Annual and Sustainability Report 2021

Epiroc

We are a vital part of a sustainable society

Our customers are mainly found within mining and infrastructure and these industries serve an important purpose. They have been building communities for centuries and access to metals and minerals is a prerequisite to build a sustainable society. Our role is to ensure that our customers can work in the safest, most environmentally friendly, and efficient way possible.

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. We also offer world-class service and other aftermarket support as well as solutions for automation, digitalization and electrification.

Content

Reviewed Sustainability report

Annual Report

On the picture: The Tesalia Tunnel in Colombia was made with the help of two Epiroc Boomer E2C jumbo drilling rigs. At a length of 3 493 meters, it is the longest vehicle tunnel on the famous Coffee Axis, which since 2011 has world heritage status.

The audited annual accounts and consolidated accounts can be found on pages 52–61 and 74–133. The corporate governance report examined by the auditors can be found on pages 64-73. Epiroc reports its sustainability work for 2021 according to the Global Reporting Initiative (GRI) Standards version 2020, "Core" option. The sustainability report has been prepared in accordance with disclosure requirements set out in the Swedish Annual Accounts Act, chapter 6, paragraph 11. The sustainability information that has been reviewed by the auditors can be found on pages 34–49 and 138–149. The assurance report issued by the auditors can be found on page 149 and a detailed GRI and other sustainability reporting standards index can be found at www.epirocgroup.com.

Highlights 2021

2021 was a record year for Epiroc. High customer activity in combination with increased investment willingness led to record-high orders received.

Revenues increased and operating profit and margin were record high, despite challenges with the Covid-19 pandemic and in the supply chain. Several acquisitions were completed, ground-breaking innovations were launched, and Epiroc made good progress in the sustainability area.

Boomer M20

The Boomer M20 is the world's first face-drilling rig with protected hydraulics, electronics and sensors. The rig offers advanced technology and productivity-enhancing functions – and of course it is available in a battery-electric version as well.

A successful year

Orders received
MSEK 45 648
+25%

Revenues
MSEK 39 645
+10%

Operating margin
22.7%
up from 20.4% previous year

Return on capital employed
26.1%
up from 21.7% previous year

Total shareholder return
57.3%
(A share)

Dividend
SEK 3.00 per share
proposed by the Board

Safety
Several initiatives to improve safety

Climate impact
Science Based Targets validated

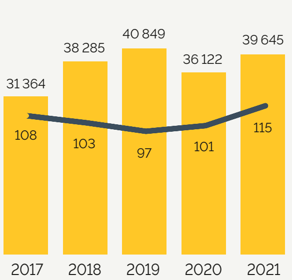
Acquisitions
Eight acquisitions
MSEK 1 137 in annual revenues

In short

	2021	2020	Δ,%	Financial goals	Average 2015-2021[2]
Orders received, MSEK	45 648	36 579	25		
Revenues, MSEK	39 645	36 122	10	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.	Annual revenue growth of 6%
Operating profit, MSEK	8 995	7 382	22		
Operating margin, %	22.7	20.4		To have an industry-best operating margin, with strong resilience over the cycle.	19.4
Operating cash flow, MSEK	6 867	7 006	-2		
Basic earnings per share, SEK	5.85	4.48	31		
Dividend per share, SEK	3.00[1]	2.50	20	To provide long-term stable and rising dividends. The dividend should correspond to 50% of net profit over the cycle.	51% pay-out ratio (2018-2021)
Redemption per share, SEK	-	3.00			
Return on capital employed, %	26.1	21.7		To improve capital efficiency and resilience. Investments and acquisitions shall create value.	25.5
Net debt/EBITDA ratio	-0.12	-0.45		To have an efficient capital structure and the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating.	BBB+
Lost-time injury frequency rate (LTIFR)[3]	2.1	2.0	5		
Sick leave, %	2.4	2.1	14		
Total energy use[4], GWh	153	146	5		
Transport CO_2e, tonnes/COS, MSEK[5]	3.6	4.1	-12		

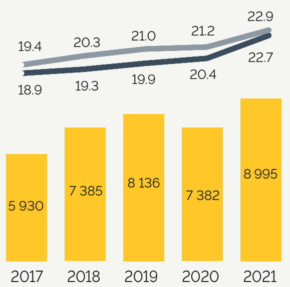
[1] Proposed by the Board. [2] See pages 52-61 and 150-151. [3] Number of lost-time injuries per million hours worked. [4] Comparable units.
[5] Carbon dioxide equivalent, CO_2e, is a unit that standardizes the climate effects of various greenhouse gases. COS = Cost of goods sold.

Revenues and book-to-bill



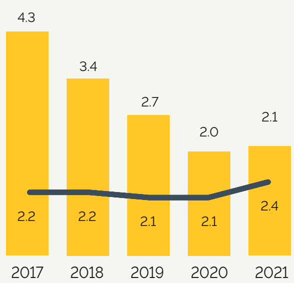
Revenues, MSEK
Book-to-bill, %

Operating profit and margin



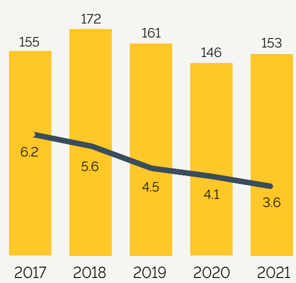
Operating profit, MSEK
Operating margin, %
Adjusted operating margin, %

Lost-time injury frequency rate and sick leave



LTIFR
Sick leave, %

Energy consumption and CO_2e emissions



Total energy use in GWh[4]
Transport CO_2e, tonnes/COS, MSEK

A successful year

2021 was indeed a record year. We have shown that we can adapt quickly to changes and that we always are ready to walk that extra mile to support our customers. I am proud to lead this fantastic company. We dare to think new and as a team we achieve great things together. I am looking forward to more achievements in 2022.

> **Safety for our employees, their families, our customers and business partners is – and will always remain – our foremost priority.**
>
> Helena Hedblom, President and CEO

Safety first

Safety for our employees, their families, our customers and business partners is – and will always remain – our foremost priority.

In 2021, we were still impacted by the Covid-19 pandemic, and the organization kept a careful stance. For example, we worked remotely, held back non-critical travel, and Group Management held frequent crisis meetings related to the pandemic. We continued to adapt our way of working, were quick to act, and took several initiatives to support the international community's fight against the disease. This included donating money to COVAX for its efforts to provide global equitable access to Covid-19 vaccines.

Despite all our efforts, we sadly lost several colleagues to the disease. My sincere condolences go out to families, friends and colleagues who have lost a near and dear Epiroc colleague, family member or friend.

Despite local outbreaks and restrictions, we were able to keep our operations up and running. Our local presence, particularly in service, made it possible to stay close to and support our customers. I am convinced that we have strengthened our customer relationships further. Our quick adaption to new ways of working has also improved the way we collaborate internally as well as externally.

Safety is of course not all about the pandemic. It is about protecting people at work. Neither we nor the industry can rest until every worker comes home safe and sound after every shift. Our innovations always aim to improve safety. For example, automation means that operators are kept away from dangerous environments because they can remotely control the machines. It is a perfect example of how our solutions keep customers safe while improving their productivity. Another example is that we eliminate potential hazards related to handling the equipment, for example, when handling electricity.

High demand

In 2021, customer activity was high and the willingness to invest increased. We achieved record-high orders received of MSEK 45 648 and the organic order growth was 26%. We won several large equipment orders, which supported an organic order growth of 29% for equipment. Double-digit growth was also achieved for service and Tools & Attachments.

Maximizing the potential in the aftermarket

The aftermarket represents about two-thirds of our sales. To us, providing reliable, local aftermarket solutions is as important as offering the best-in-class equipment.

We have more than 6 200 service employees and a strong global, yet, local footprint. This has proven to be much appreciated by customers in times with travel restrictions. By always being close, regardless of where in the world, we have gained the trust of being the true partner of choice for customers.

We have service contracts with technicians at more than 300 customer sites globally. But it is not only about having feet on the ground. It is also about having the right people on the ground. Therefore, we invest significantly in training and certifications of our technicians.

Today, we are servicing more than 50% of our installed equipment and the ratio is continuously increasing thanks to improved value propositions to customers as well as internal improvements. For example, we have reduced complexity in our supply network by creating regional distribution centers. These actions have yielded positive results. The availability is up in both Tools & Attachments and in service while at the same time, we have reduced our environmental footprint from transport.

We see strong growth in our new service offerings, such as mid-life services, remanufacturing of components, Batteries as a Service, electrical infrastructure and subscription fees. We have also seen a clear positive correlation between the advanced technical level of equipment and the share of the equipment fleet that we cater to. The rapid development in automation, electrification and digitalization is therefore encouraging to follow. Our software solutions and data-based insights support our customers' decision making for improved productivity and efficiency.

Automation gaining traction

We have a market-leading position in automation, and our autonomous and remote-controlled fleet – both on surface and underground – continued to grow. I see increasing willingness among customers to invest in automation. In fact, many of the orders that we won in 2021 include our most advanced automation and digital technologies. These strengthen productivity and lower the cost of ownership for our customers while improving safety and decreasing CO_2e emissions.

We are proud to be on the path to deploy the world's largest autonomous mixed fleet to our customer Roy Hill in Australia. In collaboration with ASI Mining (an automation specialist in which Epiroc has 34% ownership), we have delivered a safe, sustainable and interoperable solution. In the next phase as many as 300 vehicles will be running in fully autonomous mode.

Market-leading position within electrification

Sustainability is part of nearly every conversation with customers today.

With the implementation of the first battery machine, our customers can save energy, emissions and money. For example, a large portion of the operational cost in an underground mine is ventilation and battery machines can cut ventilation requirements by roughly 50%.

We are a technology leader with the largest battery-electric product offering and a market leading position with a solid footprint in all major markets. In 2021, we won several battery-electric orders, including one for a greenfield project in South Africa. We also got our first orders for diesel-to-battery retrofit solutions.

We are determined to offer our full range of underground equipment in an emission-free version by 2025, and for the surface equipment we aim to offer the same by 2030.

Sustainability is part of nearly every conversation with customers today.

Supply-chain challenges managed well
Despite global supply-chain challenges we managed to increase both revenues and operating profit thanks to the organization's collaboration and dedication to finding solutions. This included finding new ways of sourcing and alternative suppliers, as well as re-designing components.

The supply-chain challenges in combination with a strong order growth led to somewhat longer lead-times for equipment. That said, it is absolutely key for our customers to keep the existing fleet up-and-running, which is why we first and foremost prioritized our aftermarket.

Solid revenue growth and record profit
Our revenues increased 12% organically to MSEK 39 645. Our operating profit increased 22% to a record MSEK 8 995 and the adjusted operating margin improved to 22.9% (21.2). The margin was supported by increased volumes, a positive mix and good cost control, but diluted by acquisitions and currency.

Cash flow provides financial flexibility
How well we translate profit into cash is an important performance metric and in 2021, we generated a solid operating cash flow of MSEK 6 867. It was lower compared to 2020 and negatively impacted by build-up of working capital, which is natural given our operating model. It is, however, pleasing that the working capital ratio to revenues improved following good collection of receivables.

We concluded the year with a solid financial position. We made several acquisitions, paid dividends in line with our financial goals, and also paid a redemption. Still, we have financial strength and flexibility to invest in growth going forward.

Creating options for the future
Acquisitions are a way for us to accelerate growth and build leadership positions in niches where it would take too long to do it organically. We completed eight acquisitions in 2021, which are adding about 3% to our annual revenues. The acquired companies broaden our offering of software and hardware solutions for automation, digitalization and electrification, as well as extend our aftermarket offering. We are happy to welcome our new colleagues to the Epiroc family.

Walk the talk
Financial results are of course important and a good measurement of our success, but just as important is how we achieve these results. Therefore, in February, we launched an updated version of our Code of Conduct, which allows us to walk the talk. 100% of our managers have finalized a Code of Conduct e-learning and signed a compliance statement.

Initiatives to improve inclusion and diversity
From experience, I know that diverse teams perform better and at Epiroc, we always strive to do things better. We want to have a workforce with a mix of nationalities, experiences and gender. We have an Inclusion & Diversity Board that helps drive this important area across the Group. We perform well in most areas, but it is clear that we need to improve on gender diversity and therefore we aim to double the number of women in operational roles by 2030. We have started a number of initiatives, for example a nine-week rotation program in our Garland factory, which has led to twice as many women in production. We have also launched successful service academies for women in India and Chile.

During the year, we recruited more than 500 women, which means that about a quarter of new hires are women. We increased the share of women to 17.1% (15.7) and are moving in the right direction. We will continue to push for improved inclusion and diversity.

Innovating to stay ahead
At the beginning of the year, we introduced our new vision - Dare to think new - underlining our relentless focus on providing innovations that improve efficiency and safety for our customers. Here are a few highlights:

- Boomer M20, the world´s first face drill rig with internal hydraulics.
- Automatic Bit Changer, the next step in autonomous drilling advancements.
- SmartROC D65 XLF, automated drilling and 20% less fuel consumption.
- Battery conversion of existing diesel equipment.
- Remanufacturing solutions, extending life of components.

I would like to emphasize that not all innovations must be complete game changers to be well appreciated by our customers. Continuous improvements of existing offerings are also relevant to stay in the lead.

Collaborate with the best to make a positive impact
We are humble before the fact that we are operating in a big world and cannot do everything by ourselves. It is therefore part of our strategy to collaborate with key business partners. A few examples:

- Together with world-leading commercial explosives provider Orica we have created Avatel, the first mechanized development charging system in the world. It is a true game changer for increased safety in underground mines.
- We collaborate with our customer Ivanplats in South Africa to develop its greenfield mine in the most sustainable and productive manner possible by using battery-electric vehicles.
- We are coordinating an EU-sponsored project called NEXGEN SIMS. Here we are collaborating with customers, universities and other companies to develop autonomous, carbon-neutral mining processes. This includes the use of battery-electric mining equipment, full utilization of 5G for optimal connectivity and positioning, autonomous material handling, artificial intelligence and more. The project is going beyond technological solutions, it also focuses on the mine worker of the future, putting people in the center.

Ambitious climate goals validated as science based

Our customers are mainly found within mining and infrastructure. Our role is to ensure that our customers can work in the safest, most sustainable and efficient way possible. Our innovations are needed if the global community is going to succeed with its ambition to reduce carbon dioxide emissions, while also providing for a growing population.

In our long-term sustainability goals for 2030, we commit to, for example, halve absolute CO_2e emissions in our own operations and from the use of sold products. In November, these goals were validated by the Science Based Targets initiative (SBTi). This means that our goals are aligned to keep global warming at a maximum of 1.5° C, consistent with the Paris Climate Agreement and the Glasgow Climate Pact. It is great to have our goals confirmed as industry leading and well above SBTi's minimum requirements.

Our CO_2e emissions from our own operations and transports decreased for comparable units in 2021 compared to 2020. We took many actions that made us greener, including installing solar panels on many facilities and shifting more shipping to sea from air freight.

We are a signatory to the UN Global Compact and of course fully support the ten principles in the areas of human rights, labor, environment and anti-corruption.

A vital part of a sustainable society

In this annual and sustainability report, we will guide you through our strategy. We share several examples and proof points on how Epiroc is a vital part of a sustainable society and how we drive the productivity and sustainability transformation in our industry.

2021 was indeed a record year. We have shown that we can adapt quickly to changes and that we always are ready to walk that extra mile to support our customers. I am proud to lead this fantastic company. We dare to think new and as a team we achieve great things together. I am looking forward to more achievements in 2022.

Helena Hedblom
President and CEO

Stockholm, January 26, 2022

Leading productivity and sustainability partner

Epiroc offers equipment and aftermarket solutions to customers in selected attractive niches in mining and infrastructure.

We have been an independent company since 2018, but our roots date back to 1873. We therefore have the advantage of being a young company with passionate employees in a decentralized organization, while also having long and strong customer relationships. We see ourselves as a 149-year-old start-up company, which enables quick decision making and speed in coming up with innovative solutions.

To ensure continued leadership, we develop equipment and solutions in close collaboration with customers, suppliers and other business partners. This helps our customers to become more productive and sustainable, while reducing their total cost of ownership. Thus our innovation agenda goes hand in hand with our customers' sustainability agenda.

