



Interim report Q2 2021

July 20, 2021



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Cover: An Epiroc employee in a control tower in Canada. Epiroc has several control towers around the world, in which Epiroc can showcase its state-of-the-art automation and information management solutions. It is also a collaboration arena for customers and partners, demonstrating the digital and connected mine.

Epiroc interim report Q2

- Orders received increased 37% to MSEK 11 070 (8 105), organic increase of 45%.
- Revenues increased 15% to MSEK 9 733 (8 458), organic increase of 22%.
- Operating profit increased 54% to MSEK 2 182 (1 418), including items affecting comparability of MSEK -15 (-165)*.
- Operating margin improved to 22.4% (16.8) and the adjusted operating margin improved to 22.6% (18.7).
- Basic earnings per share was SEK 1.40 (0.85).
- Operating cash flow was MSEK 1 229 (1 963).
- Several acquisitions with state-of-the-art technology announced.

Financial overview

MSEK	2021 Q2	2020 Q2	Δ,%	2021 Jan-Jun	2020 Jan-Jun	Δ,%
Orders received	11 070	8 105	37	21 760	17 877	22
Revenues	9 733	8 458	15	18 506	17 592	5
Operating profit	2 182	1 418	54	4 049	3 350	21
<i>Operating margin, %</i>	22.4	16.8		21.9	19.0	
Profit before tax	2 138	1 367	56	3 972	3 253	2
<i>Profit margin, %</i>	22.0	16.2		21.5	18.5	
Profit for the period	1 693	1 027	65	3 083	2 449	26
Operating cash flow	1 229	1 963	-37	2 839	3 495	-19
Basic earnings per share, SEK	1.40	0.85	65	2.55	2.03	26
Diluted earnings per share, SEK	1.40	0.83	69	2.55	2.03	26
<i>Return on capital employed, %, 12 months</i>	23.4	22.7				
Net debt/EBITDA, ratio	-0.03	-0.20				

* Information on items affecting comparability, see page 6.

CEO comments

Record orders received

Financially, the second quarter was strong with record orders received, high revenue growth and improved profitability. While we are committed to supporting our customers, the Covid-19 pandemic still impacts us all around the world. It is therefore worth repeating that our main priority is to keep employees, customers and partners safe.

In the quarter, the activity remained high and customers continued to invest, which contributed to a strong demand and an increased order intake for all businesses. The orders received increased 37% to a record high MSEK 11 070. This corresponds to 45% organic growth compared to Q2 2020; however, last year was significantly impacted by the Covid-19 pandemic. Equipment had the highest organic order growth of 76%, supported by a few large orders. The aftermarket also had a strong development, with organic growth of 26% for service and 42% for Tools & Attachments.

Sequentially, i.e. compared to the previous quarter, the orders received increased 2% organically.

We expect that the demand, both for equipment and aftermarket, will remain at a stable high level in the near term.

Increased revenues and profit

Group revenues increased 22% organically to MSEK 9 733 with strong growth for both equipment and aftermarket. We continue to experience supply-chain challenges, but the impact on revenues was limited in the quarter. The operating profit increased 54% to MSEK 2 182. The adjusted operating margin was 22.6% (18.7), supported by increased volumes. As a result of the growth, the working capital increased, and the operating cash flow was MSEK 1 229.

Battery-electric advancements

It is encouraging to see that our customers are embracing battery-electric vehicles. This technology provides CO₂ emissions-free operations, increased productivity and lower operating costs. We won several orders, including one for a greenfield project in South Africa. We also received the first orders for our diesel-to-battery retrofit solution.

Creating options for the future

We have a growth target of 8% per year over a cycle. To achieve this, we invest in innovation and in our aftermarket. In addition, we create options for the future through acquisitions. Since the start of Q2, we have announced four acquisitions, DandA Heavy Industries, Kinetic Logging Services, 3D-P and Mining Tag. These companies will strengthen our technology leadership and customer offering further, and we welcome our new colleagues to Epiroc.

Dare to think new

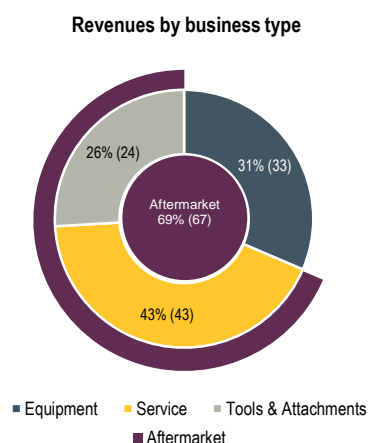
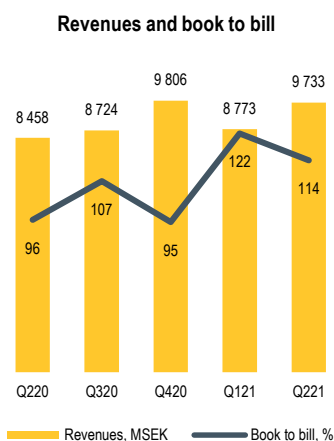
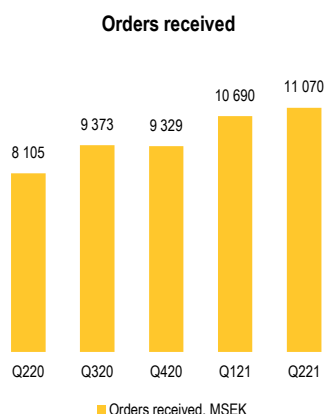
In June, we hosted a virtual leadership conference with more than 500 employees from 67 countries. We are on an exciting journey together. With innovative equipment and aftermarket solutions, we continuously grow and develop our offering to support our customers' success.

Guided by our vision, Dare to think new, we drive the productivity and sustainability transformation in our industry.



Helena Hedblom
President and CEO

Orders and revenues



Orders and revenues

MSEK	2021 Q2	2020 Q2	Δ, %
Orders received	11 070	8 105	37
Revenues	9 733	8 458	15
Operating profit	2 182	1 418	54
Operating margin, %	22.4	16.8	

Orders received

Orders received increased 37% to MSEK 11 070 (8 105), corresponding to an organic growth of 45%. Currency impacted orders with -9% while structure (acquisitions) contributed with +1%. All businesses grew, with particularly strong growth in equipment. Sequentially, orders received increased 2% organically.

Compared to the previous year, orders received in local currency increased double digits in all regions. The highest growth rates were achieved in North America and Africa/Middle East.

Mining customers represented 82% (77) of orders received in the quarter and infrastructure customers 18% (23).

