	**6 712**	**7 672**
Marketing expenses	- 543	- 710	-1 207	-1 373
Administrative expenses	- 795	- 803	-1 462	-1 587
Research and development expenses	- 287	- 271	- 558	- 546
Other operating income and expenses	- 106	- 29	- 135	27
Operating profit	**1 418**	**2 263**	**3 350**	**4 193**
Net financial items	- 51	- 38	- 97	- 138
Profit before tax	**1 367**	**2 225**	**3 253**	**4 055**
Income tax expense	- 340	- 545	- 804	-1 001
Profit for the period	**1 027**	**1 680**	**2 449**	**3 054**
Profit attributable to				
- owners of the parent	1 026	1 678	2 446	3 050
- non-controlling interests	1	2	3	4
Basic earnings per share, SEK	0.85	1.40	2.03	2.54
Diluted earnings per share, SEK	0.83	1.40	2.03	2.54

Key ratios

MSEK	2020 Q2	2019 Q2	2020 Q1-Q2	2019 Q1-Q2
Basic number of shares outstanding, millions	1 204	1 200	1 204	1 200
Diluted number of shares outstanding, millions	1 205	1 200	1 204	1 200
Operating margin, %	16.8	21.3	19.0	20.5
Equity per share, period end, SEK	19.44	16.54	19.44	16.54
Return on capital employed, %	22.7	30.8	22.7	30.8
Return on equity, %	23.4	32.3	23.4	32.3
Net debt / EBITDA, ratio	-0.20	0.43	-0.20	0.43
Net cash/debt / equity ratio, period end, %	-7.8	21.2	-7.8	21.2
Equity/assets ratio, period end, %	52.8	49.5	52.8	49.5
Number of employees, period end	13 967	14 620	13 967	14 620

Condensed consolidated statement of comprehensive income

MSEK	2020 Q2	2019 Q2	2020 Q1-Q2	2019 Q1-Q2
Profit for the period	**1 027**	**1 680**	**2 449**	**3 054**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans	- 107	- 65	- 30	- 158
Income tax relating to items that will not be reclassified	22	15	5	35
Total items that will not be reclassified to profit or loss	**- 85**	**- 50**	**- 25**	**- 123**
Items that may be reclassified subsequently to profit or loss				
Translation differences on foreign operations	- 833	15	- 511	612
- realized and reclassified to profit and loss	- 33	0	- 33	0
Cash flow hedges	-	6	0	- 19
Income tax relating to items that may be reclassified	-	- 1	0	4
Total items that may be reclassified subsequently to profit or loss	**- 866**	**20**	**- 544**	**597**
Other comprehensive income for the period, net of tax	**- 951**	**- 30**	**- 569**	**474**
Total comprehensive income for the period	**76**	**1 650**	**1 880**	**3 528**
Total comprehensive income attributable to				
- owners of the parent	79	1 648	1 879	3 522
- non-controlling interests	- 3	2	1	6

Condensed consolidated balance sheet

Assets, MSEK	2020 Jun 30	2019 Jun 30	2019 Dec 31
Intangible assets	4 206	4 224	4 226
Rental equipment	1 165	1 363	1 213
Other property, plant and equipment	4 364	4 746	4 613
Investments in associated companies and joint ventures	202	204	201
Financial assets and other receivables	865	1 124	1 007
Deferred tax assets	1 367	668	630
Total non-current assets	**12 169**	**12 329**	**11 890**
Inventories	10 531	11 285	10 508
Trade receivables	6 139	8 757	7 287
Other receivables	1 498	1 386	1 597
Income tax receivables	190	431	353
Financial assets	792	1 077	862
Cash and cash equivalents	13 005	4 883	8 540
Total current assets	**32 155**	**27 819**	**29 147**
Total assets	**44 324**	**40 148**	**41 037**

Equity and liabilities, MSEK			
Share capital	500	500	500
Retained earnings	22 831	19 340	22 261
Total equity attributable to owners of the parent	**23 331**	**19 840**	**22 761**
Non-controlling interest	52	49	52
Total equity	**23 383**	**19 889**	**22 813**
Interest bearing loans	7 686	7 848	7 724
Post-employment benefits	656	460	596
Deferred tax liabilities	662	-	-
Other liabilities and provisions	396	452	423
Total non-current liabilities	**9 400**	**8 760**	**8 743**
Interest bearing loans	2 856	803	705
Trade payables	3 764	4 536	4 050
Income tax liabilities	521	493	507
Other liabilities and provisions	4 400	5 667	4 219
Total current liabilities	**11 541**	**11 499**	**9 481**
Total equity and liabilities	**44 324**	**40 148**	**41 037**