Sales in
>150 countries

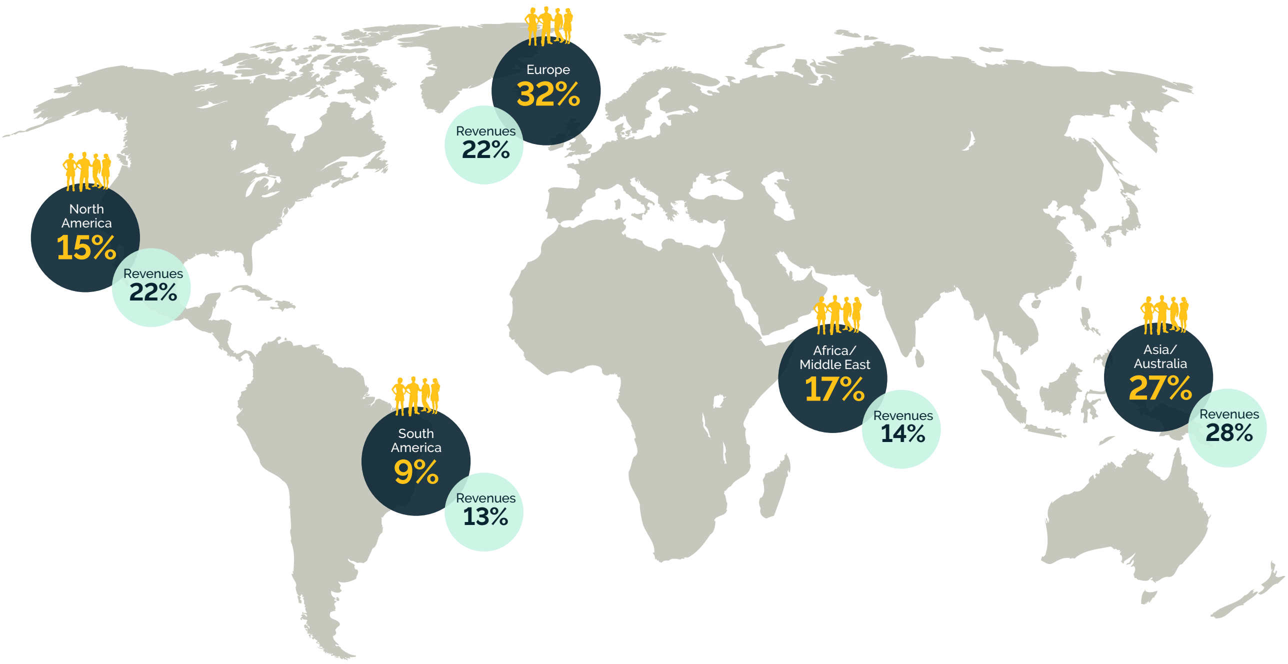
Operating margin
22.7%

Revenues MSEK
39 645

Employees December 31
15 529

A strong presence - with a high proportion of direct sales and local service presence - combined with a focus on meeting customers' needs contributes to our success.

Global presence
Share of employees and revenues



Around half of our revenues are generated underground.

Fascinating facts: In one of the world's largest underground copper mines, El Teniente in the Chilean Andes, located 2.3 km above sea level, we have a service workshop with Epiroc employees 4.9 km below surface.

Equipment

Our equipment is mainly used when customers need to break, excavate and work with hard materials, such as rock and concrete. Our equipment is often business critical for our customers. We also provide a wide range of hardware and software for automation and digitalization.

Mining

77%
of orders received 2021

Surface mining

A significant portion of the world's deposits of copper, gold and iron ore is found above ground in what is normally referred to as "open pits". The majority of the world's ore is excavated in open pits.

For surface mining, we provide a complete range of rigs for blast-hole drilling. The largest rigs are over 30 meters high.

Underground mining

Even if surface mining represents the majority of global ore extraction, underground mining is becoming increasingly common.

For underground applications, we provide drilling rigs for blast-hole drilling and rock reinforcement, loaders and trucks, equipment for mechanical rock excavation, and ventilation systems.

Exploration

Exploration is performed to ensure a continuous supply of minerals and metals, both in the search for new deposits and in the expansion of existing ore bodies.

We provide a wide range of exploration drilling rigs.

Infrastructure

23%
of orders received 2021

Surface infrastructure

Construction work above ground often involves removing unwanted rock from an area or producing aggregate for construction. It could also involve drilling for water or geothermal energy.

We provide drilling rigs for blast-hole drilling for both construction work and quarries. We also have well-drilling equipment.

Underground infrastructure

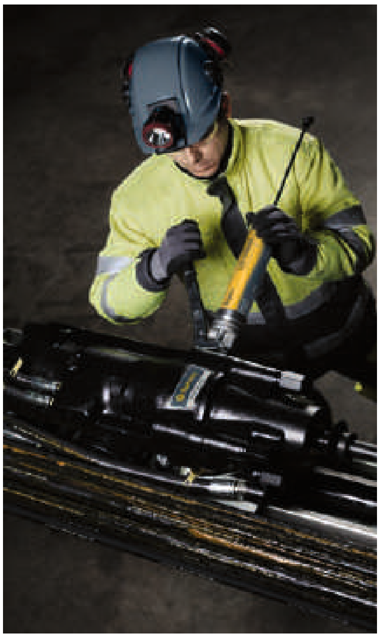
Underground construction work is carried out, among other things, for road and railway tunnels and for hydropower plants.

We provide drilling rigs for blast-hole drilling and rock reinforcement, and loaders and trucks, as well as ventilation systems.

36%
of orders received 2021

Aftermarket

Equipment requires spare parts, maintenance and consumables for top performance. We offer a wide range of aftermarket solutions, including new innovative services, such as software, Batteries as a Service, battery conversions and remanufacturing of components.



Service

Thanks to our global network of workshops and service technicians, we can support our customers anytime and anywhere. We focus on availability through strategically located distribution centers and an efficient supply chain.

Examples of services and solutions:

- Replacement parts and kits
- Service agreements and audits
- Remanufacturing solutions for components
- Batteries as a Service
- Midlife services, including battery conversion
- Custom-engineered solutions
- Training and other service solutions

Rock drilling tools

We offer a wide range of efficient drilling tools that provide our customers with the best possible drilling quality, the most drilled meters per hour and the lowest production cost.

Examples of tools:

- Rock drilling tools – underground and on surface
- Exploration drilling tools – underground and on surface
- Tools for rock reinforcement

Hydraulic attachments

We offer a wide range of high-quality hydraulic attachments. The attachments are, for example, used for rock excavation in construction and mining, for demolition, and recycling.

Examples of attachments:

- Hydraulic hammers
- Cutters
- Powderers
- Combi cutters
- Magnets
- Compactors
- Shovel crushers

64%

of orders received 2021

Value-creating strategy

Epiroc offers innovative solutions and a reliable aftermarket to customers in attractive niches with structural growth. A large part of our success is based on sustainability, a strong corporate culture and a constant desire to become more efficient and continuously improve.

Our success is based on sustainability and a strong corporate culture

Epiroc has a strong corporate culture with passionate employees, which creates the foundation for remaining an attractive employer and a high-performing organization. Sustainability is integrated into everything we do and our innovation agenda goes hand-in-hand with our customers' sustainability agenda. Our strong foundation is a competitive advantage.

"Our success is based on sustainability and a strong corporate culture"

See pages 34-51

Attractive niches

The mining and infrastructure industries benefit from structural growth in demand. However, to meet this demand is becoming increasingly challenging while undergoing a sustainable transformation. We are therefore present in niches where our technically advanced equipment and our aftermarket solutions are performance-critical for customers' operations.

"Attractive niches with structural growth"

See pages 16-19

Outperformance

We create value for our stakeholders by conducting responsible business while striving to achieve sustainable profitable growth. Of course, embedded in our strategy is also to create options for the future. For example, by making acquisitions. Our key criteria for acquisitions are stand-alone attractiveness, strategic fit, synergies, and the potential to become or remain market leader.

"Value for our stakeholders"

See pages 32-33

Innovation

Together with customers and business partners, we develop safe and sustainable products and solutions that increase productivity and lower costs. Automation, electrification and digitalization are in focus in our innovation work.

"Drive the productivity and sustainability transformation in our industry"

See pages 20-27

Aftermarket

Our aftermarket solutions and our global service presence increase the productivity and extend the service life of our equipment while strengthening our customer relationships. By constantly developing new solutions and services, we can further grow our resilient aftermarket business.

"High proportion of recurring business"

See pages 28-29

Operational excellence

We have a focused and decentralized business that can be adapted quickly and efficiently when demand changes. Our strength is based on a high proportion of direct sales, a strong service business and a flexible manufacturing philosophy. We relentlessly strive for operational excellence.

"Well-proven business model"

See pages 30-31

Attractive niches with structural growth

Epiroc offers equipment and aftermarket solutions for applications in hard formations. Many times, our equipment is performance-critical to the customer's operations.

Performance-critical solutions

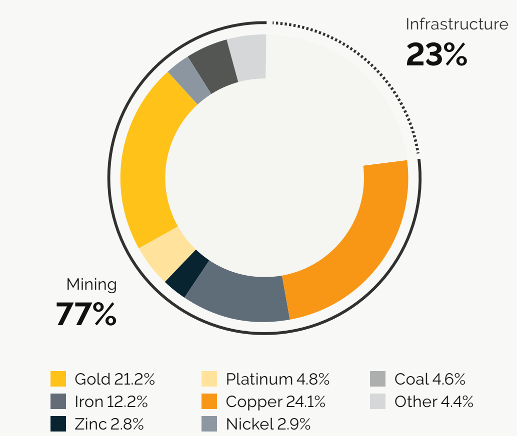
Epiroc offers equipment and aftermarket solutions for applications in hard formations. Many times, our equipment is performance-critical to the customer's operations.

We have a large number of customers, from global companies to small local players, most of whom are found in mining and infrastructure.

Customers' costs for our solutions usually correspond to only a small portion of their full operating costs, but should the equipment not work, it can lead to lower productivity and lower revenues and profits for the customer. Reliability is therefore very important.

The biggest challenges for our customers are to increase the productivity and utilization rate of the equipment while reducing their operating costs. In addition, customers place great emphasis on improving safety and environmental performance. Therefore, we do everything we can to help our customers increase productivity in a sustainable way.

Hard-formation exposure (orders received)



Our mining customers correspond to 77% of our orders received and have operations both on the surface and underground.

Mining

Our mining customers correspond to 77% of our orders received and have operations both on the surface and underground. Often, they are large companies, operating several mines around the world, but we also have smaller mining companies and contractors as customers. Customers that extract gold and copper make up a large proportion of our orders received in this customer segment.

In the coming years, the extraction of several minerals to which Epiroc has exposure is expected to increase, which should lead to increased demand for both new mining equipment and aftermarket solutions.

As our equipment is often used in challenging environments, regular maintenance and replacement of spare parts is necessary to ensure productivity.

Increased use of equipment also drives the need for aftermarket support, such as rock drilling tools, service and spare parts. Customers' demand for aftermarket services is usually relatively stable over the business cycle as maintaining production is prioritized.

Many of our mining customers have an ambitious sustainability agenda, which goes hand in hand with our innovation agenda. In addition to safety - which is absolutely critical in mining – safeguarding the environment is also important to our customers.

All our research projects aim to enable a sustainable transformation of the industry, which makes us a relevant business partner for our customers, both today and in the future.

Infrastructure

Our customers in infrastructure correspond to 23% of our order intake and they are active both underground and above ground. Underground, our rock drilling equipment is used in tunneling for roads, railways and hydroelectric power plants. Above ground, we have rock drilling equipment for construction work and quarries, and hydraulic attachments for demolition.

In infrastructure, we have a very broad customer base with both large global customers and small local customers, such as contractors with only one machine or hydraulic accessory.

The growing global population combined with the strong urbanization trend are two long-term drivers that make the infrastructure market grow.

Strong customer relationships

We meet our customers primarily through direct sales and local service, which contributes to strong customer relationships. Approximately 87% of our revenues come from direct sales.

Our ten largest customers accounted for 17% (20) of Epiroc's revenues in 2021. All of these are mining customers and none of them are dominant.

Examples of customers are: Anglo American, Barrick Gold Corporation, Boliden, BHP, Freeport-McMoRan, Glencore, Heidelberg Cement, Hochtief, LKAB, Lundin Mining Corporation, Rio Tinto, Sibanye-Stillwater, Vale, Veidekke and Votorantim.

Strong position in a competitive environment

With our long history and innovative solutions, we have established a strong offering and are a technology leader in the industry. The complexity of our products makes the entry barriers relatively high.

A main competitor is Sandvik, which we meet within rock drilling, loading and hauling in hard-rock applications. Other competitors include Caterpillar in the market for underground loading and haulage and open pit mining equipment, Furukawa in surface drilling equipment and hydraulic attachments, Boart Longyear for exploration drilling equipment and rock drilling tools, and Komatsu in the market for underground and open pit mining equipment and hydraulic attachments. We also compete with several players operating locally, regionally and in certain niche areas.

Structural growth

For the foreseeable future, we expect structural growth in the niches we operate in. A growing world population and middle class as well as a strong urbanization trend are driving the demand for metals and investments in infrastructure.

In the mining industry, the sustainable transition is one of the most important structural drivers, especially driven by electrification. It will require increased mining of metals such as copper and nickel.

Another positive trend is demolition and recycling, which benefits the demand for our hydraulic attachments.

Increasing challenges

Our customers are exposed to increasing challenges in their operations, such as declining ore grades and deeper mines. Both trends require innovative and advanced solutions to maintain, or increase, productivity.

In addition, the utilization rate of equipment in mining and infrastructure is lower than in many other industries. In an underground mine, the utilization rate can, for example, be as low as 30%. A higher utilization rate leads to higher productivity and lower operating costs, which can be achieved by adding advanced solutions. Examples are automation, connectivity and monitoring, including data-driven service.

Lower ore grades

Historically, the ore grade, which is a measure of the proportion of minerals in the rock, has decreased steadily. For example, the ore grade of copper has decreased by 1-3% per year over the past 30 years. Lower ore grades mean that more rock must be excavated for a given amount of produced mineral.

The sustainable transition requires more mining of metals such as copper and nickel.

Structural growth
Increases the underlying need for infrastructure and minerals

Increasing challenges
Increases the cost of hard rock excavation

Focus on safety and sustainability

We have a strong position and the right solutions to help customers solve their challenges and drive the sustainability transformation

We offer safe and sustainable solutions, increased productivity and a lower total cost of ownership

We are specialists in equipment and service for hard-rock excavation.

Reliability in production is of utmost importance. Local service presence and availability of spare parts and components are highly valued by customers.

Trend towards underground mining

Underground mining is becoming increasingly common, especially for minerals such as gold and copper. Lower ore grades, deeper deposits and more regulatory pressure (in certain geographical areas) to conduct underground mining instead of open pit mining, contribute to the trend towards underground mining.

Today, an estimated quarter of all global copper mining takes place underground, and it is expected to grow to about a third by 2030.

The existing underground mines are also getting deeper - on average 30 meters each year. Deeper mines mean increased demand for enhanced safety features, automation and battery-powered equipment. Automation contributes to increased utilization of the equipment and battery operation means a lower need for ventilation, which means large cost savings and a healthier working environment.

Focus on safety and sustainability

Safety and health are key priorities for our customers. In addition, our customers' sustainability ambitions are constantly increasing. Reduced emissions, lower noise levels, reduced water consumption, and ethics are becoming increasingly important. Other strong trends are demolition, recycling and circular solutions.

We have the right solutions!