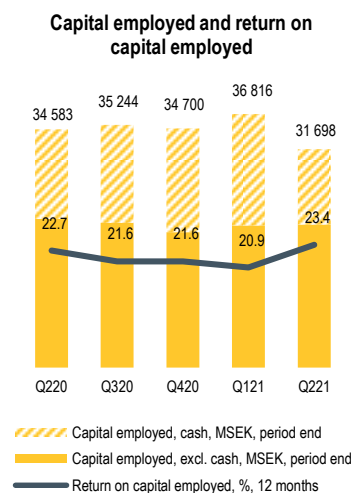
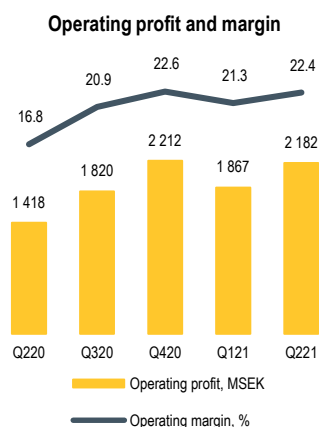
Revenues

Revenues increased 15% to MSEK 9 733 (8 458), corresponding to an organic growth of 22%. Currency impacted revenues with -8% and structure (acquisitions) with +1%. The book to bill ratio was 114% (96).

The aftermarket represented 69% (67) of revenues in the quarter.

Sales Bridge	Orders received	Revenues
	MSEK, Δ, %	MSEK, Δ, %
Q2 2020	8 105	8 458
Organic	45	22
Currency	-9	-8
Structure/other	1	1
Total	37	15
Q2 2021	11 070	9 733

Profits and returns



Profit bridge	Operating profit	
	MSEK, Δ	Margin, Δ, pp
Q2 2020	1 418	16.8
Organic	766	4.4
Currency	-139	-0.1
Structure/other*	137	1.3
Total	764	5.6
Q2 2021	2 182	22.4

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

Operating profit increased 54% to MSEK 2 182 (1 418), including items affecting comparability of MSEK -15 (-165). These items include change in provision for share-based long-term incentive programs of MSEK -15 (-91). The previous year included restructuring costs of MSEK -74. Operating profit was positively impacted by increased volumes, but negatively impacted by currency. The operating margin increased to 22.4% (16.8), supported by the organic growth. The adjusted operating margin, i.e. excluding items affecting comparability, was 22.6% (18.7).

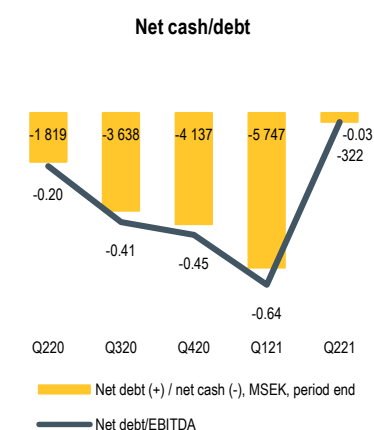
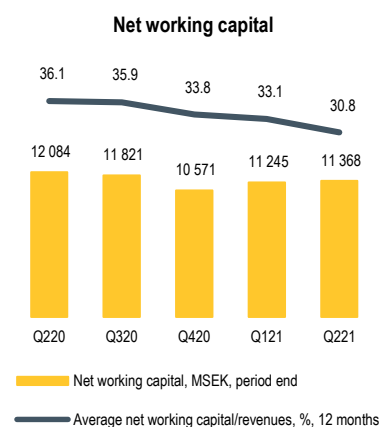
Net financial items amounted to MSEK -44 (-51) and the interest net was MSEK -19 (-19).

Profit before tax was MSEK 2 138 (1 367). Income tax expense was amounted to MSEK -445 (-340), corresponding to an effective tax rate of 20.8% (24.8). One-time effects related to previous periods lowered the tax rate in the quarter.

Profit for the period totaled MSEK 1 693 (1 027). Basic earnings per share were SEK 1.40 (0.85).

Return on capital employed, 12 months, was 23.4% (22.7), and the return on equity was 25.4% (23.4).

Balance sheet



Net working capital

Compared to the previous year, net working capital decreased 6%, of which 4% related to currency, to MSEK 11 368 (12 084). As a percentage of revenues the last 12 months, the average net working capital improved to 30.8% (36.1).

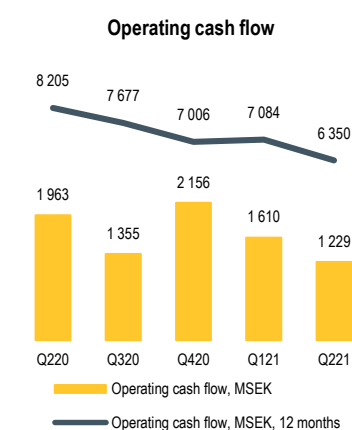
Efficiency improvements

The supply-chain improvement program for parts and consumables continues to be implemented according to plan, with some delays in positive effects due to the supply-chain challenges. Previously announced initiatives are finalized and have a positive impact on the profit level in the quarter.

Net cash / net debt

The Group's net cash position amounted to MSEK 322 (1 819). A total of MSEK 5 127 was distributed to shareholders through the first installment of the dividend and the mandatory redemption. The net debt/EBITDA ratio was -0.03 (-0.20).

Cash flow



Operating cash flow

Operating cash flow was MSEK 1 229 (1 963). It was positively impacted by higher operating profit, while the growth led to increased capital tied up in working capital. Cash flow from change in working capital was MSEK -223 (985).

Acquisitions and divestments

Net cash flow from acquisitions and divestments was MSEK -1 282 (-28).

Leading productivity and sustainability partner

Innovations, acquisitions and partnerships strengthen Epiroc's position as a leading global productivity and sustainability partner. Below are some highlights from the quarter:



Acquisitions – creating options for the future

Epiroc has agreed to acquire companies as well as completed several acquisitions since April 1, 2021. See more details on page 24.

- **Kinetic Logging Services**** provides mining-technology measurement services to build improved geological models, which increases the accuracy in surface production.
- **MineRP**** optimizes large and medium-sized mines by providing a leading software platform that integrates technical mining data.
- **Mining Tag**** provides sensor-based solutions that strengthen safety and productivity in mines.
- **3D-P**** provides wireless connectivity solutions for companies within surface mining for successful implementation of autonomous solutions.
- **Meglab**** offers cost-effective electrification and tele communications infrastructure solutions required for mine electrification.
- **DandA Heavy Industries*** manufactures and sells hydraulic breakers and extends Epiroc's offering.