Fair value of derivatives and borrowings

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

Outstanding derivatives recorded to fair value	**2020**	**2019**
MSEK	**Jun 30**	**Dec 31**
Non-current assets and liabilities		
Assets	-	2
Liabilities	-	-
Current assets and liabilities		
Assets	61	99
Liabilities	14	74

Carrying value and fair value	**2020**	**2020**	**2019**	**2019**
MSEK	**Jun 30**	**Jun 30**	**Dec 31**	**Dec 31**
	Carrying value	Fair value	Carrying value	Fair value
Bonds	1 992	2 104	1 995	2 082
Other loans	8 550	8 669	6 434	6 504
Total interest bearing loans	**10 542**	**10 773**	**8 429**	**8 586**

Condensed consolidated statement of changes in equity

	Equity attributable to		
MSEK	owners of the parent	non-controlling interests	Total equity
Opening balance, Jan 1, 2020	**22 761**	**52**	**22 813**
Total comprehensive income for the period	1 879	1	1 880
Dividend	-1 445	- 1	-1 446
Acquisition and divestment of own shares	139	-	139
Share-based payments, equity settled	- 3	-	- 3
Closing balance, June 30, 2020	**23 331**	**52**	**23 383**

Opening balance, Jan 1, 2019	**18 797**	**50**	**18 847**
Total comprehensive income for the period	3 522	6	3 528
Dividend	-2 520	- 7	-2 527
Acquisition and divestment of own shares	47	-	47
Share-based payments, equity settled	- 6	-	- 6
Closing balance, June 30, 2019	**19 840**	**49**	**19 889**

Opening balance, 1 Jan, 2019	**18 797**	**50**	**18 847**
Total comprehensive income for the period	6 175	10	6 185
Dividend	-2 523	- 8	-2 531
Acquisition and divestment of own shares	340	-	340
Share-based payments, equity settled	- 28	-	- 28
Closing balance, Dec 31, 2019	**22 761**	**52**	**22 813**

Condensed consolidated statement of cash flows

MSEK	2020 Q2	2019 Q2	2020 Q1-Q2	2019 Q1-Q2
Cash flow from operating activities				
Operating profit	1 418	2 263	3 350	4 193
Depreciation, amortization and impairment	441	468	881	940
Capital gain/loss and other non-cash items	49	- 36	159	- 120
Net financial items received/paid	- 32	- 115	231	- 272
Taxes paid	- 344	- 690	- 729	-1 341
Pension funding and payment of pension to employees	- 25	- 13	- 26	- 30
Change in working capital	985	- 131	466	- 851
Increase in rental equipment	- 194	- 279	- 314	- 545
Sale of rental equipment	85	143	146	225
Net cash from operating activities	**2 383**	**1 610**	**4 164**	**2 199**
Cash flow from investing activities				
Investments in other property, plant and equipment	- 107	- 117	- 227	- 275
Sale of other property, plant and equipment	1	16	21	25
Investments in intangible assets	- 125	- 160	- 245	- 268
Sale of intangible assets	- 4	0	- 4	0
Acquisition of subsidiaries and associated companies	- 15	- 578	- 30	-1 027
Sale of subsidiaries	- 13	-	- 13	-
Proceeds to/from other financial assets, net	144	76	179	- 46
Net cash from investing activities	**- 119**	**- 763**	**- 319**	**-1 591**
Cash flow from financing activities				
Dividend	-1 445	-1 260	-1 445	-1 260
Dividend to non-controlling interest	0	- 7	- 1	- 7
Sale/Repurchase of own shares	43	80	139	47
Change in interest-bearing liabilities	2 031	- 161	2 032	- 487
Net cash from financing activities	**629**	**-1 348**	**725**	**-1 707**
Net cash flow for the period	**2 893**	**- 501**	**4 570**	**-1 099**
Cash and cash equivalents, beginning of the period	10 225	5 371	8 540	5 872
Exchange differences in cash and cash equivalents	- 113	13	- 105	110
Cash and cash equivalents, end of the period	**13 005**	**4 883**	**13 005**	**4 883**

	2020 Q2	2019 Q2	2020 Q1-Q2	2019 Q1-Q2
Operating cash flow				
Net cash flow from operating activities	2 383	1 610	4 164	2 199
Net cash from investing activities	-119	- 763	- 319	-1 591
Acquisitions and divestments of subsidiaries	28	578	43	1 027
Other adjustments	-329	81	- 393	343
Operating cash flow	**1 963**	**1 506**	**3 495**	**1 978**