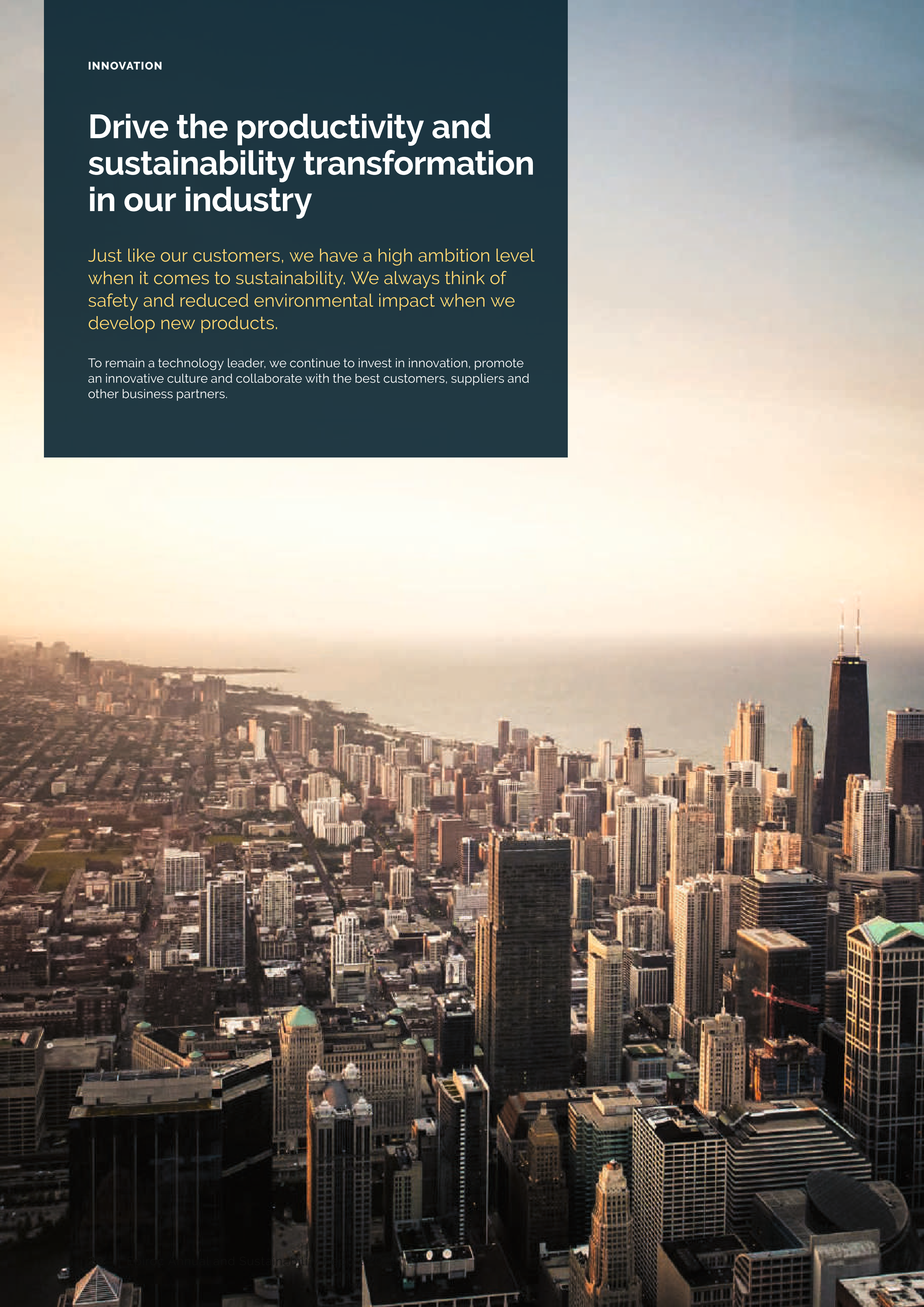
We offer safe and sustainable solutions, increased productivity and a lower total cost of ownership for our customers.

INNOVATION

Drive the productivity and sustainability transformation in our industry

Just like our customers, we have a high ambition level when it comes to sustainability. We always think of safety and reduced environmental impact when we develop new products.

To remain a technology leader, we continue to invest in innovation, promote an innovative culture and collaborate with the best customers, suppliers and other business partners.



Innovation, automation, digitalization and electrification drive the productivity and sustainability transformation in our industry.

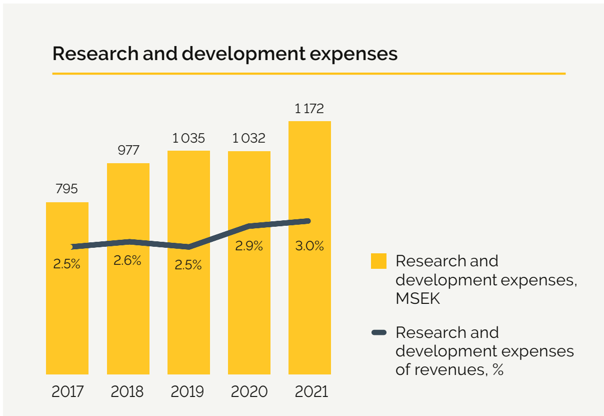
Research and development

Innovation is in our DNA and we are investing more than ever in research and development (R&D). Our innovation agenda goes hand in hand with our customers' sustainability agenda.

Collaboration for success

Our relentless focus on innovation extends beyond what we do ourselves. We also benefit from R&D from customers, suppliers and other business partners, such as universities and interest groups. We are involved in the Next Generation Carbon Neutral Pilots for Smart Intelligent Mining Systems (NEXGEN SIMS) and Sustainable Underground Mining (SUM) projects. Other examples of collaborations:

- With ASI Mining (Epiroc has 34% ownership) and Combitech, we develop solutions for autonomous operation and information management.
- With Orica, we develop solutions for semi-automatic explosive charging systems.
- With Northvolt and ABB, we collaborate on battery-powered vehicles, batteries and electric powertrains.
- And with Ericsson, we work with 5G for optimal connectivity in mines.



We have almost 1 500 R&D engineers globally, who are constantly working on innovative solutions for our customers.

Trend: Automation

There are several reasons why automation is crucial for our customers. First of all, it is about protecting people and keeping them away from dangerous situations, but also to increase productivity, lower fuel consumption and reduce total cost of ownership.

We have a market-leading position in automation and autonomous operations for drilling, loading and hauling.

Market-leading solutions for autonomous operations

Epiroc has a market-leading position in automation and autonomous operations for drilling, loading and hauling.

We have an OEM-agnostic approach, which means that our automation solutions work on all types of machines, including those not produced by Epiroc. With our mixed-fleet autonomous solutions, customers can also make other manufacturers' vehicles autonomous and we have proven installations around the world.

For example, we are implementing the world's largest autonomous mixed fleet for one of Roy Hill's iron ore mines in Australia.

We have also made significant progress in the underground automated mixed-fleet initiative for Newcrest Mining in Australia.

Increasing level of automation and customer insight

To fully understand the potential of automation, one can see it as a customer journey, as in the illustration on the next page. Our goal is to take customers on this journey by offering a wide range of solutions.

Our most basic solutions are assist functions that make the operator better and thereby increase productivity. Remote control functions are also popular. With these, the operator can remotely control the machine from a safe distance.

The automation solutions can be applied to a single Epiroc machine and/or an entire Epiroc fleet which means that the work is performed completely autonomously with the operator only monitoring the process. The operator can be located far from the machine, for example, in a control tower. As long as connectivity is provided, the operator can, in theory, be anywhere in the world.

Some customers are interested in connecting a fleet of mixed machines from several different manufacturers and have these work completely autonomously together. The operator only monitors the work from a safe place. Our collaborations with Roy Hill and Newcrest are examples of an autonomous mixed fleet.

Artificial Intelligence (AI) is the most advanced level. In this step, the machine does the work completely autonomously and makes its "own" decisions based on collected data. Our concept 6th Sense can facilitate decision making based on data for the most optimal autonomous operation.

Increased safety with RCS (rig control system)

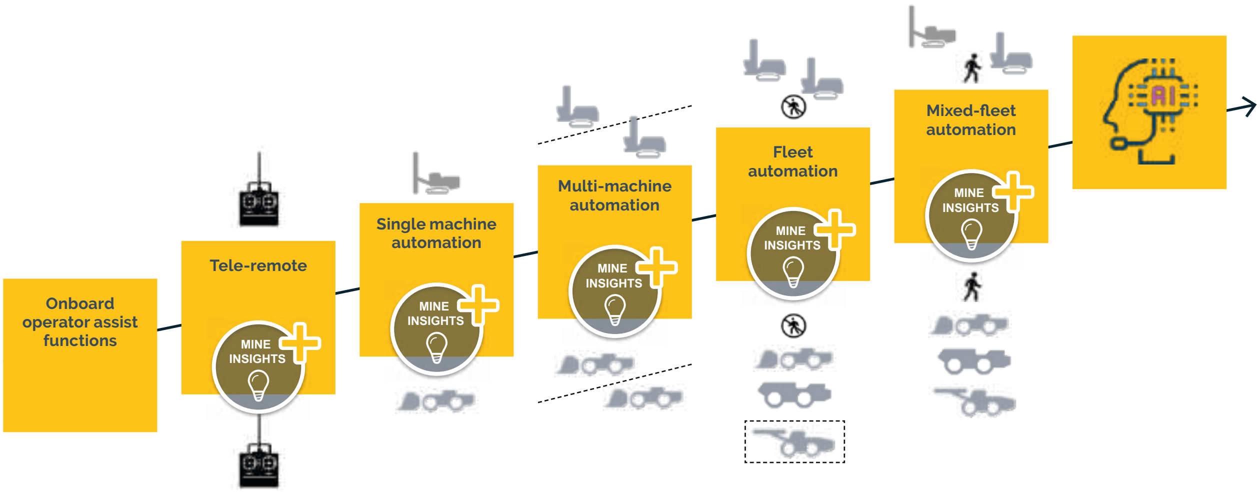
By using Epiroc's rig control system (RCS), drilling, loading and hauling can be controlled at a safe distance from the machine. The latest version includes a number of improvements such as real-time data, optimization of automatic drilling and a time-use model, which shows the utilization level in comparison to set goals.

Strong demand

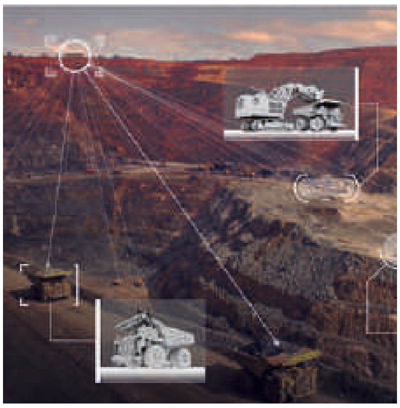
The majority of the machines leaving our manufacturing sites have the possibility to be remotely controlled and/or be automated.

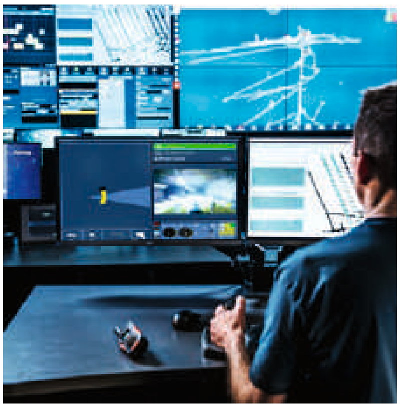
The number of fully autonomous machines relative to the full fleet remains small, but the demand is strong. The increased productivity of the equipment also leads to higher demand for consumables, service and spare parts.

Increasing level of automation and customer insight



We take our customers on the automation journey by offering a wide range of solutions.





How automation enables the productivity and sustainability transformation

- Protecting people. Keeping them away from equipment and dangerous situations
- Increasing productivity
- Reducing fuel consumption
- Lowering the total cost of ownership

Customer example: The world's largest autonomous mixed fleet

Together with ASI Mining, Epiroc is implementing the world's largest autonomous mixed fleet for the customer Roy Hill in Australia. The project was announced in 2020 and is proceeding according to plan. In total, about 300 vehicles could be connected and operated completely autonomously.

Customer example: The world's first autonomous mixed fleet underground

The Newcrest and Epiroc collaboration is taking automation to a completely new level. Operators do not have to be at the production level as the autonomous fleet runs 24/7. With this successful implementation, Epiroc is the first equipment supplier with an autonomous mixed fleet production deployment underground.

Trend: Digitalization

Digitalization today covers everything from automation, advanced data analysis and interoperability to improved work processes. Every little bit of progress results in clear benefits for customers, such as increased safety, predictability and productivity. It is also a key enabler for more sustainable solutions.

A recent trend is customer demand for digital solutions in the ESG domain, such as software solutions to follow the environmental impact of operations in real-time.

Examples of information management and digitalization solutions

6th Sense – smart, safe and seamless

6th Sense is our offering which optimizes customers' processes by connecting machines, systems and people using automation, information management and system integration. It provides many advantages, such as tracking and responding to real-time working conditions and equipment needs, leading to higher production at lower operating costs. It was launched in 2019 and has resulted in significant attention and multiple orders.

Mobilaris and Mining Tag– situational awareness

Our Mobilaris and Mining Tag solutions enhance safety, productivity and smooth traffic flow underground. They provide drivers and operators real-time situational awareness of all vehicles and personnel.

Mobilaris enables easy navigation and avoidance of traffic congestions and, in case of an evacuation event, instant directions to the closest exit or rescue chamber. It can also track assets from different manufacturers, integrate operational data, and use real-time information to make accurate decisions, all to improve productivity and efficiency.

MineRP - from start to finish

In 2021, Epiroc acquired MineRP, which provides a leading software platform solution that integrates all technical mining data, including machine data and business systems, which leads to better and more efficient decision-making in the entire process of mining production - from start to finish.

My Epiroc – track everything, act anywhere

With My Epiroc, a platform-independent solution working on any computer or mobile device, customers have instant access to all the machine data. It provides current operational status, performance and location. It also identifies replacement needs and the customer can order spare parts and tools directly through My Epiroc.

HATCON - a new level of control

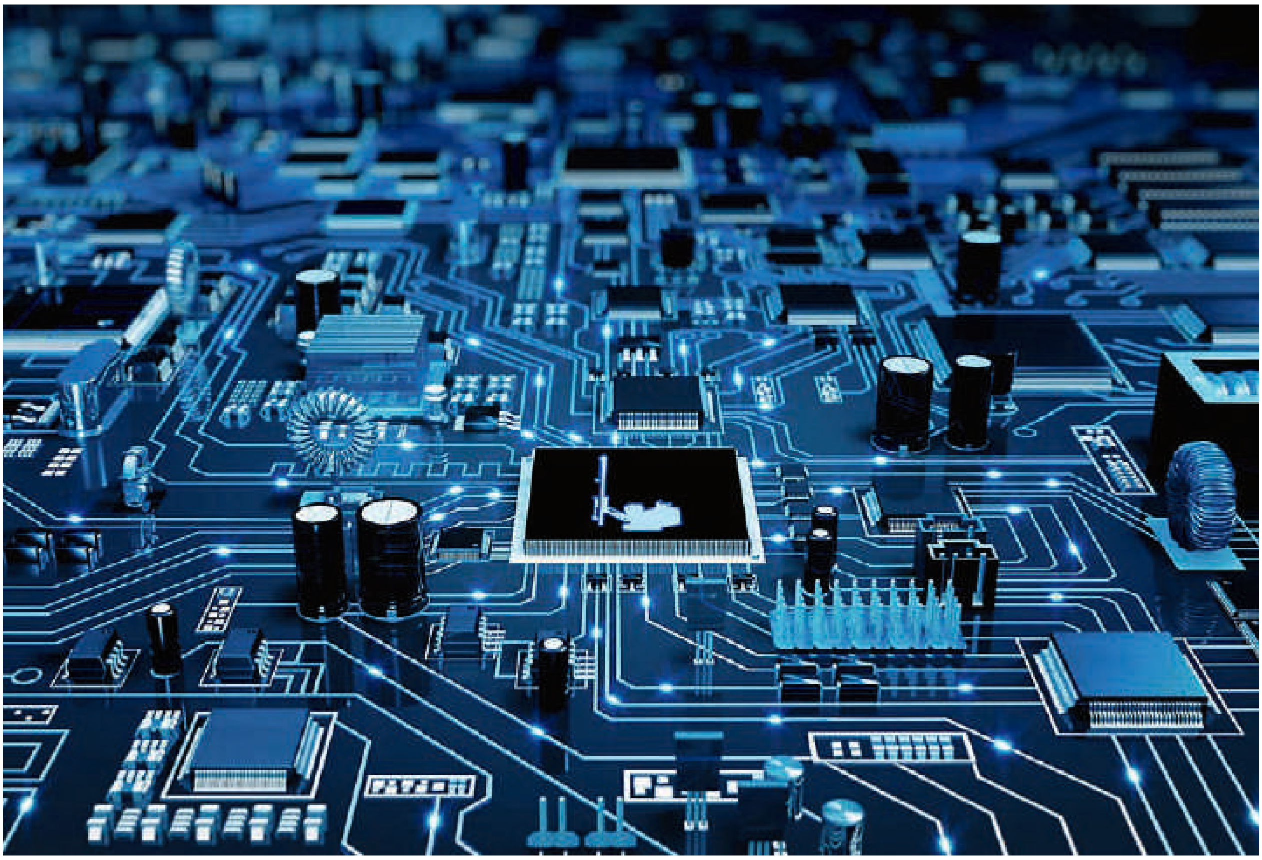
HATCON is our solution for connecting hydraulic tools. It enables efficient fleet management by monitoring operating hours, geographical position and the tool's service needs in real time. The GPS function is also an advantage for tracking tools in the event of theft.