* Agreed to acquire, not completed.

** Completed acquisition.



Partnership – NEXGEN SIMS

Epiroc is coordinating a new EU-funded collaboration project with several mining companies, equipment and system manufacturers and universities. A key aspect of the NEXGEN SIMS project is to develop autonomous carbon-neutral mining processes. This includes the use of battery-electric equipment, 5G connectivity for positioning and autonomous mode as well as AI-powered traffic and fleet control.



Innovation – Dynamic Tunneling Package

With the Dynamic Tunneling Package software, the drill rig can set its own drilling plans directly at the face of the tunnel. By digitally matching the contours of the tunnel/site to a set drilling plan, the drill rig creates specific tailored made drilling plans for each and every section.

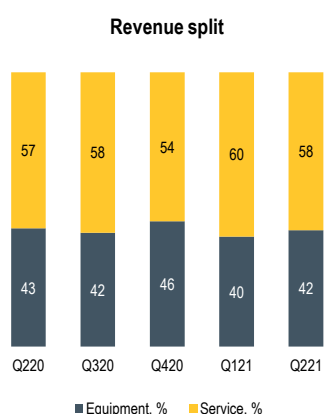
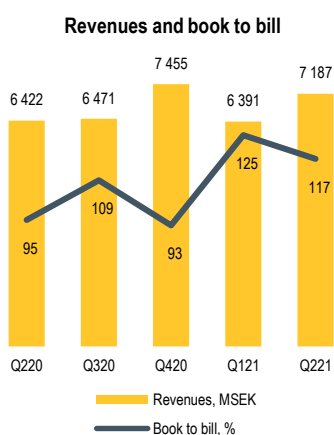
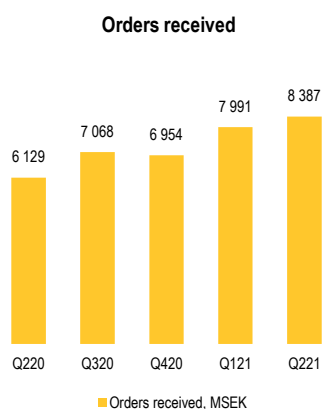


Innovation – Essential Line

Essential Line is a new range of working tools for hydraulic breakers that are suitable for most of the everyday jobs. In the EU, the range is sold via drop shipment, which means lower transport costs and emissions and less packaging material.

Equipment & Service

Equipment & Service 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 and revenues

MSEK	2021	2020	Δ,%
	Q2	Q2	
Orders received	8 387	6 129	37
Revenues	7 187	6 422	12
Operating profit	1 880	1 441	30
Operating margin, %	26.2	22.4	

Orders received

Orders received for Equipment & Service increased by 37% to MSEK 8 387 (6 129), corresponding to an organic growth of 46%. Currency impacted negatively with -10%, while structure (acquisitions) contributed with +1%. The growth was particularly strong for equipment. Sequentially, orders received increased 4% organically.

For equipment, orders received increased 67% to MSEK 4 031 (2 410), corresponding to an organic growth of 76%. A strong underlying demand as well as a few large orders contributed to the high growth. The order intake increased both for underground and surface equipment. The share of orders from equipment was 48% (39) in the segment.

For service, orders received increased 17% to MSEK 4 356 (3 719), corresponding to 26% organic growth. The growth was supported by a combination of a high customer activity and a strong service offering. The share of orders from service was 52% (61) in the segment.

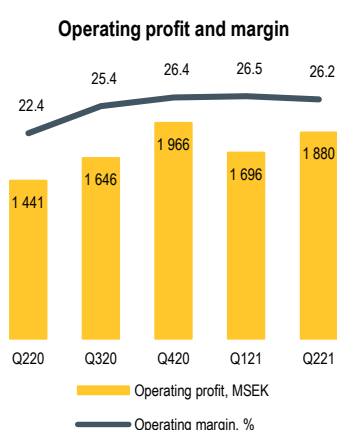
For Equipment & Service, compared to the previous year, the orders received, in local currency, increased double digit in all regions. The highest growth rates were achieved in North America and Africa/Middle East.

Revenues

Revenues increased 12% to MSEK 7 187 (6 422), corresponding to an organic growth of 19%. Currency impacted with -8%, and structure (acquisitions) with +1%. For service and equipment, the revenues increased 21% and 17% organically, respectively. The share of revenues from service was 58% (57). The book to bill ratio was 117% (95).

Equipment & Service

Sales Bridge	Equipment & Service		Equipment		Service	
	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%	MSEK,Δ,%
Q2 2020	6 129	6 422	2 410	2 768	3 719	3 654
Organic	46	19	76	17	26	21
Currency	-10	-8	-12	-8	-9	-8
Structure/other	1	1	3	1	0	0
Total	37	12	67	10	17	13
Q2 2021	8 387	7 187	4 031	3 052	4 356	4 135



Operating profit and margin

Operating profit increased 30% to MSEK 1 880 (1 441). The previous year included restructuring costs of MSEK -17. The operating profit was positively impacted by increased volumes, while currency had a negative impact. The operating margin improved to 26.2% (22.4). The adjusted operating margin increased to 26.2% (22.7), supported by increased volumes, but diluted by acquisitions.

Profit bridge

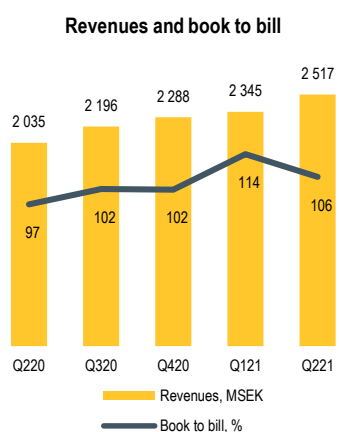
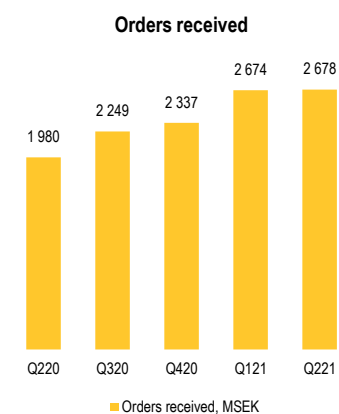
	Operating profit	
	MSEK,Δ	Margin,Δ,pp
Q2 2020	1 441	22.4
Organic	555	3.9
Currency	-125	-0.1
Structure/other	9	0.0
Total	439	3.8
Q2 2021	1 880	26.2

Acquisitions

MineRP, Kinetic Logging Services and 3D-P were acquired in the quarter. See more details on page 8 and 24.