Condensed segments quarterly

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

	2019				2019	2020	
Orders received, MSEK	**Q1**	**Q2**	**Q3**	**Q4**	**Full year**	**Q1**	**Q2**
Equipment & Service	7 248	7 677	6 874	6 710	28 509	7 101	6 129
Equipment	*3 442*	*3 580*	*2 727*	*2 606*	*12 355*	*2 850*	*2 410*
Service	*3 806*	*4 097*	*4 147*	*4 104*	*16 154*	*4 251*	*3 719*
Tools & Attachments	2 760	2 826	2 665	2 517	10 768	2 619	1 980
Common group functions	55	50	61	49	215	52	- 4
Epiroc Group	**10 063**	**10 553**	**9 600**	**9 276**	**39 492**	**9 772**	**8 105**
Revenues, MSEK							
Equipment & Service	7 115	7 702	7 334	7 740	29 891	6 579	6 422
Equipment	*3 313*	*3 638*	*3 198*	*3 712*	*13 861*	*2 519*	2 768
Service	*3 802*	*4 064*	*4 136*	*4 028*	*16 030*	*4 060*	3 654
Tools & Attachments	2 605	2 926	2 765	2 503	10 799	2 505	2 035
Common group functions	65	- 2	59	37	159	50	1
Epiroc Group	**9 785**	**10 626**	**10 158**	**10 280**	**40 849**	**9 134**	**8 458**
Operating profit and profit before tax, MSEK							
Equipment & Service*	1 707	1 961	1 923	1 844	7 435	1 586	1 441
Tools & Attachments	371	429	157	295	1 252	337	143
Common group functions*	- 148	- 127	- 153	- 123	- 551	9	- 166
Epiroc Group	**1 930**	**2 263**	**1 927**	**2 016**	**8 136**	**1 932**	**1 418**
Net financial items	- 100	- 38	- 61	- 94	- 293	- 46	- 51
Profit before tax	**1 830**	**2 225**	**1 866**	**1 922**	**7 843**	**1 886**	**1 367**
Operating margin, %							
Equipment & Service*	24.0	25.5	26.2	23.8	24.9	24.1	22.4
Tools & Attachments	14.2	14.6	5.7	11.8	11.6	13.5	7.0
Epiroc Group	**19.7**	**21.3**	**19.0**	**19.6**	**19.9**	**21.2**	**16.8**
Items affecting comparability, MSEK							
Change in provision for LTI-program	59	39	54	42	194	-65	91
Agreement with CEO	-	-	-	28	28	-	-
Costs for split from Atlas Copco	-	-	-	-	-	-	-
Costs in Equipment & Service	-	-	-	28	28	34	17
Costs in Tools & Attachments	-	-	179	17	196	10	57
Epiroc Group	**59**	**39**	**233**	**115**	**446**	**-21**	**165**
Adj. margin for items affecting comparability, %							
Adjusted operating margin, %	20.3	21.7	21.3	20.7	21.0	20.9	18.7
Adjusted operating margin, E&S, %*	24.0	25.5	26.2	24.2	25.0	24.6	22.7
Adjusted operating margin, T&A, %	14.2	14.6	12.2	12.5	13.4	13.9	9.8
Split and incentive program costs, MSEK**							
Change in provision for LTI-program	59	39	54	42	194	-65	91
Costs for split from Atlas Copco	17	23	11	11	62	6	11
Epiroc Group	**76**	**62**	**65**	**53**	**256**	**-58**	**102**

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

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

Geographical distribution of orders received

MSEK % currency adjusted	2019 Q1	Q2	Q3	Q4	2019 Full year	2020 Q1	Q2	Δ, % Y-o-Y
Epiroc group	**10 063**	**10 553**	**9 600**	**9 276**	**39 492**	**9 772**	**8 105**	**-18%**
North America	2 160	2 262	2 360	1 962	8 744	2 168	1 654	-25%
South America	1 344	1 481	1 451	1 120	5 396	1 284	1 175	-9%
Europe	2 430	2 399	2 063	2 165	9 057	2 381	1 891	-18%
Africa/Middle East	1 311	1 409	1 274	1 474	5 468	1 409	943	-24%
Asia/Australia	2 818	3 002	2 452	2 555	10 827	2 530	2 442	-17%
Equipment & Service	**7 248**	**7 677**	**6 874**	**6 710**	**28 509**	**7 101**	**6 129**	**-15%**
North America	1 265	1 444	1 529	1 278	5 516	1 427	1 108	-20%
South America	1 041	1 207	1 189	884	4 321	1 011	982	-7%
Europe	1 690	1 655	1 436	1 474	6 255	1 623	1 320	-17%
Africa/Middle East	893	863	716	959	3 431	934	641	-16%
Asia/Australia	2 359	2 508	2 004	2 115	8 986	2 106	2 078	-15%
Tools & Attachments	**2 760**	**2 826**	**2 665**	**2 517**	**10 768**	**2 619**	**1 980**	**-26%**
North America	867	783	797	665	3 112	714	524	-32%
South America	303	274	262	236	1 075	273	193	-18%
Europe	724	738	613	675	2 750	745	600	-16%
Africa/Middle East	418	547	557	515	2 037	475	302	-37%
Asia/Australia	448	484	436	426	1 794	412	361	-23%