Kinetic Logging Services - geophysical logging services

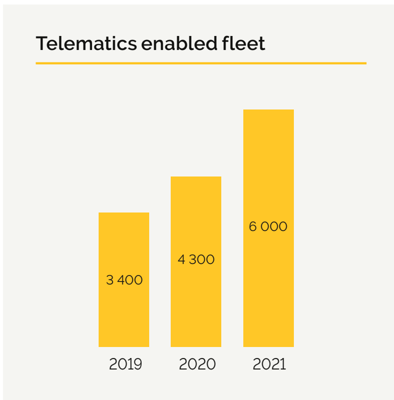
Kinetic Logging Services provides mining technology measurement services to build improved geological models, which increase the accuracy in surface production.

3D-P - wireless connectivity

3D-P provides wireless connectivity solutions for surface mining for successful implementation of autonomous solutions.



On the back of the rapid development in automation, electrification and digitalization, we have seen a clear positive correlation between the advanced technical level of equipment and the share of installed base that we service. Today, we are servicing more than 50% of our installed equipment and it is continuously increasing.



How digitalization enables the productivity and sustainability transformation

- Increasing safety
- Providing full control of fleet, equipment and people
- Increasing productivity
- Improving mine planning, reducing traffic congestion
- Optimizing ore grades
- Increasing reliability in operations with less unplanned maintenance
- Measuring environmental impact in real-time (e.g., CO2e and water)

Customer example: Large mining equipment order with several advanced automation features

LKAB, Europe's largest iron ore producer, has ordered several machines that include advanced automation features. All machines are equipped with Certiq. The order, totaling MSEK 105, was booked in the third quarter 2021.

More connected machines

Certiq, our machine monitoring system, provides real-time data which helps equipment owners and operators to ensure that their machines always perform to the best of their ability. The number of machines that are enabled with telematics is constantly increasing. At year end, we had more than 6 000 machines connected.

Trend: Electrification

There are clear benefits for our customers to invest in electrical equipment. It improves the health of employees, saves ventilation costs and reduces greenhouse gas emissions. In addition, our battery-powered equipment is at least as productive as the corresponding diesel equipment.

For existing equipment, we also offer battery conversion. This means that the existing diesel engine is replaced by an engine with an electric driveline.

High ambition level
We aim to offer a complete range of emissions-free equipment by 2030. Underground, we aim even higher; as soon as in 2025, we will offer all equipment with an emissions-free alternative. However, electrification is not new to us. Most of our underground drilling rigs have been electrified by cable for many years and in 2016 we launched our first fully battery-powered machines.

Our battery-electric solutions
Our batteries are designed with modularity and safety in mind, which ensures that each individual part of the battery can be monitored and controlled separately. The stable and robust design means that they are perfectly suitable for all types of operations in harsh environments - both underground and on surface. The batteries can be used in both Epiroc's and other manufacturers' equipment.

We have chosen a battery solution with slow charging, which in combination with simple and quick battery-swaps means that customers can work continuously and avoid investing in more powerful electricity networks. It also keeps the battery fresh and powerful longer.

We are also proud to offer the world's first battery for the mining industry with CE certification that complies with the Low Voltage Directive, the EMC Directive (Electro-magnetic Compatibility) and the Radio Equipment Directive.

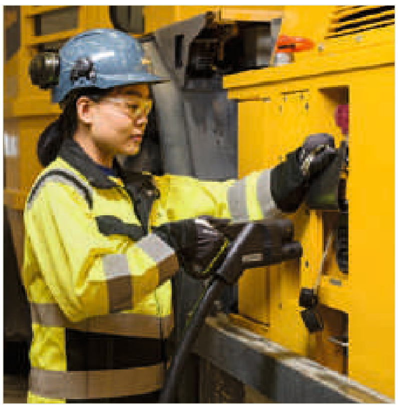
Batteries as a Service
Batteries as a Service gives our customers all the benefits of electric power without carrying the risk of owning the batteries themselves. We take full responsibility for the batteries with a truly circular business model. We ensure that the battery has the capacity required for the application, we monitor the battery's performance and we replace batteries when necessary. The service covers everything from certification to maintenance and technology upgrades, which lowers the threshold for investing in battery-electric vehicles.

Battery conversions
For existing equipment, we also offer battery conversion. This means that the diesel engine is replaced by an electric driveline. This makes it faster and cheaper for the customer to switch to electric operations compared to ordering new equipment. Our offering in battery conversions was launched in 2021. First out was our Scooptram ST1030 loader and the offering is gradually being rolled out to more models.

Size of business
The electrification trend is strong and our offering is continuously broadening. In relation to the Group's revenues, however, battery-powered equipment and related services are still small. Our solutions "Batteries as a Service" and "Battery conversions" are booked as service revenues.

We also see good opportunities to grow our aftermarket business as the number of battery-powered machines increases and as a higher competence is required to service electric equipment in a safe and correct way.

Epiroc has the broadest battery-electric offering in the market. It covers, for example, new equipment, Batteries as a Service, conversions, charging solutions and electrical infrastructure.



How electrification enables the productivity and sustainability transformation

- Protecting people from dangerous fumes, noise and heat
- Eliminating or reducing CO_2e emissions
- Reducing energy consumption (ventilation is a large part of operational expenses)
- Avoiding costly capex investments in ventilation
- Adhering to new legislation, rules and standards

Customer example: Significant order of battery-electric mining equipment in South Africa

Epiroc partners with Ivanplats to develop its greenfield Platreef underground mine in South Africa in the most sustainable and productive manner possible. The ambition is to have an all battery-electric equipment fleet in the mine. The order value exceeds MSEK 90 and the order was booked in the second quarter 2021.

Collaboration example: Epiroc, ABB and Boliden on the journey towards a fossil-free mine

Epiroc collaborates with ABB and the Swedish mining company Boliden to develop an electric trolley truck system. The project is expected to reduce CO_2e emissions by ~3 000 tonnes per year. The concept builds on Epiroc's proven Minetruck MT42 Battery, which will be connected to a contact power line.

AFTERMARKET

High proportion of recurring business

Epiroc has a broad aftermarket offering that includes, for example, service, rock drilling tools, hydraulic attachments, training, and battery conversions.

As our equipment is often performance-critical and used in harsh environments, the use of both consumables and spare parts is high. Reliability, productivity and availability are important success factors. Our customers need to know that we are there for them and that we can offer the aftermarket solutions they need, when they need them.

More than 70% of our employees work with supporting customers in our aftermarket business. Our experienced and technically skilled employees are a key to success and we continuously invest in developing our offering to provide best-in-class service.

In 2021, the aftermarket represented 69% of our revenues. Over time, these revenues are both resilient and growing. In the last five years, our aftermarket revenues have grown 6% per year.

Service

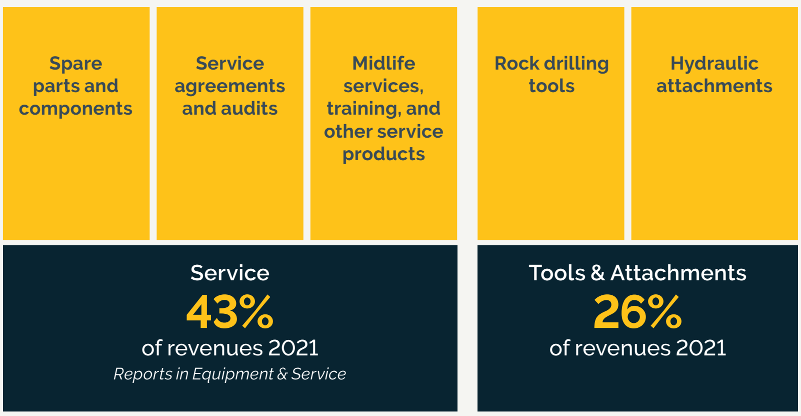
Our service business is important to both us and our customers. Our service organization focuses on the delivery of spare parts, high-quality service, support solutions and training. The spare parts are many times self-developed and trademarked.

The type of service our customers want varies; some customers have Epiroc service technicians on site 24/7, while others choose to take care of their equipment themselves and only buy parts and/or seek technical advice or training.

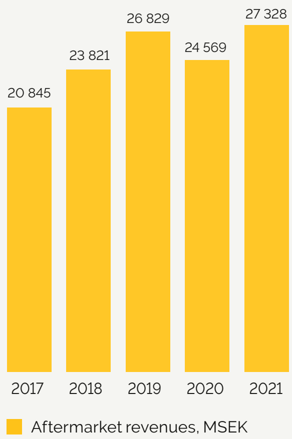
We offer many types of service agreements and service products. They include component remanufacturing and mid-life upgrades, which both extend the life of existing components or machines.

We also offer several solutions, including cost per meter contracts, upgrades and conversion kits that add new features, such as connectivity and batteries.

Broad aftermarket offering



Aftermarket revenues



Rock drilling tools

We provide an extensive range of high-end consumables for rock drilling, such as drill bits and drill rods for use both underground and on surface. We also offer tools for exploration drilling and rock reinforcement. The rock drilling tools can be used on both Epiroc's and other manufacturers' equipment. For customers with an ongoing need for consumables, we offer an inventory management system designed for self-service around the clock. It helps customers save time, reduce costs per drilled meter and have full control over consumption per machine and/or operator.

Hydraulic attachments

We offer hydraulic attachments for rock excavation, demolition of buildings, asphalt, concrete and steel structures, separation of material, recycling and waste handling. The attachments are used for excavators and other similar carriers.

Sustainable aftermarket

Sustainability is a recurring topic when we speak about aftermarket. Maintenance, spare parts and mid-life rebuilds aim to increase productivity for customers and often extend the life of the equipment.

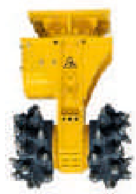
Our rock drilling tools are durable and efficient, which means that they last a long time and drill faster. This leads to more drilled meters per hour, lower production costs and less energy consumed per drilling meter. In addition, we offer re-sharpening of the drill bits, so that they can be used even longer.

Our hydraulic attachments are also important for a sustainable society, as they are perfect for demolition and recycling of, for example, buildings and bridges.

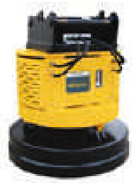
Examples of hydraulic attachments and rock drilling tools

Hydraulic breakers for demolition

Combi cutters for demolition



Drum cutters for hard material profiling



Magnets for picking up scrap metal

Tophammer rock drilling tools

Down-the-hole hammers and drill bits

Rotary drilling tools

Rock-reinforcement systems

Exploration consumables

Life as an automation technician

Gustaf Anveland is one of Epiroc's 6 200 technicians within service. He spends a large portion of his working time in Boliden's mine in Garpenberg, Sweden. At a depth of 1 054 meters, he performs his duties. This ranges from virtual meetings in which he guides customers to solutions to being out in the mine to ensure that Epiroc's machines work optimally.

Over time, Gustaf has become "Epiroc-Gustaf" in the mine and he provides support in many areas. In addition, he is responsible for the new autonomous mining truck MT42, which at each shift change drives 2.4 km back and forth in the mine without any human interference. The autonomous operation means that the mine can continue to produce, despite the shift change.

In a normal working week, Gustaf works underground for three or four days. He appreciates the varied tasks and the safe and comfortable working environment underground.

OPERATIONAL EXCELLENCE

Well-proven business model

We have a focused and decentralized business that can be adapted quickly and efficiently when demand changes. Our strength is based on a high proportion of direct sales, a strong service business and a flexible manufacturing philosophy. In addition, we relentlessly strive for operational excellence.

Focus and decentralization

Our organization is based on the principle of decentralized responsibility, which is a facilitator for quick decision-making.

In order to safeguard economies of scale and efficient processes, cross-divisional councils have been established in R&D, marketing, production, purchasing, people and leadership, finance, SHEQ (safety, health, environment and quality), communications, and service.

High degree of direct sales

We generate sales in more than 150 countries, primarily through direct sales and service. About 87% of our revenues are direct, which contributes to strong customer relationships.

As a global supplier within our niches, we also have a responsibility to act with competence. Our equipment is therefore sold by sales engineers with strong application knowledge and our service is performed by highly trained service technicians.

Strong aftermarket business

We have a large installed base of equipment in harsh environments. The equipment requires frequent maintenance and the customers' use of consumables tends to be recurring and relatively stable over the business cycle.

As an example, when capital expenditure is reduced in an economic downturn, maintenance is even more important to increase productivity and extend equipment life. In total, the aftermarket represents about 2/3 of our revenues.

Flexible manufacturing

We have an asset-light manufacturing philosophy with low capital requirements, which enables a fast and efficient adaptation to changes in demand. The manufacturing of equipment is primarily based on customer orders. The majority of the production cost of equipment, approximately 75%, represents purchased components, while approximately 25% represents internally manufactured core components and assembly.

Innovation and collaboration

A key factor for success for Epiroc is our ability to develop new and innovative products that serve the customers' needs and help them meet their challenges. Collaboration is vital for success. Both our purchasing organization and our service organization are involved in the product development process to find suitable suppliers and the right components.

Operational excellence

To us operational excellence means that we do the right things and that we always strive to do these things even better. We want to be and remain the industry benchmark. We have many initiatives ongoing. One example is our supply-chain improvement program to strengthen customer availability and reduce the environmental footprint.

Business model and operational excellence

Focus and decentralization	High degree of direct sales	Strong aftermarket business	Flexible manufacturing	Innovation and collaboration
Quick and efficient decision-making	87% direct sales	Aftermarket represents ~2/3 of revenues	75% of product cost for equipment is purchased	Leadership in automation, digitalization and electrification

Operational excellence

OUTPERFORMANCE

Value for our stakeholders

We create value for our stakeholders by conducting responsible business while striving to achieve sustainable profitable growth. This is fundamental in our customer offering and helps us attract and keep motivated employees.

Attractive niches

Structural growth
- Growing population
- Urbanization
- Electrification

Increasing challenges
- Lower ore grades
- Trend towards underground mining

Strong focus on safety and sustainability

Resources and input

Natural
- 177 GWh total energy use

Financial
- MSEK 48 583 in assets
- MSEK 1 172 R&D expenses

Intellectual
- 7% of employees working in R&D
- 70% of employees in aftermarket

Human (average)
- 14 611 employees
- 1 303 external workforce

Value-creating strategy

We focus on attractive niches and outperformance. The way forward is defined by innovation, aftermarket and operational excellence – all of which rely on a foundation of sustainability in everything we do and a strong company culture.