Tools & Attachments

Tools & Attachments 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 and revenues

MSEK	2021	2020	Δ, %
	Q2	Q2	
Orders received	2 678	1 980	35
Revenues	2 517	2 035	24
Operating profit	416	143	191
Operating margin, %	16.5	7.0	

Orders received

Orders received for Tools & Attachments increased 35% to MSEK 2 678 (1 980), corresponding to an organic increase of 42%. Currency impacted the orders received with -7%. Orders received increased both for hydraulic attachments and for consumables, with the highest growth rate achieved for exploration drilling tools. Sequentially, orders received declined 1% organically.

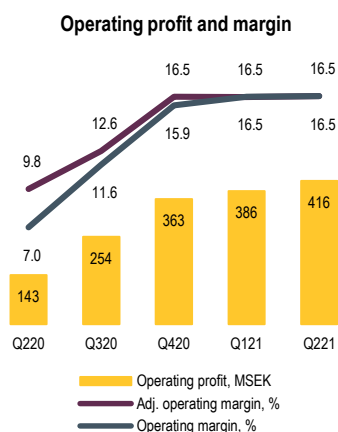
Compared to the previous year, orders received in local currency increased more than 30% in all regions.

Revenues

Revenues increased 24% to MSEK 2 517 (2 035), corresponding to an organic increase of 31%. Currency impacted the revenues with -7%. The book to bill ratio was 106% (97).

Sales Bridge	Orders received	Revenues
	MSEK, Δ, %	MSEK, Δ, %
Q2 2020	1 980	2 035
Organic	42	31
Currency	-7	-7
Structure/other	-	-
Total	35	24
Q2 2021	2 678	2 517

Tools & Attachments

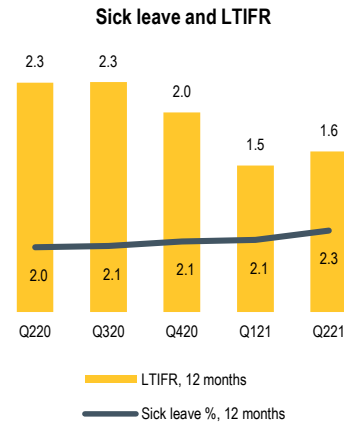


Operating profit and margin

Operating profit increased 191% to MSEK 416 (143), supported by increased volumes and cost savings. Currency, however, had a negative impact. The profit in the previous year was negatively impacted by a large decline in revenues, underabsorption due to temporarily closed manufacturing facilities, and by restructuring costs of MSEK -57. The operating margin improved to 16.5% (7.0), supported by strong volume growth. The adjusted operating margin was 16.5% (9.8).

Profit bridge	Operating profit	
	MSEK,Δ	Margin,Δ,pp
Q2 2020	143	7.0
Organic	249	8.0
Currency	-18	-0.2
Structure/other	42	1.7
Total	273	9.5
Q2 2021	416	16.5

Sustainability: People & Planet



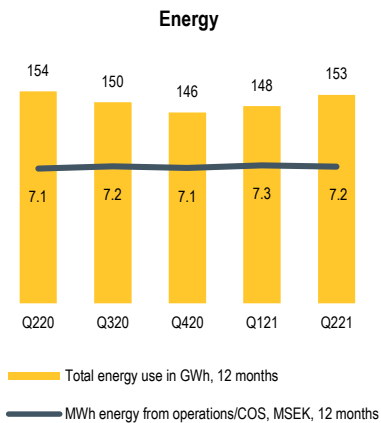
Employees

The number of employees increased to 14 569 (13 967), mainly due to acquisitions. External workforce amounted to 1 354 (1 145). For comparable units, the total workforce increased with 382 compared to the previous year, mainly related to service & supply chain.

The proportion of women employees and women managers at the end of the period increased to 16.2% (15.5) and 20.6% (20.4), respectively.

Safety and health

The number of work-related lost-time injuries per million working hours (LTIFR) the last 12 months decreased to 1.6 (2.3). A continued focus on safety and several preventive measures contributed to the reduction. Sick leave was 2.3 (2.0), negatively impacted by the Covid-19 pandemic.

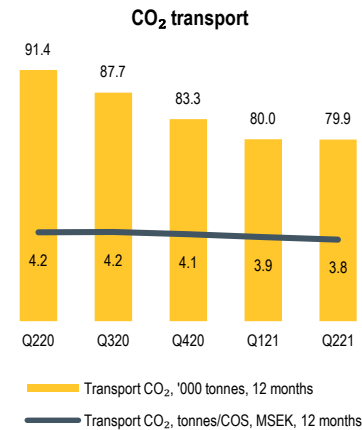


Energy

The MWh energy from operations decreased 1% to 152 516 (153 810). Several initiatives to increase energy efficiency supported the improvement. The sequential increase is explained by a higher production activity. MWh energy from operations in relation to cost of sales (COS) was 7.2 (7.1).

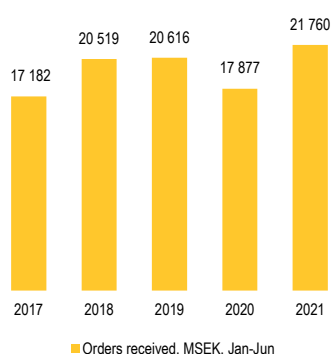
CO₂ emissions from transport

The CO₂ emissions from transport the last 12 months decreased 13% to 79 944 (91 425) tonnes. The reduction was achieved mainly due to a higher share of shipments by sea instead of air. CO₂ from transport in relation to COS, decreased to 3.8 (4.2).



January – June in summary

Orders received, Jan-Jun



The orders received the first six months increased 22% to MSEK 21 760 (17 877), corresponding to an organic growth of 32%. Revenues increased 14% organically to MSEK 18 506 (17 592).