Geographical distribution of revenues

MSEK % currency adjusted	2019 Q1	Q2	Q3	Q4	2019 Full year	2020 Q1	Q2	Δ,% Y-o-Y
Epiroc group	**9 785**	**10 626**	**10 158**	**10 280**	**40 849**	**9 134**	**8 458**	**-16%**
North America	2 227	2 403	2 191	2 119	8 940	2 099	1 841	-22%
South America	1 571	1 616	1 646	1 547	6 380	1 116	1 251	-13%
Europe	2 432	2 473	2 154	2 372	9 431	2 132	1 959	-18%
Africa/Middle East	1 182	1 396	1 351	1 504	5 433	1 369	1 063	-15%
Asia/Australia	2 373	2 738	2 816	2 738	10 665	2 418	2 344	-12%
Equipment & Service	**7 115**	**7 702**	**7 334**	**7 740**	**29 891**	**6 579**	**6 422**	**-12%**
North America	1 425	1 580	1 362	1 477	5 844	1 332	1 261	-18%
South America	1 327	1 341	1 356	1 271	5 295	875	1 073	-11%
Europe	1 674	1 682	1 469	1 697	6 522	1 427	1 362	-17%
Africa/Middle East	787	847	792	1 003	3 429	923	761	0%
Asia/Australia	1 902	2 252	2 355	2 292	8 801	2 022	1 965	-11%
Tools & Attachments	**2 605**	**2 926**	**2 765**	**2 503**	**10 799**	**2 505**	**2 035**	**-27%**
North America	773	848	802	637	3 060	735	575	-31%
South America	244	276	290	274	1 084	241	177	-27%
Europe	733	777	669	658	2 837	703	614	-19%
Africa/Middle East	395	549	559	501	2 004	446	302	-38%
Asia/Australia	460	476	445	433	1 814	380	367	-20%

Condensed parent company income statement

MSEK	2020 Q2	2019 Q2	2020 Q1-Q2	2019 Q1-Q2
Administrative expenses	- 69	- 52	- 103	- 114
Marketing expenses	- 4	- 4	- 8	- 9
Other operating income and expenses	46	25	47	25
Operating profit/loss	**- 27**	**- 31**	**- 64**	**- 98**
Financial income and expenses	- 4	- 2	- 8	- 5
Profit/loss before tax	**- 31**	**- 33**	**- 72**	**- 103**
Income tax	5	6	12	20
Profit/loss for the period	**- 26**	**- 27**	**- 60**	**- 83**

Condensed parent company balance sheet

MSEK	2020 Jun 30	2019 Jun 30	2019 Dec 31
Total non-current assets	54 038	51 937	52 016
Total current assets	3 762	3 138	5 106
Total assets	**57 800**	**55 075**	**57 122**
Total restricted equity	503	503	503
Total non-restricted equity	48 909	46 992	50 277
Total equity	**49 412**	**47 495**	**50 780**
Total provisions	217	217	216
Total non-current liabilities	6 034	6 040	6 029
Total current liabilities	2 137	1 323	97
Total equity and liabilities	**57 800**	**55 075**	**57 122**

Acquisitions and divestments

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

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

Transactions with related parties

In the quarter, no material changes have taken place and no significant related-party transactions, as described in Note 28 “Related parties” in Epiroc’s Annual and Sustainability Report 2019, were made.

Share buy-backs

In accordance with mandates granted by the Annual General Meeting, repurchases of shares is made in order to cover the share-based long-term incentive programs. More information can be found on Epiroc’s website.

Share information	A share	B share	Total
Total number of shares	823 765 854	389 972 849	1 213 738 703
Whereof shares held by Epiroc	9 574 560		
Divestments in the quarter, number	392 207		
Divestment value, SEK	42 726 430		

Financial definitions

Financial definitions, non-IFRS measures and calculations can be found on Epiroc’s website.

Epiroc **Q2** 2020

Epiroc in brief

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

Financial goals

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

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

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

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

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

Sustainability goals and KPIs

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

Safety and Health

- Substantially reduce work-related injuries**.**

Balanced workforce

- Double the number of women in operational roles.

Ethical: Walk the talk

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

Halve CO_2 emissions

- Halve CO_2 emissions in operations.
- 90% renewable energy in own operations.
- Halve CO_2 emissions from transport.
- Offer a full range of fossil-free products.
- Halve CO_2 emissions from equipment sold (in 2030 compared to 2019).
- Require 50% reduction of CO_2 emissions from relevant suppliers.

More information about Epiroc's sustainability work can be found on Epiroc's website.

Further information

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Financial calendar

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

Dial-in numbers for the conference call:

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

PIN: 43418369#

Upcoming investor events:

- October 23, 2020: Q3 2020
- January 26, 2021: Q4 2020