Our success is based on sustainability and a strong corporate culture

Created value

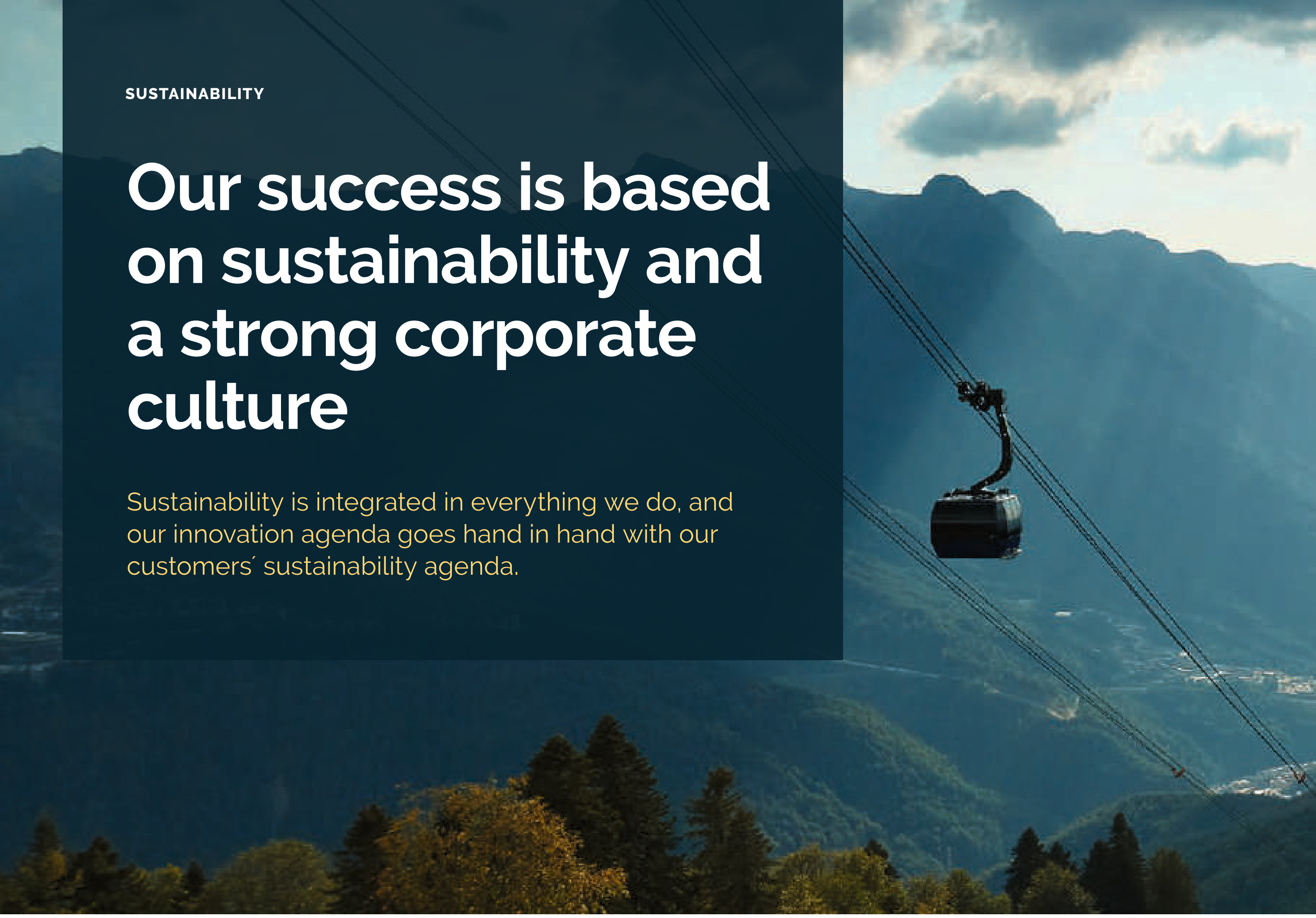
Customers
- Safe and sustainable solutions that lead to higher productivity and lower the total cost of operations

Shareholders
- 57.3% total shareholder return (A share)
- 29.5% return on equity
- Proposed distribution to shareholders of MSEK 3 619

Employees
- Salaries and remuneration to employees of MSEK 8 733
- Several initiatives to improve safety and health

Business partners
- Long-term relationships and business opportunities for a large number of suppliers and distributors

Society
- Long-term sustainability goals 2030
- Contributing to a low-carbon society
- Payments of taxes and social costs
- Local purchasing where Epiroc operates



Our success is based on sustainability and a strong corporate culture

Sustainability is integrated in everything we do, and our innovation agenda goes hand in hand with our customers´ sustainability agenda.

Vital part of a sustainable society

Access to metals and minerals is a prerequisite for modern society to function. Our customers in the mining and infrastructure industries are playing important roles in providing society with what is needed. It is however, evident that operations must be sustainable. That means operations that use low-carbon solutions, have minimal environmental impact, and provide a good working environment in a productive and cost-effective way. Through innovation – particularly within automation, digitalization and electrification - we are achieving measurable environmental and safety gains. We work in close collaboration with our customers and other stakeholders to develop sustainable solutions.

In the shift to a new, low-carbon economy where electrification, circularity, and development of new technologies, will play an important role, our products and services will be a key contributor for our customers. Batteries as a Service, battery conversion and remanufacturing of products and parts for a second life are examples of this.

Epiroc is a signatory to the UN Global Compact, and we incorporate its ten principles on human and labor rights, environment and anti-corruption in our policies and approach to sustainability. We commit to address and integrate human rights in accordance with the UN Guiding Principles for Business and Human Rights. Our Code of Conduct (CoC) forms the basis for everything we do and it has been approved by the Epiroc's Board. All Epiroc employees, as well as our business partners, are expected to adhere to the CoC. Our CoC as well as Epiroc Business Partner Code of Conduct was updated during 2021.

Strong corporate culture with passionate people

Since the creation of Epiroc, we have put a lot of work into further strengthening our corporate culture. Our new vision, Dare to think new, is a clear guide to what we want to achieve. We challenge our way of working, thinking and acting to find new and sustainable solutions in a rapidly changing world. We promote a creative environment where colleagues are encouraged to be entrepreneurial and collaborate across borders, i.e., inside and outside the company. We strive to attract and retain the best talent, regardless of gender, ethnicity, religion, disability, sexual orientation or age as we are convinced that inclusive and diverse teams create better results. Being responsive to needs and fast moving when it comes to innovation is very important to us. That allows us to remain a market leader.

Sustainability goals and materiality

To ensure that we work with the sustainability issues that are most relevant to Epiroc, we conduct materiality analyses on a regular basis. Based on the outcome, we cluster our most material topics into four focus areas and identify key performance indicators (KPIs) for each of the topics to help us measure their relevance and impact. For more information on materiality, see page 139.

As in the past, we continue to measure progress through short-term goals. These help us ensure that performance improves on our most relevant impacts. The results are reported quarterly to the Board of Directors and Group Management. The Group's consolidated targets and results on selected KPIs are presented throughout this report.

In 2020, we set ambitious 2030 sustainability goals for People and Planet. Not only do they reflect our contribution to the UN Sustainable Development Goals as they relate to our business, but also reflect our commitment to help accelerate the implementation of Agenda 2030 and the Paris Agreement. In 2021, we continued to follow the roadmap to achieve our 2030 goals and we started reporting progress

Focus areas	We use resources responsibly and efficiently	We invest in safety and health	We grow together with passionate people and courageous leaders	We live by the highest ethical standards
Material topics	• CO_2e emissions products • Life cycle perspective • CO_2e emissions operations • CO_2e emissions transport	• Product safety • Occupational health and safety	• Leadership • Diversity • Employee care and empowerment • Crisis management	• Business ethics incl. Corruption • Supply-chain management • Human rights

on them. Sustainability targets have been part of the variable compensation for certain job categories in the past. From 2021, progress in relation to targets set in these areas is part of the variable compensation for Group Management, and also certain other managers and employees, depending on the roles and areas of responsibilities. It could be safety, CO_2e emissions reductions or other sustainability targets, or in some cases a combination of targets.

Climate change in focus

Epiroc plays an important role in the transition to a low-carbon society. About two-thirds of our revenues derive from service and aftermarket, which prolongs the life of our products. With mid-life upgrades and retrofit we also need fewer materials, which contributes to a more sustainable use of resources. Our surface drill rigs, equipped with automation, deliver more energy-efficient solutions for our customers with impressive levels of CO_2e emissions saved. Our hydraulic attachments tools, often used for demolition and recycling, are also important in a low-carbon society and for a more efficient use of resources.

During 2021, we continued to work with our climate-related targets to be in line with keeping global warming at a maximum of 1.5° C, consistent with the scientific assessments provided by International Panel for Climate Change (IPCC) and the goal of the Paris Climate Agreement. We performed a CO_2e emissions value-chain analysis, which concluded that 83% of our total CO_2e emissions come from the use of our sold products. Carbon dioxide equivalent (CO_2e) is a unit that standardizes the climate effects of various greenhouse gases. During the year, we did not only commit but also got validation from the Science Based Target Initiative (SBTi) for some of our climate goals, see page 41. The validated goals are well beyond SBTi's minimum requirements and also industry leading.

During 2021 we also prepared a disclosure to what extent our activities are covered by the EU Sustainability Taxonomy. Epiroc is not at the core of the current legislation and therefore only has a few relevant economic activities to report on. Due to the uncertainty regarding several aspects of the taxonomy, a conservative approach to the disclosure has been adopted. Our revenue share only represents revenues related to electrified machines that replace a machine with a combustion engine and from batteries. This means that all other ways we are working to reduce our CO_2e emissions are not classified and included in the EU taxonomy, such as services and energy efficiency improvements on our fossil fuel driven machines. We continue to focus on research and development to increase the share of electrified machines that will help our customers in their efforts to decarbonize their operations. For 2021 we can report an EU Sustainability Taxonomy eligible revenue share of 0.6%, a capital expenditure share of 7.6% and an operating expenditure share of 10.1%. The total operating expenditure consists mainly of research and development expenditure reflecting our current portion of innovation of eligible electric machines or batteries. We will continue to follow the EU Sustainability Taxonomy development and for more information regarding our disclosure, see pages 142-143. We consider our approach and the SBTi validated climate goals to go hand in hand with the EU´s goal of a climate neutral economy in 2050.

The Task Force on Climate-Related Financial Disclosures (TCFD) provides recommendations to companies to report on their climate-change risks and opportunities, and to increase transparency on related actions to tackle them. We strengthened the integration of TCFD into our processes during the year, performed scenario analysis, and we will continue to align our approach during 2022. As a result of the scenario analysis, it is clear that the transition to a low-carbon economy also provides climate-related opportunities for Epiroc. For more information on TCFD, see pages 143-144.

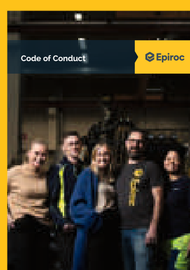
We also need to strengthen our influence over decisions beyond our direct control – from suppliers to customers as this is where our largest climate, human rights and safety impacts lie.

Sustainability reporting

Being a vital part of a sustainable society also means that we can demonstrate it. Measurability and reporting of key figures are therefore highly relevant. We report in accordance with the Global Reporting Initiative (GRI) standards, Core level, TCFD, EU Taxonomy and other reporting frameworks. On the following pages, more information about our goals, focus areas and work in 2021 can be found. A summary of our key performance indicators for sustainability can be found on page 148, as well as additional sustainability performance information on pages 138-147.

Guiding our approach

With our global presence comes global responsibility. In a decentralized organization, good business ethics and governance are central to success. The responsibility is clearly delegated within Epiroc's organization. The strategy, including issues related to sustainability and responsible business, is rooted in the highest management level at the Board. The President and CEO has the ultimate responsibility for delivering results in accordance with our set goals.
Group Management is responsible for formulating and integrating sustainability and corporate responsibility strategies, targets and activities into our operations.



Our Code of Conduct, our Sustainability Policy and our core values guide our employees and our actions for a responsible and ethical business. For more information about management approach, see pages 141-142.

Epiroc 2030 goals for People and Planet

People

Safe healthy ethical

Safe, healthy, ethical

Safety and health

- No work-related injuries

Balanced workforce

- Double the number of women in operational roles

Walk the talk

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

Planet

Halve CO_2 emissions

Halve CO_2e emissions

Operations

- Halve CO_2e emissions in operations
- 90% renewable energy in own operations

Transport

- Halve CO_2e emissions from transport

Products

- Offer a full range of emissions-free products
- Halve CO_2e emissions from machines sold

Suppliers

- Require 50% reduction of CO_2e emissions from relevant suppliers

The Sustainable Development Goals (SDG) are an important UN milestone that sets the scene for ending extreme poverty, fighting inequality and injustice and protecting the environment. It is a 17-point plan that charts society's response to 2030. Epiroc has a role to play in the effort to reach the SDGs by reducing negative impacts on people and the planet and by maximizing the value we deliver through our products and core business operations. We can make the greatest difference in nine of the SDG goals and their sub targets through our 2030 goals. Here is how:

5 GENDER EQUALITY

1. We aim to contribute to ending all forms of discrimination against women. We strive to increase the proportion of women employees and managers and have set a target for 2030 to double the number of women in operational roles. The Inclusion and Diversity Board is one example of actions.

6 CLEAN WATER AND SANITATION

1-2. We aim to strengthen local communities in improving water and sanitation management through our support of 'Water for All', an initiative founded by our employees. We also reduce water consumption in operations, particularly in water-stressed areas. Water-well drill rigs are part of our product offering.

7 AFFORDABLE AND CLEAN ENERGY

2-3. We aim to increase the share of renewable energy and limit the use of energy overall in our operations. We launched an energy-efficiency program to increase the share. We are developing more efficient products and battery-electric equipment that support low-carbon alternatives.

8 DECENT WORK AND ECONOMIC GROWTH

2, 5, 7-8. We aim to contribute to higher levels of economic productivity and decent job creation. By providing safe and decent working conditions, a core component of our Code of Conduct, we have the best opportunity to be a company contributing to sustainable growth.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

4-5. We aim to contribute to upgrading infrastructure and retrofitting industries to make them more sustainable, growing the market for clean and environmentally sound technologies with high-productivity products and services.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

2, 4-6. We use natural resources efficiently and we aim to generate less waste through elimination, reduction, recycling and reuse in our operations. We reduce the use of fossil fuels and increase renewable energy in operations. We provide tools for demolition and recycling.

13 CLIMATE ACTION

2. We aim to halve our CO_2e emissions in operations, transport, for relevant suppliers and in the use phase of our products to help tackle climate change. Our energy efficient and low-emissions solutions support our customers in their efforts to achieve their CO_2e emissions targets and meet climate change.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

2-3, 5. We aim to contribute to reducing corruption in all forms and our Code of Conduct and Business Partner Code of Conduct state zero tolerance and we do not allow any form of modern slavery. Internal mandatory CoC trainings and a responsible sales assessment process are in place.

17 PARTNERSHIPS FOR THE GOALS

16-17. We will collaborate in different industry networks, partnerships and alliances. By mobilizing and sharing our knowledge, expertise, technology and resources we support the achievement of the Sustainable Development Goals in countries we operate.

Our 2030 sustainability goals

Our ambitious 2030 sustainability targets align our organization to tackle important challenges head on and leverage our positive impacts together.

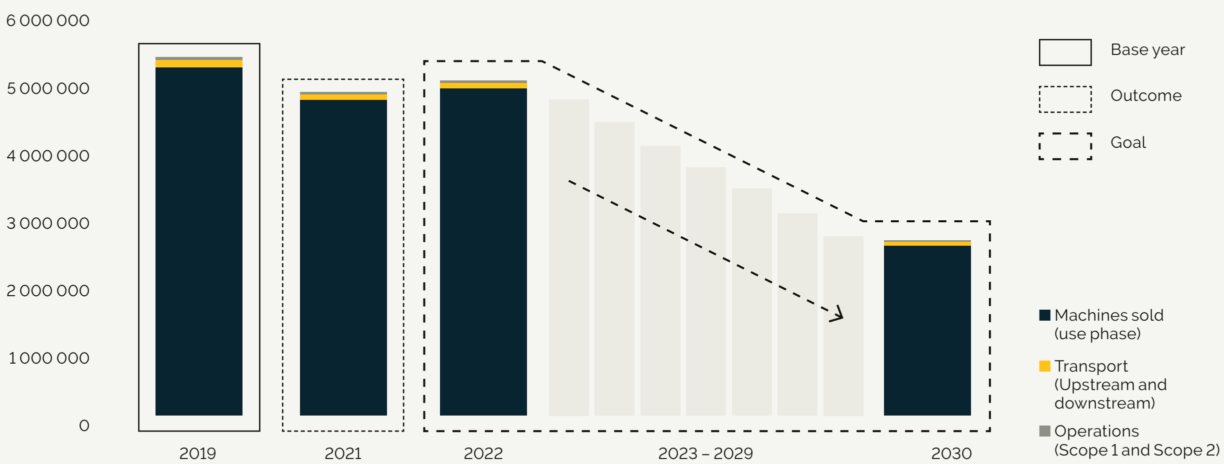
The goals contain two parts: People and Planet. Starting with people. For the sake of both the individual, the team and the business, the goal of no work-related injuries is obvious for Epiroc. From experience we know that it is not easy to achieve a balanced workforce. Our goal is to double the number of women in operational roles. To uphold high ethical standards and act with integrity is important for us. All employees and business partners should therefore adhere to our Code of Conduct and Business Partner Code of Conduct. Trainings and campaigns to raise awareness are important tools to make sure that "we walk the talk". Implementation of our responsible sales assessment process is important when doing business. The purpose of it is to better understand and identify mitigation measures for potential risks with regards to human rights, corruption and environment in markets as well as in industries where Epiroc is present.