Sales Bridge	Orders received	Revenues
	MSEK,Δ,%	MSEK,Δ,%
Jan-Jun 2020	17 877	17 592
Organic	32	14
Currency	-11	-9
Structure/other	1	0
Total	22	5
Jan-Jun 2021	21 760	18 506

Revenues and book to bill, Jan-Jun

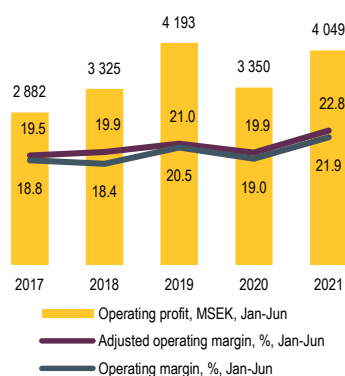


Operating profit increased to MSEK 4 049 (3 350), including items affecting comparability of MSEK -164 (-144). These items include change in provision for share-based long-term incentive programs of MSEK -164 (-26). The previous year included restructuring costs of MSEK -118. The operating profit was supported by higher volumes and cost savings, while currency impacted negatively.

The operating margin was 21.9% (19.0). The adjusted operating margin was 22.8% (19.9).

Profit bridge	Operating profit	
	MSEK,Δ	Margin,Δ,pp
Jan-Jun 2020	3 350	19.0
Organic	1 073	3.3
Currency	-331	-0.1
Structure/other	-43	-0.3
Total	699	2.9
Jan-Jun 2021	4 049	21.9

Operating profit and margin, Jan-Jun



Profit before tax was MSEK 3 972 (3 253). Profit for the period totaled MSEK 3 083 (2 449).

Basic earnings per share were SEK 2.55 (2.03).

Operating cash flow was MSEK 2 839 (3 495).

Key risks

Epiroc is exposed to strategic, operational, legal and compliance as well as financial risks. The key risks include market, competition, product development, supply chain, employee, environment and climate, reputation, corruption and fraud, safety and health. Further information on risks, opportunities and risk management can be found in Epiroc's Annual and Sustainability Report 2020.

Signature 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 describe significant risks and uncertainties that the parent company and its subsidiaries are facing.

Nacka, July 20, 2021

Ronnie Leten
Chair of Board

Helena Hedblom
Board member
President and CEO

Johan Forssell
Board member

Anders Ullberg
Board member

Ulla Litzén
Board member

Lennart Evrell
Board member

Jeane Hull
Board member

Astrid Skarheim Onsum
Board member

Sigurd Mareels
Board member

Kristina Kanestad
Employee representative

Daniel Rundgren
Employee representative

Auditor's report

Introduction: We have reviewed the interim report for Epiroc AB for the period January 1 – June 30, 2021. 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 20, 2021

Deloitte AB, Thomas Strömberg, Authorized Public Accountant

Financial Statements
Condensed consolidated income statement

MSEK	2021 Q2	2020 Q2	2021 Jan-Jun	2020 Jan-Jun
Revenues	9 733	8 458	18 506	17 592
Cost of sales	-5 898	-5 309	-11 331	-10 880
Gross profit	3 835	3 149	7 175	6 712
Administrative expenses	-732	-795	-1 551	-1 462
Marketing expenses	-570	-543	-1 098	-1 207
Research and development expenses	-283	-287	-512	-558
Other operating income and expenses	-68	-106	35	-135
Operating profit	2 182	1 418	4 049	3 350
Net financial items	-44	-51	-77	-97
Profit before tax	2 138	1 367	3 972	3 253
Income tax expense	-445	-340	-889	-804
Profit for the period	1 693	1 027	3 083	2 449
Profit attributable to				
- owners of the parent	1 691	1 026	3 078	2 446
- non-controlling interests	2	1	5	3
Basic earnings per share, SEK	1.40	0.85	2.55	2.03
Diluted earnings per share, SEK	1.40	0.83	2.55	2.03

Condensed consolidated statement of comprehensive income

MSEK	2021 Q2	2020 Q2	2021 Jan-Jun	2020 Jan-Jun
Profit for the period	1 693	1 027	3 083	2 449
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans	-43	-107	235	-30
Income tax relating to items that will not be reclassified	10	22	-48	5
Total items that will not be reclassified to profit or loss	-33	-85	187	-25
Items that may be reclassified subsequently to profit or loss				
Translation differences on foreign operations	-258	-833	553	-511
- realized and reclassified to profit and loss	-	-33	-	-33
Cash flow hedges	-	-	0	0
Income tax relating to items that may be reclassified	-	-	-	0
Total items that may be reclassified subsequently to profit or loss	-258	-866	553	-544
Other comprehensive income for the period, net of tax	-291	-951	740	-569
Total comprehensive income for the period	1 402	76	3 823	1 880
Total comprehensive income attributable to				
- owners of the parent	1 402	79	3 817	1 879
- non-controlling interests	0	-3	6	1

Condensed consolidated balance sheet

	2021	2020	2020
	Jun 30	Jun 30	Dec 31
Assets, MSEK			
Intangible assets	5 963	4 206	4 111
Rental equipment	1 103	1 165	999
Other property, plant and equipment	4 452	4 364	4 150
Investments in associated companies and joint ventures	181	202	188
Other financial assets and other receivables	809	865	751
Deferred tax assets	1 443	1 367	1 374
Total non-current assets	13 951	12 169	11 573
Inventories	10 271	10 531	8 930
Trade receivables	6 669	6 139	6 045
Other receivables	1 681	1 498	1 414
Current tax receivables	242	190	189
Financial assets	772	792	682
Cash and cash equivalents	10 931	13 005	15 053
Total current assets	30 566	32 155	32 313
Total assets	44 517	44 324	43 886
Equity and liabilities, MSEK			
Share capital	500	500	500
Retained earnings	20 477	22 831	23 193
Total equity attributable to owners of the parent	20 977	23 331	23 693
Non-controlling interest	51	52	46
Total equity	21 028	23 383	23 739
Interest-bearing liabilities	8 527	7 686	9 491
Post-employment benefits	612	656	806
Other liabilities and provisions	680	396	377
Deferred tax liabilities	729	662	606
Total non-current liabilities	10 548	9 400	11 280
Interest-bearing liabilities	1 530	2 856	664
Trade payables	4 796	3 764	3 605
Current tax liabilities	434	521	391
Other liabilities and provisions	6 181	4 400	4 207
Total current liabilities	12 941	11 541	8 867
Total equity and liabilities	44 517	44 324	43 886

Condensed consolidated statement of changes in equity

	Equity attributable to		
	owners of the parent	non-controlling interests	Total equity
Opening balance, Jan 1, 2021	23 693	46	23 739
Total comprehensive income for the period	3 817	6	3 823
Dividend/Redemption	-6 635	-1	-6 636
Acquisition and divestment of own shares	125	-	125
Share-based payments, equity settled	-23	-	-23
Closing balance, Jun 30, 2021	20 977	51	21 028
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, Jun 30, 2020	23 331	52	23 383
Opening balance, Jan 1, 2020	22 761	52	22 813
Total comprehensive income for the period	3 447	3	3 450
Dividend	-2 892	-9	-2 901
Acquisition and divestment of own shares	370	-	370
Share-based payments, equity settled	7	-	7
Closing balance, Dec 31, 2020	23 693	46	23 739