For the planet, we have set the goal of reducing our absolute CO_2e emissions from operations, transport, relevant suppliers and from the use of our products sold by 50%. The base year for these goals, but for key suppliers, is 2019. Through these absolute targets, we are also changing Epiroc for the better. Strategies, plans and activities are defined to make this happen. They include, for example, an energy-efficiency programme to increase our share of renewable energy in operations, engaging with suppliers, introducing a transport management system and building up regional distribution centers. Since the majority of our CO_2e emissions occur in the use phase of our sold products, the largest impact will be achieved by halving the CO_2e emissions generated by Epiroc machines. We will offer a full range of emission-free products by 2025 for underground and by 2030 for surface operations. We have a clear ambition to help our customers by providing multiple solutions, such as battery conversion retrofit options and Batteries as a Service, thereby lowering the threshold for the transition to electrification from diesel. By this, we are preparing Epiroc and our customers for a low-carbon economy. More information on activities, see pages 38-41. In the graph below we have illustrated what our CO_2e emission reduction pathway towards the 2030 targets could look like.

The SBTi has validated our 50% reduction targets regarding Scope 1, Scope 2, and the Scope 3 target regarding the use phase of our products. Our work towards the 50% reduction targets in 2030 is an important part of the continued journey towards 2050.

All goals were set by Group Management, after an informed dialogue with stakeholders. For each goal, a council or board is defined as responsible for initiating and coordinating the activities and driving the way forward. Divisions set divisional targets and are responsible for the results. Twice a year, activities and progress are reported in detail to Group Management. A progress report on our 2030 goals can be found on pages 38-49.

CO_2e emissions base year, outcome and goal (tonnes)



Note: Includes all CO_2e value chain categories where reporting and base year have been established. Emissions from Machines sold (use phase) reflects the full expected lifetime emissions of machines sold in the reporting year. See an overview of our total value chain emission footprint on page 39. More information about our base year emissions, outcome and 2030 goals completion can be found on page 39.

We use resources responsibly and efficiently

Product innovation for sustainability

We provide safe and productive, low-carbon solutions that reduce the environmental footprint and meet customer demands for safe and sustainable solutions.

As the world is facing exceptional challenges because of climate change and responsible use of natural resources, facilitating recycling and reducing waste will be even more important in the future. We are part of the solution to combat climate change by developing new and improved products and services. Not only adding value to our customers in terms of safety and productivity, but also addressing their increasing need for low-carbon solutions.

We are convinced that the future of mining and infrastructure can be autonomous, digitalized and CO_2e emissions free, and our long-term 2030 sustainability goals are setting the direction. While providing our customers with sustainable solutions, we also focus on lowering our environmental impact in our own operations.

Customer priorities in sustainability, safety, efficiency and productivity help drive our innovation agenda. The acceleration of automated and digitalized solutions is a priority and a core competency for Epiroc. Innovation leadership requires a collaborative approach with customers and other industry leaders. In addition to collaborations, we invest heavily in Research and Development. In 2021, our research and development expenses were MSEK 1 172 (1 032).

Epiroc´s CO_2e emissions footprint

As part of our ambitious 2030 goals, we work with our climate-related targets and in 2021, we performed a CO_2e emissions value chain analysis to better understand the full scope of our CO_2e emissions footprint. In partnership with a third partner company, we performed a hybrid approach using both screening and inventory of Scope 3 emissions. Our Scope 1, direct emissions from operations, only accounts for 0.15%, and Scope 2, indirect emissions for operations, such as purchase of electricity, accounts for 0.57%. More than 99% of our total CO_2e emissions fall under Scope 3, other indirect emissions. The majority of Scope 3 comes from the use of sold products, 83%. Our focus to halve CO_2e emissions for use of our products is therefore crucial. That is where we can make the largest positive difference for the planet.

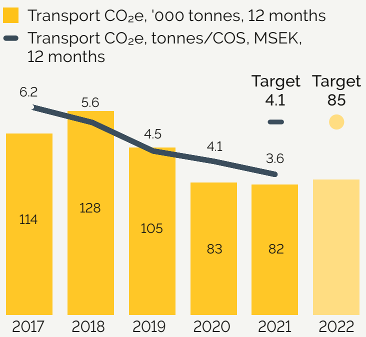
A shift to automation, digitalization and electrification

The majority of our customers' equipment still runs on diesel and we are working to reduce the CO_2e emissions and increase efficiency. Since fossil-fuel dependency is likely to continue in our sector for some time, customers are reducing their environmental impacts, investing in efficient technologies and other efficiency measures. There are many ways to lower CO_2e emissions, for example, by using more efficient engines, engines that can run on biofuel, cable-connected machines, lighter weight vehicles, and more. Battery technology and connected equipment are two important areas, in which we are active, that will help drive the transition to low-carbon solutions.

We offer the widest range of battery-electric underground drill rigs, loaders and trucks in the market, all of which enable zero-emissions operations, provided renewable energy is available for charging. All our underground drill rigs are today already powered by electricity during drilling if the customer

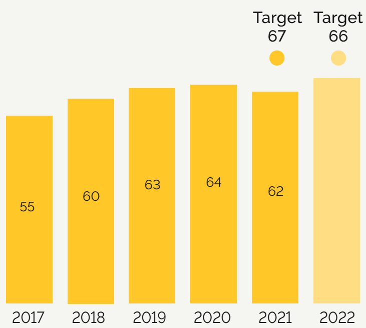
KPI targets and performance

CO_2e emissions from transport (tonnes)/Cost of sales, MSEK



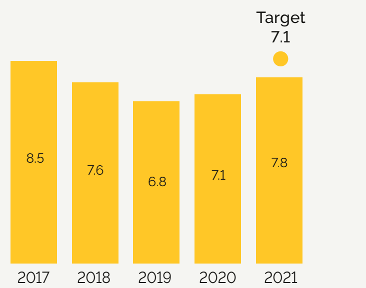
Target for 2021 was 4.1 and the result was 3.6. The improvement is mainly explained by a higher share of shipment by sea and on road instead of air freight. No ratio target against Cost of sales is set for 2022, instead target for CO_2e emissions from transport in '000 tonnes is replacing this KPI.

Renewable energy for operations, incl. renewable of mix, % of total energy



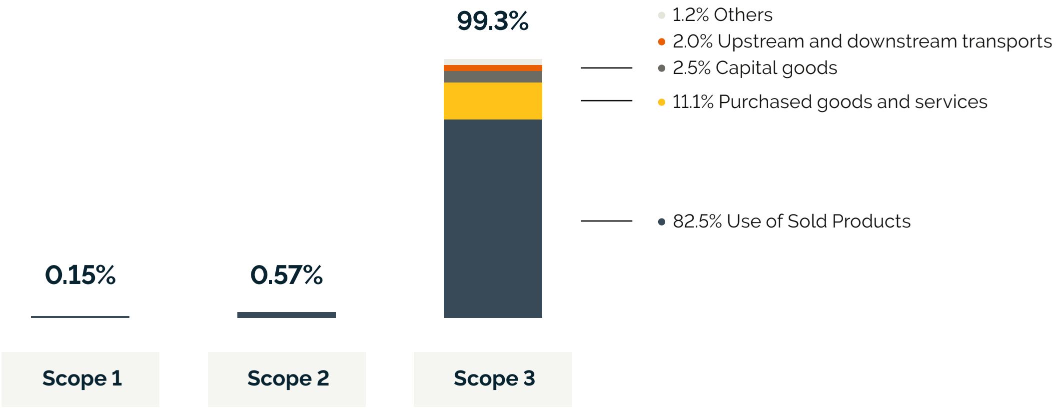
Target for 2021 was 67% and the result was 62%, which is mainly explained by adding new, main CO_2e emitting customer centers in the reporting to ensure a 95% coverage of the Scope 1 and Scope 2 emissions for the Group. For comparable units, excluding the new customer centers, the result was 68%. This represents an increase of 4% compared to 2020 due to a higher amount of sourced renewable energy and installed solar panels.

Total energy use in MWh/Cost of Sales, MSEK



Target for 2021 was 7.1 and the result was 7.8, which is mainly explained by adding new, main CO_2e emitting customer centers in the reporting to ensure a 95% coverage of the Scope 1 and Scope 2 emissions for the Group. For comparable units, excluding the new customer centers, the result was 6.7 due to several initiatives that have been implemented to increase energy efficiency. No target is set for 2022 as we are focusing on absolute CO_2e emissions from operations in coming years.

Our estimated footprint 2021: Value-chain emissions



decides to connect to the electric grid. For surface operations, our range of electric and energy-efficient drill rigs significantly reduces CO_2e emissions and fuel consumption. The use of biofuel instead of diesel for present machines will also be important to our goal to halve CO_2e emissions from use of products.

We will offer a full range of emissions-free products by 2025 for underground and by 2030 for surface operations. We have a clear ambition to help our customers by providing multiple solutions and thereby lowering the threshold for the transition to electrification from diesel. The demand for electrified solutions is increasing rapidly and we received many orders for battery-electric equipment in 2021.

We also introduced a battery conversion retrofit option, in which the diesel driveline on a customer's existing product is replaced with an electric equivalent. Another solution we provide is Batteries as a Service. It is a circular business model, launched in 2019, that has been very well received by our customers worldwide. For more information on electrification, see pages 26-27.

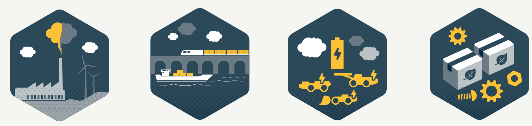
Recent acquisitions strengthen our ambition to help our customers on the electrification journey and to access low-carbon solutions. For more information on acquisitions, see pages 53.

Cobalt is an important metal for batteries. Mining and end-of-life disposal can pose human rights and environmental risks to workers and local communities. We work closely with electrical component and battery suppliers, customers, innovation partners and other stakeholders to achieve transparency on our impacts in this regard across the value chain. For more information on conflict minerals and cobalt, see page 145.

The automation journey continues. We continue to develop the automation capabilities of our own equipment, including both tele-remote and fully autonomous, as well as in mixed fleets, covering both production vehicles and utility vehicles. The autonomous Pit Viper surface drill rig is an example of a solution already in operation in all parts of the world. For more information on automation, see pages 22-23.

Digitalization continues to be one of the core innovation areas and sources for growth in our industry. It is also a key enabler for more sustainable solutions for our customers. We want to take a broader role in the value chain, contributing to end-to-end optimization in the mine and driving productivity for our customers. A recent trend is customer demand for digital solutions in the ESG domain, such as software solutions to follow the environmental impact of the mining operations in real-time. We can already support customers in this area through a product developed by MineRP, a newly acquired company.

Epiroc is well positioned for the technological shift to automation, digitalization and electrification – a shift that is expected to be rapid over the next decade.



Our path to halving our CO_2e emissions

2030 goal	Base year	2021	2030	Goal completion %
Halve CO_2e emissions (tonnes) in operations***	44 333*	33 482	22 167	49%
90% renewable energy in own operation	53%*	62%	90%	N/A****
Halve CO_2e emissions (tonnes) from transport	107 496*	82 383	53 748	47%
Offer a full range of emissions-free products**	35%	35%	100%	N/A****
Halve CO_2e emissions (tonnes) from machines sold***	5 326 925*	4 824 537	2 663 463	19%
Require 50% reduction of CO_2e emissions (tonnes) from relevant suppliers*****	-	-	-	-

* Base year 2019, restated. Main CO_2e emitting customer centers have been included to ensure 95% coverage of our Scope 1 and 2 emissions. Read more about our recalculation policy on page 149.

** Base year 2021

*** Reporting on our SBTi validated targets.

**** Not applicable as 2030 goal is not in relation to base year.

***** Reporting and base year is under development and will be established.

Our circular approach

At Epiroc, we have a lifecycle approach already in the design phase. Our products are designed for high durability and easy disassembly to facilitate service. We have for a long time had a strong focus on increasing the life of equipment by providing service and maintenance, which is a resource efficient approach. Our service organization has programs for preventive maintenance, midlife services and upgrades which all prolong the lifetime of the machines. Remanufacturing of machines and valuable parts such as rock drills, axles, enabling a second life, are other programs offered by our service operations. More examples of how we work with circularity are included in the graph below.

Including a lifecycle approach for innovation also helps minimize waste. The amount of reused, recycled and recovered waste has remained consistently high for several years. For 2021, the proportion of reused, recycled and recovered waste was 96%.

Access to water is another key challenge around the world. Our range of water-well drill rigs exemplifies how our product offering can help tackle sustainability challenges other than reducing CO_2e emissions. During 2021 we launched the new water-well drill rig Valoria VA20. Another example from our exploration business is a water treatment system that removes and manages cuttings from waste drill water. It is possible to reuse up to 70% water in a loop, enabling our customers to substantially lower their environmental impact.

A good development globally is the increasing recognition of the importance of recycling metals and minerals. Besides providing equipment and solutions for extraction for new ore, we also provide tools for metal and mineral demolition and recycling through our Tools & Attachments division.

Collaboration

It is clear that our customers need to go deeper underground for metals and minerals to meet the growing demand. In pursuit of this aim, we are active partners in the Sustainable Underground Mining initiative together with our Swedish customer LKAB, various academic institutes, and other leading suppliers. The ambition of this initiative is to set a new world standard for sustainable mining at great depths. We also coordinate the EU project NEXGEN SIMS, which brings together mining companies, equipment and system suppliers and universities. It supports new technologies, methods and processes that will enable a more sustainable and efficient carbon-neutral mining operation.

Another example of collaboration is the research program headed by KTH Royal Institute of Technology, Sweden. Together with other Swedish companies we collaborate on new innovation management in the transformation into a circular economy.

Efficient operations

An important part in our strategy is operational excellence. We have set ambitious targets to halve the CO_2e emissions in our own operations, transport and for relevant suppliers, as well as to purchase renewable energy.

Reducing CO_2e emissions from operations and increasing renewable energy

Although our carbon footprint in manufacturing is significantly lower than it is during the product use phase, reducing CO_2e emissions from operations is important for us. In 2021, we added new, main CO_2e emitting customer centers in the reporting to ensure a 95% coverage of the Scope 1 and Scope 2 emissions for the Group. As a result, total energy consumption increased 22% compared to 2020. For comparable units, excluding the new customer centers, MWh energy consumption amounted to 153 214, which represents an increase of 5%. This increase is explained by higher production activity. Several initiatives have been implemented to increase energy efficiency, but not enough to compensate for the higher activity level in 2021; however, effects will be visible during 2022.

Our energy-efficiency program, launched in 2019, continued. It aims to increase the level of renewable energy in

Design and innovation
Design for high durability and easy disassembly facilitate service and upgrading.

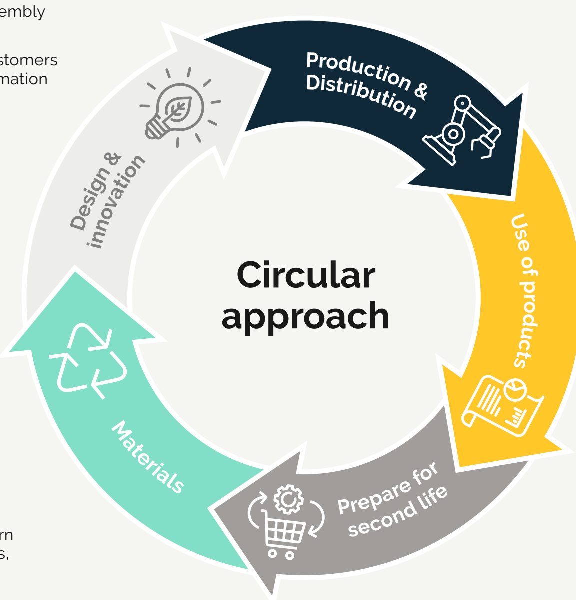
Automation and digitalization help our customers increase efficiency and also provide information when it is time for service.

Standardize between models to reduce number of articles and the need for less material.

New business models such as battery conversion and Batteries as a Service with circularity as its core.

Production and distribution
Programs for recycling of materials, including used carbides collected from customer mines as well as for lifecycle management for parts stocking.

Sell-back of unused parts from customers which facilitate reuse instead of scrapping.



Use of products
Preventive maintenance prolongs the productive lifetime of machines, e.g., by proactive inspections, midlife services as well as upgrade of technology for machines in use.

Materials
Data collection and storage on parts and materials containing substances of concern (SVHC) to be provided to interested parties, e.g., customers and authorities (SCIP).

Prepare for second life
Remanufacturing of old Epiroc machines, including upgrading and refurbishment.