Condensed consolidated statement of cash flows

MSEK	2021 Q2	2020 Q2	2021 Jan-Jun	2020 Jan-Jun
Cash flow from operating activities				
Operating profit	2 182	1 418	4 049	3 350
Depreciation, amortization and impairment	411	441	793	881
Capital gain/loss and other non-cash items	1	49	7	159
Net financial items received/paid	-172	-32	63	231
Taxes paid	-581	-344	-1 052	-729
Pension funding and payment of pension to employees	-11	-25	-21	-26
Change in working capital	-223	985	-379	466
Increase in rental equipment	-255	-194	-368	-314
Sale of rental equipment	70	85	153	146
Net cash flow from operating activities	1 422	2 383	3 245	4 164
Cash flow from investing activities				
Investments in other property, plant and equipment	-100	-107	-241	-227
Sale of other property, plant and equipment	-2	1	-3	21
Investments in intangible assets	-99	-125	-211	-245
Sale of intangible assets	-	-4	-	-4
Acquisition of subsidiaries and associated companies	-1 284	-15	-1 284	-30
Sale of subsidiaries	2	-13	2	-13
Proceeds to/from other financial assets, net	-3	144	-82	179
Net cash flow from investing activities	-1 486	-119	-1 819	-319
Cash flow from financing activities				
Dividend	-1 508	-1 445	-1 508	-1 445
Dividend to non-controlling interest	-1	0	-1	-1
Redemption of shares	-3 619	-	-3 619	-
Sale/Repurchase of own shares	79	43	123	139
Change in interest-bearing liabilities	-136	2 031	-593	2 032
Net cash flow from financing activities	-5 185	629	-5 598	725
Net cash flow for the period	-5 249	2 893	-4 172	4 570
Cash and cash equivalents, beginning of the period	16 191	10 225	15 053	8 540
Exchange differences in cash and cash equivalents	-11	-113	50	-105
Cash and cash equivalents, end of the period	10 931	13 005	10 931	13 005
	2021 Q2	2020 Q2	2021 Jan-Jun	2020 Jan-Jun
Operating cash flow*				
Net cash flow from operating activities	1 422	2 383	3 245	4 164
Net cash flow from investing activities	-1 486	-119	-1 819	-319
Acquisitions and divestments, net	1 282	28	1 282	43
Other adjustments	11	-329	131	-393
Operating cash flow	1 229	1 963	2 839	3 495

* Operating cash flow is not defined according to IFRS. See page 26.

Condensed parent company income statement

MSEK	2021 Q2	2020 Q2	2021 Jan-Jun	2020 Jan-Jun
Administrative expenses	-59	-69	-129	-103
Marketing expenses	-9	-4	-14	-8
Other operating income and expenses	3	46	20	47
Operating profit/loss	-65	-27	-123	-64
Financial income and expenses	-4	-4	-8	-8
Appropriations	-	-	-	-
Profit/loss before tax	-69	-31	-131	-72
Income tax	42	5	57	12
Profit/loss for the period	-27	-26	-74	-60

Condensed parent company balance sheet

MSEK	2021 Jun 30	2020 Jun 30	2020 Dec 31
Total non-current assets	54 225	54 038	54 061
Total current assets	431	3 762	5 239
Total assets	54 656	57 800	59 300
Total restricted equity	503	503	503
Total non-restricted equity	43 789	48 909	50 397
Total equity	44 292	49 412	50 900
Total provisions	300	217	201
Total non-current liabilities	6 986	6 034	7 987
Total current liabilities	3 078	2 137	212
Total equity and liabilities	54 656	57 800	59 300

Condensed segments quarterly

Epiroc has two reporting segments; Equipment & Service and Tools & Attachments. In addition, Epiroc reports common group functions, including Financial Solutions, Group management, support functions and eliminations.

	2020				2020	2021	
Orders received, MSEK	Q1	Q2	Q3	Q4	FY	Q1	Q2
Equipment & Service	7 101	6 129	7 068	6 954	27 252	7 991	8 387
Equipment	2 850	2 410	3 099	2 967	11 326	4 028	4 031
Service	4 251	3 719	3 969	3 987	15 926	3 963	4 356
Tools & Attachments	2 619	1 980	2 249	2 337	9 185	2 674	2 678
Common group functions	52	-4	56	38	142	25	5
Epiroc Group	9 772	8 105	9 373	9 329	36 579	10 690	11 070
Revenues, MSEK							
Equipment & Service	6 579	6 422	6 471	7 455	26 927	6 391	7 187
Equipment	2 519	2 768	2 688	3 407	11 382	2 562	3 052
Service	4 060	3 654	3 783	4 048	15 545	3 829	4 135
Tools & Attachments	2 505	2 035	2 196	2 288	9 024	2 345	2 517
Common group functions	50	1	57	63	171	37	29
Epiroc Group	9 134	8 458	8 724	9 806	36 122	8 773	9 733
Operating profit and profit before tax, MSEK							
Equipment & Service*	1 586	1 441	1 646	1 966	6 639	1 696	1 880
Tools & Attachments	337	143	254	363	1 097	386	416
Common group functions	9	-166	-80	-117	-354	-215	-114
Epiroc Group	1 932	1 418	1 820	2 212	7 382	1 867	2 182
Net financial items	-46	-51	-76	-122	-295	-33	-44
Profit before tax	1 886	1 367	1 744	2 090	7 087	1 834	2 138
Operating margin, %							
Equipment & Service	24.1	22.4	25.4	26.4	24.7	26.5	26.2
Tools & Attachments	13.5	7.0	11.6	15.9	12.2	16.5	16.5
Epiroc Group	21.2	16.8	20.9	22.6	20.4	21.3	22.4
Items affecting comparability, MSEK							
Change in provision for LTI-program**	-65	91	21	52	99	149	15
Costs in Equipment & Service	34	17	33	0	84	-	-
Costs in Tools & Attachments	10	57	22	15	104	-	-
Epiroc Group	-21	165	76	67	287	149	15
Adj. margin for items affecting comparability, %							
Adjusted operating margin, E&S, %	24.6	22.7	25.9	26.4	25.0	26.5	26.2
Adjusted operating margin, T&A, %	13.9	9.8	12.6	16.5	13.3	16.5	16.5
Adjusted operating margin, %	20.9	18.7	21.7	23.2	21.2	23.0	22.6

* 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.

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

Geographical distribution of orders received

MSEK % currency adjusted	2020				2020	2021	Δ, Y-o-Y	
	Q1	Q2	Q3	Q4	FY	Q1		Q2
Epiroc Group	9 772	8 105	9 373	9 329	36 579	10 690	11 070	46%
North America	2 168	1 654	2 002	1 869	7 693	2 226	2 542	65%
South America	1 284	1 175	1 157	1 264	4 880	1 177	1 420	32%
Europe	2 381	1 891	2 092	2 210	8 574	2 623	2 612	51%
Africa/Middle East	1 409	943	1 411	1 295	5 058	1 629	1 495	64%
Asia/Australia	2 530	2 442	2 711	2 691	10 374	3 035	3 001	29%
Equipment & Service	7 101	6 129	7 068	6 954	27 252	7 991	8 387	47%
North America	1 427	1 108	1 355	1 290	5 180	1 489	1 805	75%
South America	1 011	982	960	1 052	4 005	911	1 165	29%
Europe	1 623	1 320	1 461	1 467	5 871	1 824	1 819	51%
Africa/Middle East	934	641	955	880	3 410	1 190	1 050	73%
Asia/Australia	2 106	2 078	2 337	2 265	8 786	2 577	2 548	29%
Tools & Attachments	2 619	1 980	2 249	2 337	9 185	2 674	2 678	43%
North America	714	524	616	597	2 451	726	716	47%
South America	273	193	197	211	874	267	256	47%
Europe	745	600	618	733	2 696	787	813	46%
Africa/Middle East	475	302	457	414	1 648	440	445	46%
Asia/Australia	412	361	361	382	1 516	454	448	31%

Geographical distribution of revenues

MSEK % currency adjusted	2020				2020	2021	Δ, Y-o-Y	
	Q1	Q2	Q3	Q4	FY	Q1		Q2
Epiroc Group	9 134	8 458	8 724	9 806	36 122	8 773	9 733	23%
North America	2 099	1 841	1 962	1 829	7 731	1 915	2 158	26%
South America	1 116	1 251	994	1 275	4 636	1 156	1 378	19%
Europe	2 132	1 959	2 096	2 491	8 678	1 992	2 172	21%
Africa/Middle East	1 369	1 063	1 283	1 305	5 020	1 208	1 405	40%
Asia/Australia	2 418	2 344	2 389	2 906	10 057	2 502	2 620	18%
Equipment & Service	6 579	6 422	6 471	7 455	26 927	6 391	7 187	20%
North America	1 332	1 261	1 343	1 244	5 180	1 233	1 453	24%
South America	875	1 073	789	1 061	3 798	930	1 130	14%
Europe	1 427	1 362	1 472	1 813	6 074	1 308	1 456	17%
Africa/Middle East	923	761	868	875	3 427	825	941	35%
Asia/Australia	2 022	1 965	1 999	2 462	8 448	2 095	2 207	18%
Tools & Attachments	2 505	2 035	2 196	2 288	9 025	2 345	2 517	32%
North America	735	575	588	577	2 475	659	693	30%
South America	241	177	205	214	838	227	248	56%
Europe	703	614	611	666	2 594	672	705	24%
Africa/Middle East	446	302	415	431	1 594	384	465	55%
Asia/Australia	380	367	377	400	1 524	403	406	18%

Group notes

Note 1: Accounting principles

The consolidated financial statements of the Epiroc Group are prepared in accordance with International Financial Reporting Standards (IFRS). 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 2020, in note 1 Significant accounting principles. No new and revised standards and interpretations effective from January 1, 2021, are considered to have any material impact on the financial statements.

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 2020, note A1 in the Parent Company accounts. No new and revised standards and interpretations effective from January 1, 2021, are considered to have any material impact on the Parent Company's financial statements.

Note 2: Acquisitions and divestments

Date	Completed acquisitions	Divestments	Segment	Revenues*	Employees
2021 Jul 7	Mining Tag S.A.		E&S	65	120
2021 Jul 2	Meglab		E&S	335	240
2021 Jun 7	3D-P		E&S	110	50
2021 Jun 1	Kinetic Logging Services		E&S	195	180
2021 May 4	MineRP		E&S	135	200
2021 Apr 6		Epiroc Armenia LLC			-20
2020 Aug 26	ItalParts		E&S		2

* Annual revenues. For distributors, revenues are not disclosed.

Acquisitions completed in 2021

- **Mining Tag S.A.** provides sensor-based solutions that strengthen safety and productivity in mines. The company has approximately MSEK 65 in revenues and 120 employees. The acquisition was announced and completed on July 7. The acquisition will be reported in "Service".
- **Meglab** offers cost-effective electrification and telecommunications infrastructure solutions required for mine electrification. The company has approximately MSEK 335 in revenues and 240 employees. The acquisition was announced on March 31 and completed on July 2. The acquisition will be reported in "Service".
- **3D-P** provides wireless connectivity solutions for companies within surface mining for successful implementation of autonomous solutions. The company has approximately MSEK 110 in revenues and 50 employees. The acquisition was announced and completed on June 7. The acquisition is reported in "Equipment".
- **Kinetic Logging Services** provides mining-technology measurement services to build improved geological models, which increases the accuracy in surface production. The company has approximately MSEK 195 in revenues and 180 employees. The acquisition was announced on May 28 and completed on June 1. The acquisition is reported in "Equipment".
- **MineRP** optimizes large and medium-sized mines by providing a leading software platform solution that integrates all technical mining data. The company has approximately MSEK 135 in revenues and 200 employees. The acquisition was announced on December 22, 2020 and completed on May 4, 2021. The acquisition is reported in "Equipment".

Announced, but not yet completed acquisitions

- **DandA Heavy Industries** manufactures and sells hydraulic breakers and extends Epiroc's offering. The company has approximately MSEK 210 in revenues and 60 employees. The acquisition was announced on April 27. The acquisition is expected to be completed in the second half of 2021 and will be reported in Tools & Attachments.

Financial effect of acquisitions as per June 30, 2021

As per June 30, the acquisitions of MineRP, Kinetic Logging Services and 3D-P have had a total cash flow effect of MSEK -1 284. According to the preliminary purchase price allocation, intangible assets amount to MSEK 643 and goodwill amounts to MSEK 1 099. MineRP, Kinetic Logging Services and 3D-P have contributed to revenues with MSEK 39 and operating profit with MSEK -7 since their respective dates of acquisition.