Remanufacturing program for valuable parts such as rock drills, axles, electronic repairs, etc. enables a second life.

our operations through investments in facility structures and alternative energy sources. To achieve our target of a renewable energy mix of 90% by 2030, we are purchasing renewable energy and we are investing in solar panel installations where we cannot increase the sourced renewable energy. We focus especially on entities with a low share of renewable energy. For example, we have installed solar panels in our operations in India, and in 2021 investments were made in China, USA, Australia and South Africa, which will give measurable results during 2022.

The renewable share in our energy mix has increased by four percentage points since 2020, in our production units and distributor centers. In some markets, access to renewable electricity is not available or it is only a minor component of the country´s total energy mix, which can influence our ability to meet our goal.

Reducing CO_2e emissions from transport

We have made good progress in reducing CO_2e emissions from transport. We have used more sea freight and less air freight, which has led to a substantial reduction of CO_2e emissions compared to 2019. By building up regional distribution centers, we have also reduced freight and improved the availability of parts and consumables. For 2021 the CO_2e emissions decreased by 1.1% from 2020 in spite of higher volumes and logistical issues due to the Covid-19 pandemic. Compared to 2020, we decreased the ratio of CO_2e emissions from transport (tonnes) in relation to COS with 12%.

Reducing CO_2e emissions for relevant suppliers

A small portion of our suppliers contributes to the vast majority of our CO_2e emissions in the supply chain. During 2021 the identification of key categories and relevant suppliers was performed. For 2022, we will engage with these suppliers, set common goals and agree on timelines.

Water management with a focus on water risk areas

Our overall water consumption is relatively low since the focus is on assembly. One of our key performance indicators is focusing on efficient water consumption for operations in locations that face water risk. The target for 2021 water consumption in water risk areas ('000 m3) in relation to cost of sales (COS) was 4.4 and the result was 4.2. We have managed to keep relative low water consumption in spite of increased production volumes and cost of sales.

Science Based Target Initiative

We continued to work with our climate-related targets to be in line with keeping global warming at a maximum of 1.5° C, consistent with the latest climate science and the goal of the Paris Climate Agreement. During the year we received the validation from the Science Based Target Initiative (SBTi) for our goals:

- Epiroc commits to reduce absolute Scope 1 and Scope 2 GHG emissions 50% by 2030 from a 2019 base year.
- Epiroc commits to reduce absolute Scope 3 GHG emissions from use of sold products by 50% over the same timeframe.

These goals will also enable a long-term ambition of net-zero emissions by 2050. They are industry leading and well above SBTi's minimum requirements. Epiroc will report on these targets going forward, see also page 39.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Our approach

Each division maintains product responsibility. Products are developed in each division in close cooperation with customer centers. Divisions are responsible for ensuring that all facilities operate according to the Sustainability Policy and the Epiroc Way, including responsible and efficient resource use. The Epiroc Safety, Health, Environment and Quality (SHEQ) Council is tasked with overseeing the safety and environmental approach at Group level and initiating and driving Group programs, projects and activities.

The Group deploys global ISO certification according to ISO 14001:2015 for major units. For more information about our management approach, see pages 141-142.

We invest in safety and health

Product safety

Safety lies at the heart of our innovation strategy and we always put safety and health at the forefront of our product and service offering – one example is Live Work Elimination.

Our customers work in challenging conditions that pose safety risks. For this reason, our equipment must operate at maximum productivity in all conditions without compromising safety. We work closely with customers in regards to risk management, accident and incident reporting and change management to promote the right procedures among equipment operators and service technicians. Through innovation, automation, digitalization and electrification, we are achieving measurable environmental and safety gains.

Safety lies at the heart of our innovation strategy and technology is constantly evolving and offering new opportunities to remotely complete tasks that otherwise could expose people to potentially harmful energy. In 2020, we initiated Live Work Elimination, a program with a focus on further minimizing injury risks to personnel such as operators and service technicians. The goal with the Live Work Elimination Program is to utilize technology to eliminate the risk of injury by facilitating the identification and mitigation of exposure to harmful energy during the maintenance and operation of our equipment. It is a collaboration among our customers, R&D and Service teams.

During 2021, we undertook lifecycle projects on drilling equipment with the intention to identify all live work tasks. This mapping, the live work registers, then formed input into the product development process that now includes the elimination of these tasks. One example of the result of this work is the Hydraulically Operated Bit Basket for remote bit changing. Our technical documentation is also an important resource. A project to review the Standard Operating Procedures (SOP) for live work was conducted during the year. Covering the majority of our products in use, this material has been updated. Work continues on improving our technical material to incorporate the use of videos and various digital media formats. We developed a mandatory Live Work Elimination Safety Training video and information to create awareness and drive change.

The Live Work Elimination Program continues in 2022 as it becomes incorporated into our culture and design processes.

Benefits of automation, digitalization and electrification

Safety is a key driver for the growing demand for automation. Eliminating risks to workers in hazardous environments benefits everyone. When possible, Epiroc uses 5G technology to deliver solutions for automation and information management that also keep people safe.

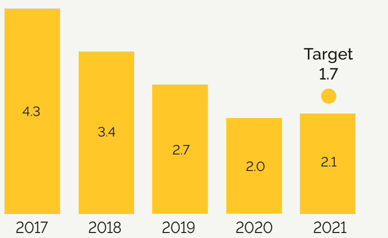
We have developed autonomous and remote-controlled equipment, especially through our 6th Sense range of automated and connected products that transform operating conditions by removing operators from dangerous areas in the mine or at the construction site. With protected hydraulics, sensors and cables, Epiroc's new Boomer M20 underground face drill rig is designed and built to minimize unplanned stops and maximize uptime and performance in highly demanding operations. Through tele-remote capabilities, operators can drill from a safe distance away from hazardous areas. The safe bolting platform has another great advantage because this avoids any operation under unsupported rock. The new Boomer M20 also comes with a battery-electric driveline option that brings additional work environment advantages. Battery-electric underground equipment has no diesel fumes or CO_2e emissions, provided that renewable energy is available for charging, and generates less heat when in use, thereby significantly improving working conditions for people on site.

During 2021, several acquisitions that enable safer mining operations were made. One example is Mining Tag, based in Santiago, Chile, that develops and implements sensor-based solutions that improve safety by allowing monitoring, automation and process improvement of mining operations.

Epiroc recently launched an offering that supports safety in the underground mining environment; the rig control system-based Collision Avoidance System Interface. It detects objects in the collision risk area, evaluates the collision risk level and takes interventional actions to avoid potential collisions.

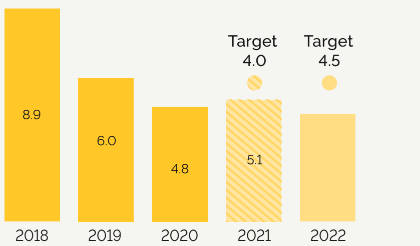
KPI targets and performance

Lost-time injury frequency rate (LTIFR)



Target for 2021 was 1.7 and the result was 2.1. The target was challenging to achieve because of the volume growth with an increased workforce. However, the average number of sick-leave days due to work-related injuries has declined by 23%, indicating less severe injuries. No target is set for 2022, as the Total recordable injury frequency rate (TRIFR) will be the main focus.

Total recordable injury frequency rate (TRIFR)



Target for 2021 was 4.0 and the result was 5.1. The outcome is mainly affected by the new categories of injuries that were introduced in the reporting 2021. The extended reporting of injuries leading to more reported injuries will support us in our preventive work.

Our path towards no work-related injuries

2030 goal	2021	2030
No work-related injuries	155	0

Operational safety

Ensuring the safety and well-being of everyone who works for and with us is the core element of every activity. A behavior-led approach engages everyone in our efforts.

With the launch of the 2030 sustainability goals, Group Management reaffirmed its commitments to safety. It remains a key focus area for us as well as for our customers. In 2021, we implemented several initiatives to raise awareness, address potential hazards and further improve safety across the company – with a particular focus on influencing behavior.

Increased safety awareness and enhanced safety culture

Our field service technicians work with heavy equipment and in harsh conditions. Exposed to injury risk while on the job or in traffic, they are trained to adhere to safety procedures regardless of their working environment. Communicating expectations and improving procedures help elevate safety standards.

SafeStart®, our program to engage all employees to improve their personal safety awareness, completed its second year Group-wide. Its mission is to entrench a global safety perspective with strong local input. This means changing our behavior. A higher risk awareness reduces human errors that otherwise can lead to injury or close-call events. The focus is not solely on developing work skills; safety abilities are also useful in traffic and at home. The Covid-19 pandemic continued during 2021 so the SafeStart® trainings were mainly conducted virtually via E-learning trainings instead of in-person. The roll-out was somewhat delayed since in-person training is still needed in some cases. In 2021, 32%, 5 474, of employees and external workforce received SafeStart® training and in total 49%, 8 383, have been trained since the roll-out started. In 2022 we will continue the roll-out. Participant feedback includes gaining a higher safety awareness. This program is an important tool in our safety work to reach zero work-related injuries.

One of the most common injuries is hand injuries. Toward the end of 2021 an internal campaign on hand injuries was launched to provide information about challenging situations with the goal of lowering the number of hand injuries.

The World Day for Safety and Health at Work was observed throughout the company worldwide, largely through virtual workshops and online training. We continued with the roll-out of the Epiroc Safety Commitments in our customer centers after the successful roll-out in the production units and distribution centers in 2019 and 2020. These commitments consist of eight reminders of how we act and behave according to our internal safety rules to protect our co-workers and ourselves.

Employee well-being is a good measure of a company's health and the number of sick days per employee/year is also one of our key performance indicators. It was 5.8 (5.1) in 2021, a figure that has remained consistently low in the last five years with a slight increase in 2021 due to the Covid-19 pandemic.

Continuous focus

We are moving in the right direction. For work-related injuries, we have seen a positive trend since 2017.

The improvement rate, however, declined in 2021 and from 2021 we are also reporting more types of injuries under total recordable injuries. We can see that the new injury types stand for 34% of all recorded injuries. For 2022, the continued implementation of the Live Work Elimination program and finalizing the SafeStart® trainings will be in focus.

**Epiroc Safety Toolbox
this is how we work with safety**

Our approach

Every division president and general manager is responsible for health and safety and for ensuring adherence to the Sustainability Policy in planning processes, strategy, training, targets and performance.

The Epiroc Safety, Health, Environment and Quality (SHEQ) Council is tasked with overseeing occupational health and safety at Group level. The council proposes updates on Group policies, develops targets and key performance indicators, and implements and communicates improvements. Our management system is supporting our safety-first approach. During 2021, we recertified from OHSAS 18001 to ISO 45001.

For more information about our management's approach, see pages 141-142.

We grow together with passionate people and courageous leaders

Our passionate people contribute to making Epiroc a great place to work. Our ambition is to be a future-looking, attractive, inclusive and digitally-enabled company where people collaborate to deliver sustainable business results.

Based on a shared culture of performance rooted in inclusion and diversity, we strive to attract and retain the best talent regardless of gender, ethnicity, religion, disability, sexual orientation and age. With a company culture based on trust, transparency and freedom with accountability as well as employee care, we believe that we are well placed to remain an attractive employer. We have a decentralized organization and a strong focus on results and sustainability. The engagement and commitment of our employees and managers ensured our success throughout 2021 and the Covid-19 pandemic.

Our company vision: Dare to think new

Since the creation of Epiroc, we have put a lot of work into further strengthening our corporate culture building upon the many strengths we brought with us. Our new vision, Dare to think new, was launched in 2021 during a digital event engaging all employees in the Group. It is a clear guide to what we want to achieve and it shows that we are not satisfied with following others or just “keeping up”. We must have the courage to think new in all aspects and in every area of the company. The world is changing at a fast pace and our customers are constantly facing new challenges to improve profitability and sustainability. To succeed, we must provide innovations that are sustainable, improve efficiency as well as safety for customers. Our vision is also inspiring people-related strategies, including challenging norms for how and where to work, collaboration using digital technologies, and to continuously learn together.

Another launch in 2021 was the Epiroc Book. It explains our story and how we, together with and for our customers, can build an even stronger Epiroc. It was launched during a digital event for more than 500 of Epiroc's leaders from 67 countries.

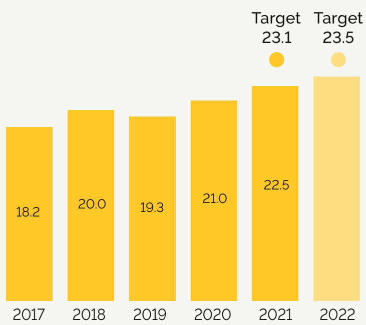
High-performing and passionate teams

Epiroc's decentralized culture is founded on collaboration, trust and freedom with accountability. We work proactively to further enhance collaboration across the organization and among locations. Trust is fostered through transparency and responsible feedback. Supporting the culture is a sustainability focus and ethical mindset that promotes long-term thinking. We apply the principles of lean management, emphasizing efficiency while encouraging every individual at all levels to take responsibility for their own career and to develop their skills.

To invigorate our learning culture, we increased the number of learnings available as well as learning events and development programs during 2021. Maximizing the use of digital tools is an integral part of this. Excellence programs for business owners, sourcing managers, human resource managers, and business controllers were launched. We also rolled out the Influencer Leadership program that aims to enhance leadership capabilities to actively inspire and develop our people to collaborate and increase performance

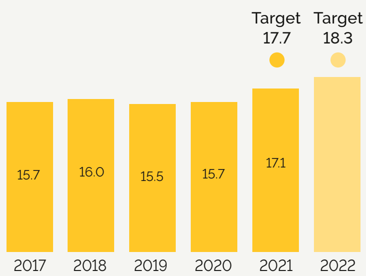
KPI targets and performance

Women managers, %



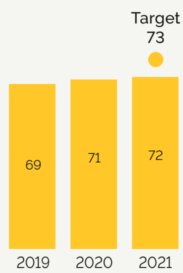
Target for 2021 was 23.1% and the result was 22.5%. Investments and efforts did not take full effect this year. Specific progress was made in the second-half of the year, which should carry over into 2022.

Women employees, %



Target for 2021 was 17.7% and the result was 17.1%. Investments and efforts did not take full effect this year. Specific progress was made in the second-half of the year, which should carry over into 2022.

Leadership Index



Target for 2021 was 73 and the result was 72. The result was improved compared to previous year, though we can see improvement opportunities not least in the area of recognition.

and sustainable business results. In line with our new vision, Dare to think new, the new Challenger program was launched. It strives to develop and encourage employees to challenge the organization to accelerate innovation. A pre-requisite for qualifying for development programs is for employees to be open minded, question existing methods and be willing to test new ways of working.

We believe strongly in internal mobility in the company as a means to broaden perspectives and growth, including to work on short- and/or long-term assignments internationally. In support of this, we released and upgraded our global mobility framework and policies for these types of assignments during 2021.

Number of employees

The total number of employees in the company increased by 1 689 during the year, to 15 529 compared to 13 840 in 2020. The increase was mainly related to service and acquired businesses.

Inclusion and diversity

We believe that inclusion and diversity are critical for our business success. We need to work with the full scope of diversity in order to create high-performing teams and to build workplaces that are inclusive, energized and productive. Diverse teams innovate more and give better results.

We are proud of being a culturally diverse organization with some 34 nationalities represented among Epiroc's most senior management worldwide. In addition, 150 (161) employees from 39 (40) countries work on long-term international assignments.

Inclusion and diversity activities are in place throughout the Group and overseen by our Inclusion and Diversity Board. An inclusive leadership development program is being rolled out to management teams. One division has piloted training on unconscious bias for all managers. A wide variety of other investments have been made in divisions and local entities with the goal to improve inclusion and diversity across the Group.

Gender diversity is a challenge for our industry and us, and to dramatically improve this is a priority as part of our continuous efforts to create higher-performing teams. It is also one of our 2030 sustainability goals to double the number of women in operational roles, that is, in R&D; marketing and sales; manufacturing and service. We can see that for certain job categories it is more challenging than for others to achieve these long-term goals. We also want to increase women managers and employees. Our target is that 40% of managers and 30% of employees will be women by 2030.

To achieve progress and attract more women in operational roles, different initiatives and investments have taken place. One example is our nine-week rotational training program in our Garland factory, USA, which aims to increase the number of women in production. The project was launched in March 2021 and we have finalized two rounds so far. It has already yielded good results. Since it started, we have doubled the share of female production employees in Garland from 7% to 14%.