Fair value of acquired assets and liabilities 2021, MSEK

Net assets identified	-204
Intangible assets	643
Goodwill	1 099
Total consideration	1 538
Net cash outflow	1 284

Note 3: 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 2020, 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		2021	2020	
MSEK		Jun 30	Dec 31	
Non-current assets and liabilities				
Assets		-	-	
Liabilities		-	-	
Current assets and liabilities				
Assets		15	167	
Liabilities		52	56	
Carrying value and fair value				
MSEK	2021	2021	2020	2020
	Jun 30	Jun 30	Dec 31	Dec 31
	Carrying value	Fair value	Carrying value	Fair value
Bonds	3 990	4 136	3 989	4 163
Other loans	6 067	6 133	6 166	6 269
Total interest-bearing loans	10 057	10 269	10 155	10 432

Note 4: Share-buy backs and divestments

The Board of Directors has been authorized to purchase, transfer and sell Epiroc shares in relation to Epiroc's share-based long-term incentive programs.

MSEK	A share	B share	Total
Total number of shares	823 765 854	389 972 849	1 213 738 703
<i>Whereof shares held by Epiroc</i>	<i>7 146 621</i>		
Divestments in the quarter, number	424 265		
Divestment value, SEK	79 832 456		

Note 5: Transactions with related parties

In the quarter, no material changes have taken place and no significant related-party transactions were made.

Key figures

	2021 Q2	2020 Q2	2021 Jan-Jun	2020 Jan-Jun
Growth				
*Orders received, MSEK	11 070	8 105	21 760	17 877
Revenues, MSEK	9 733	8 458	18 506	17 592
*Total revenue growth, %	15	-20	5	-14
*Organic revenue growth, %	22	-15	14	-11
Profitability				
*Gross margin, %	39.4	37.2	38.8	38.2
*EBITDA margin, %	26.7	22.0	26.2	24.1
*Adjusted operating margin, %	22.6	18.7	22.8	19.9
*Operating margin, %	22.4	16.8	21.9	19.0
*Profit margin, %	22.0	16.2	21.5	18.5
Capital efficiency				
*Return on capital employed, %	23.4	22.7		
*Net debt / EBITDA, ratio	-0.03	-0.20		
*Net debt / equity ratio, period end	-1.5	-7.8		
*Average net working capital / revenues, %	30.8	36.1		
Cash generation				
*Operating cash flow, MSEK	1 229	1 963	2 839	3 495
*Cash conversion rate, %, 12 months	105	155		
Equity information				
Basic number of shares outstanding, millions	1 206	1 204	1 206	1 204
Diluted number of shares outstanding, millions	1 208	1 205	1 208	1 204
*Equity per share, SEK, period end	17.4	19.4		
Earnings per share, SEK	1.40	0.85	2.55	2.03
*Return on equity, %	25.4	23.4	25.4	23.4
*Operating cash flow per share, SEK	1.02	1.63	2.35	2.91
People & Planet				
Employees, period end	14 569	13 967		
Lost-time injury frequency rate, LTIFR, 12 months	1.6	2.3		
Women employees, %, period end	16.2	15.5		
MWh energy from operations/COS, MSEK, 12 months	7.2	7.1		
Transport CO ₂ , tonnes/COS, MSEK, 12 months	3.8	4.2		

Several key figures in this report are not defined according to IFRS. The alternative performance measures are marked with a *. They provide complementary information aiming to help readers to analyze the company's operations and facilitate an evaluation of the performance. Since not all companies calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS. For a full list of financial definitions, non-IFRS measures and calculations, visit the Epiroc Group website.

Epiroc in brief

Epiroc is a vital part of a sustainable society and a global productivity partner for mining and infrastructure customers. With ground-breaking technology, Epiroc develops and provides innovative and safe equipment, such as drill rigs, rock excavation and construction equipment and tools for surface and underground applications. The company also offers world-class service and other aftermarket support as well as solutions for automation, digitalization and electrification. Epiroc is based in Stockholm, Sweden, had revenues of SEK 36 billion in 2020, and has 14 000 passionate employees supporting and collaborating with customers in about 150 countries.

Financial goals

- 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.
- To have an industry-best operating margin, with strong resilience over the cycle.
- To improve capital efficiency and resilience. Investments and acquisitions shall create value.
- To have an efficient capital structure and the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating.
- To provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50% of net profit over the cycle.

Sustainability ambition and KPIs

Epiroc has four prioritized areas within sustainability:

- We live by the highest ethical standards.
- We invest in safety and health.
- We grow together with passionate people and courageous leaders.
- We use resources responsibly and efficiently.

For each area there are several targets and key performance indicators, including the long-term goals for 2030 that further advance the Group's ambitions on e.g. climate change and diversity.

Our vision

Dare to think new.

Our mission

Drive the productivity and sustainability transformation in our industry.

Our core values

Innovation, Commitment and Collaboration.

Strategy

By being in attractive niches and prioritizing innovation, aftermarket and operational excellence, we strive to achieve outperformance. Our success is reinforced by our strong company culture and our integrated approach to sustainability.

Our strengths (Investment case)

- We are a leading productivity and sustainability partner in attractive niches.
- We have a high proportion of recurring business.
- We drive the future in intelligent mining and infrastructure.
- We have a strong and proven operating model.
- We create value for our stakeholders.

See Epiroc's Annual and Sustainability report for more information.

About this report

Forward-looking statements

Some statements in this report are forward looking, and the actual outcomes could be materially different. In addition to the factors explicitly discussed, other factors could have a material effect on the actual outcomes.

Language

In the event of inconsistency or discrepancy between the English and the Swedish version of this publication, the Swedish version shall prevail.

Totals and roundings

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is that each line item should correspond to its source, and rounding differences may therefore arise.

This information is information that Epiroc AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons on page 28, at 11:30 CEST on July 20, 2021.

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Financial calendar

Webcast & conference call:

At 13.00 CEST on July 20, 2021, 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 5664 2693
- United Kingdom: +44 333 300 9034
- United States: +1 646 722 4956

Upcoming investor events:

- October 21, 2021: Q3 2021 report
- December 1, 2021: Capital Markets Day

United in performance. Inspired by innovation.

Performance unites us, innovation inspires us, and commitment drives us to keep moving forward. Count on Epiroc to deliver the solutions you need to succeed today and the technology to lead tomorrow.

epiroc.com