In addition, the number of women apprentices in programs in many of our customer centers has increased, for example, through a service academy in India. The number of women working in production via partners has also increased. In addition, our female mentorship program which is part of our effort to attract and retain female leaders and talent within Epiroc continued. 163 women have been mentored since 2015 within this program, which has provided inspiration and created success stories within the company.

Inclusive way to measure performance

During the year, 87% (87) of employees had performance development talks with their managers. We completed our annual employee survey in October 2021, achieving a response rate of 83% (83) and employees provided more than 14 000 comments. This confirms the positive company spirit and the resilience of our employees, even in challenging times. The Engagement score of 77 was 1 point lower than last year, though significantly higher than external benchmarks which also fell during 2021. The Leadership Index continues to follow a positive trend, with a slim increase from the previous year. Overall a good improvement of results and there are opportunities for improvement in the areas of communication, decision making and equal opportunity.

For 2022 we will continue to focus on talent acquisition and personal development as well as inclusion and diversity.

Collaboration

As a member of the International Council of Swedish Industry (NIR), we collaborate with Swedish companies and other stakeholders with the common goal of promoting sustainable and responsible business. In South Africa, we continue to participate in Swedish workplace programs which focus on enabling strong relationships between management and employees through social dialogue. In Colombia, Epiroc participated in a Women Empowerment program to better meet gender equality strategies.

Rising to the challenge of the Covid-19 pandemic

The Covid-19 pandemic continued to affect businesses in all parts of the world – and Epiroc was no exception. We responded to the challenges with a continued focus on colleagues' health and well-being, as well as supporting and servicing our customers. Many employees continued to work remotely from home, and the Covid-19 pandemic has put extra emphasis on the importance of broad and frequent communication, so everyone's needs are recognized and connectedness is fostered among people. We continued to increase the use of digital technologies and tools to collaborate. Business travel was for obvious reasons much lower compared to before the Covid-19 pandemic. We updated our Travel Policy to ensure that, after the Covid-19 pandemic, travel will only take place for specific, well-defined objectives, for example, to facilitate customer-oriented collaboration and other business critical occasions. The Covid-19 pandemic also served as catalyst toward more flexible and hybrid working in the future. At the end of the year, Group Management confirmed that the whole company would encourage and explore hybrid-working models suitable to their operational needs taking account of employee preferences.

Covid-19 pandemic survey

During the year, we conducted additional company-wide employee pulse surveys relating to the Covid-19 pandemic, to which 57% of employees responded. This showed that overall employees were coping well during the Covid-19 pandemic and experienced good support from their managers. The overall employee sentiment score went up by 3 points from the survey carried out at the end of 2020. Several comments brought up a desire for the hybrid-working model in the future; these have been taken into account when defining the guiding principles to apply for flexible hybrid work post the Covid-19 pandemic.

Our path to a more balanced workforce

2030 goal	Base year	2021	2030	Goal completion %
Double the number of women in operational roles*	11%	11%	22%	First year

* Base year 2021

Our approach

Epiroc's People and Leadership Council leads initiatives, monitors performance and shares best practice in matters relating to human resource management across the Group. The Inclusion and Diversity Board, established in early 2020, with senior management members from across the Group, is responsible for setting targets, initiating activities, safeguarding progress as well as acting as ambassadors and leaders for achieving our targets and ambitions in this area. The Epiroc Code of Conduct sets out our commitment to diversity and high labor protection standards. For more information about our management's approach, see pages 141-142.

We live by the highest ethical standards

Living by the highest ethical standards is the foundation of our business approach. Our Code of Conduct is built on our core values, applicable laws and internationally recognized principles for how companies should conduct business responsibly.

Risk-based approach

Epiroc's customers are located in more than 150 countries. In every market where we operate, we must act in accordance with applicable laws and regulations, uphold high ethical standards and act with integrity. The geographical locations of our sites, suppliers and customers play a central role in identifying risks. Some markets are complex and challenging, and environmental, social and governance laws and regulations can vary considerably. Levels of risk exposure to sanctions, corruption and human rights issues such as labor rights, forced labor, conflict minerals and land rights as well as environmental risks such as climate risk exposure also vary among markets in which we operate.

The Epiroc Compliance Board and Group Compliance have an oversight role. Our Global Trade Compliance Program, Data Privacy Governance Program and responsible sourcing and sales assessments processes, third-party due diligence, self-assessments and audits help us better understand where we may have risks of non-compliance, even when risks are beyond our direct control.

Updated Code of Conduct and Business Partner Code of Conduct

We updated our Code of Conduct (CoC) during 2021. It contains a clear message from our President and CEO and it describes who we are as a company as well as the high ethical standards and integrity we must follow in different compliance areas, clearly dealt with topic by topic. All our employees are required to be familiar with and follow our CoC. This helps us "walk the talk". The CoC is supplemented by Group policies and together they provide direction to help us make sound decisions and to never sacrifice our integrity.

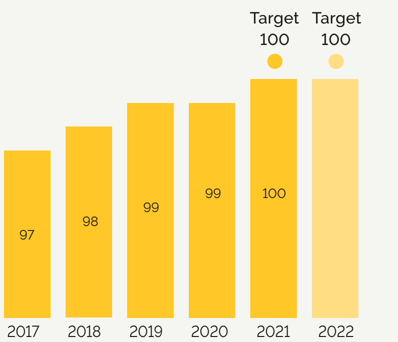
Each manager is responsible for the implementation, day-to-day reinforcement and follow-up. Translations, questions and answers and other supporting information materials were developed to support employees in understanding our CoC. A CoC E-learning, mandatory for all employees, is also available in twelve languages. The training includes all important compliance areas with ethical dilemmas, some inspired by actual situations in Epiroc, in order to deepen our employees´ understanding and allow them to practice how to solve challenging issues. As part of completing the training, employees must certify compliance with our CoC. During 2021, 100% (99) of all managers certified compliance.

We continued to focus on education and communication to be spread in our decentralized organization in order to ensure CoC compliance. For example, the CoC is always in focus in our General Managers' trainings, and compliance topic-of-the-month articles are published on the intranet to increase awareness in the organization.

Conducting business in a responsible manner is of great importance to Epiroc. Therefore, we choose to work with business partners with high standards. This relates both to the quality of the goods and services they are providing as well as to their acting in accordance with high ethical standards and integrity. Following the launch of our updated Code of Conduct in early 2021, we also launched a new Business Partner Code of Conduct, which replaced the Business Partner Criteria Letter. It spells out our requirements for business partners, which they are all expected to commit to, follow and uphold. Our Business Partner Code of Conduct is available in 13 languages and is published on our intranet and corporate website.

KPI targets and performance

Significant suppliers that confirmed compliance with Epiroc Business Partner Code of Conduct, %



Target for 2021 was 100% and the result was 100%. We continue to work with our suppliers to maintain a high level.

Our path towards walk the talk

2030 goal	2021	2030
Have all employees comply with our Code of Conduct*	100% (managers)	100%
Have all business partners comply with our Business Partner Code of Conduct**	100% (sign. suppliers)	100%
Responsible Sales Assessment Process Implemented***	-	100%

* For managers 100% confirmed compliance and for all employees reporting is under development and will be established in 2022.
** For significant suppliers 100% confirmed compliance during 2021 and for indirect sales channels reporting is under development and will be established in 2022.
*** Reporting is under development and will be established in 2022.

Compliance Programs

Our function Group Compliance implements compliance programs, including risk identification, policies, training and digital tools to manage compliance risks in all countries where we conduct business. This to ensure an effective control structure within the areas such as anti-corruption, conflict of interest, third-party due diligence, anti-money laundering, anti-trust, trade compliance, and data privacy. During 2021, we developed our compliance program further by establishing a Data Privacy Governance Board, updating privacy policies, launching a Global Trade Compliance Policy and we decided to constitute a Trade Compliance Steering Committee to support implementation by our entities, supported by the Global Trade Compliance team.

Speak Up - our whistleblower system

Employees and external parties are encouraged to report violations of our Code of Conduct, laws, regulations or our Group policies. To facilitate reporting, we have the Epiroc Speak Up system, which is a third-party reporting tool allowing anonymous reporting of concerns in local languages. We do not tolerate retaliation against any employee for reporting an ethics or compliance issue in good faith. The system is open to all our employees and business partners.

The number of cases reported via Speak Up or other channels rose in 2021 to 100 (64). In line with previous years, the largest category of reported cases related to labor relations. In comparison with previous years, an increase in the number of reported cases was noted in the categories of labor relations, fraud and corruption, harassment, conflict of interest and discrimination.

The Speak Up system was introduced in late 2019. It replaced the hotline via email we had after the split from Atlas Copco. We welcome the opportunity to be able to address issues and concerns by our employees. For more information about reported cases, see page 147.

The implementation of the EU Whistleblower Protection Directive was analyzed during the year and any required changes to our reporting system will be made by July 2022 at the latest.

We have zero tolerance for corruption

Corruption is a challenge in many parts of the world and an issue for companies that want to conduct business responsibly. Firm actions will be taken on any violation. Since 2020, we are members of the Swedish chapter of Transparency International.

Responsible Business

Implementation of our responsible sourcing and sales programs is rooted in the Code of Conduct, UN Global Compact and the United Nations Guiding Principles on Business and Human Rights (UNGP).

Epiroc stands for respect for human rights across our business operations and we identify and manage these issues through responsible sales assessments and a responsible sourcing process. Implementing the UNGP is an ongoing process that includes awareness-raising, process development, implementation and follow-up across the value chain. Among our challenges is to identify risks and influence other parties' behavior even when it is beyond our direct control. We guide our businesses with the help of various policies, processes and tools.

Responsible sourcing

We use a risk-based approach and track compliance with our Business Partner Code of Conduct for our significant suppliers. These are suppliers with the largest share of purchasing spend and those with operations in markets with the highest risk of corruption, environmental and human rights violations.

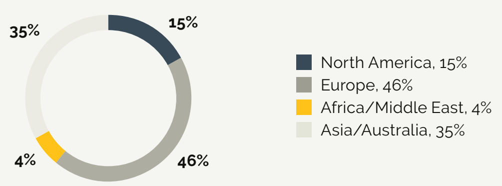
We define risk markets using environmental, human rights and corruption criteria from a third-party risk analytics firm. For 2021, the total number of significant suppliers was 1 422 (1 532).

We assess supplier compliance in different ways, the primary way being supplier self-assessments. Supplier on-site audits of selected suppliers are to take place every fifth year. The Covid-19 pandemic and the related travel ban affected the auditing of suppliers. In 2021, we performed 135 (123) quality and safety, health, social and environmental audits and 33% were performed digitally on suppliers' premises due to the situation.

Of the suppliers audited on-site for safety, health, social, and environment, 92% (98) were approved, and the remaining 8% approved with conditions. Business relationship reviews are made when violations are detected. In these cases, business partners must adapt or change to meet our requirements and establish an action plan for compliance. A precondition for doing business with us is that our business partners must allow us to perform these audits.

Europe and Asia/Australia accounted for 81% (77) of our significant suppliers´ base. Most deliveries from significant suppliers are made to regional Epiroc production units and distribution centers. We have the ambition to source more

Significant suppliers, geographical spread, %



Epiroc Sourcing general process: Manage Procurement and Suppliers

from regional suppliers, thereby better serving customers and adding value locally while reducing our CO_2e footprint. In 2021, we continued maximizing our global footprint with local capabilities. We also strengthened the reporting and evaluation processes of our suppliers, including the self-assessments questionnaire, as well as the audit procedure.

The Covid-19 pandemic continued to affect us during 2021 with supply chain and transportation challenges. To manage these, cross-divisional taskforce teams were created to secure needed materials and supply. Thanks to committed employees and internal collaboration, we managed to serve our customers in the best possible ways even in these challenging times.

Indirect sales channels
In 2021, the previous definition of significant agents, resellers and distributors was replaced with a new definition called active indirect sales (IDS) channels. The reporting scope, including possible thresholds, on confirmed compliance with Epiroc Business Partner Code of Conduct is to be set during 2022.

Responsible sales
The implementation of the Responsible Sales Assessment process, launched in 2019, also continued. The process includes a human rights due diligence process. Its purpose is to better understand and identify mitigation measures for potential risks with regards to human rights, corruption and environment in markets as well as in industries where Epiroc is present. Our assessment includes criteria that allow us to determine when a responsible sales assessment is required. These are:

1. Country – a third-party risk analytics firm ranks countries according to risks, such as different labor standards, child labor, modern slavery, impacts on land rights and indigenous people, environment as well as corruption.
2. Customer – type of customer and project.

Responsible sales also include climate-related considerations. The transition to a low-carbon economy requires less use of fossil fuels. The product portfolio is designed for hard-rock excavation, and Epiroc does not have nor develop any equipment that is exclusively dedicated to coal extraction, even if some of the drill rigs can be used in coal applications. In 2020, Epiroc made the decision to no longer develop products or solutions exclusively dedicated to coal extraction. For more information on how we implement the UNGP, see page 147.

Our approach
The Epiroc Way, our governance framework, includes compliance policies, procedures and other steering documents. The Epiroc Compliance Board and Group Compliance have a compliance oversight role and our divisions and local management drive the implementation of our CoC and our compliance governance framework at the local level. Managers are responsible for promoting CoC values and implementing them among their team members. All employees are expected to be aware of the CoC and take responsibility for ensuring it is applied.

The Sourcing Council is responsible for the Purchasing Policy and divisions hold responsibility for compliance. Local management is responsible for evaluating their suppliers and indirect sales channels according to the requirements in our Code of Conduct and Business Partner Code of Conduct. General managers and Division presidents are responsible for performing responsible sales assessments. For more information about our management approach, see pages 141-142.

Employee and community engagement

How we affect our local communities is important for us and Water for All is our main community engagement. In these challenging times, many employees have also engaged in different Covid-19 pandemic initiatives to make a contribution.

Water for All

Access to clean water is a human right. Since 1984, Water for All has been Epiroc´s main community engagement initiative. It has funded projects that empower people through access to clean drinking water, sanitation and hygiene, thereby contributing to healthy societies.

The organization focuses especially on women and girls since they are particularly affected. The local Water for All organizations investigate and select a partner to work with and subsequently a water project to support. The project could involve drilling and digging a well or protecting a natural water resource. It could also be building a system for rainwater harvesting or building sanitation or sewer systems.

Water for All is run on a voluntary basis by employees within the Epiroc Group and the Atlas Copco Group. Employee donations are matched with twice the amount by the companies.

In 2021, more than 62 water and sanitation projects were implemented with Water for All funding in 31 countries, in total reaching more than 337 000 people. In addition, Water for All financed a Red Cross project to provide water, sanitation and hygiene, aiming to lower the risk for Syrian refugees in Lebanon to be infected with the coronavirus during 2020 and 2021. For more information, see www.water4all.org

Covid-19 pandemic support in action

The Covid-19 pandemic has claimed millions of lives worldwide and Epiroc has also been affected. In an effort to help the global distribution of vaccines, Epiroc made a donation to COVAX, an initiative co-led by Gavi, the Coalition for Epidemic Preparedness Innovations (CEPI) and WHO. COVAX is working for global equitable access to Covid-19 vaccines, to make them available for more people in more countries. Thanks to COVAX's efforts, many people in regions hit hard by the Covid-19 pandemic and with previously little or no access to vaccines have received inoculations.

Local Covid-19 pandemic initiatives

Epiroc companies and employees all across the world took actions in their local communities to support the fight against the Covid-19 pandemic. One example among many is 'Aarogya Sampada'. This is a health initiative of Epiroc India focusing on support to the local community. Under this program, Epiroc India engaged in the 'Covid-19 Relief & Hospital Facility for Community' project and supported hospitals in Nashik, Pune, Hyderabad, Udaipur and Rajsamand. A total of 25 life-supporting ventilators, as well as sanitizers and masks, were handed over to hospitals in those cities.

Administration report

2021 was a record year for Epiroc. High customer activity in combination with improved investment willingness led to record-high orders received. Revenues increased and operating profit and margin reached new records, despite challenges with the Covid-19 pandemic and in the supply chain. Eight acquisitions were completed, groundbreaking innovations were launched, and Epiroc made good progress in the sustainability area.

Important events

Changes in Group Management

Håkan Folin is Senior Vice President Controlling and Finance and Chief Financial Officer, and a member of Group Management as of December 1, 2021. He was previously CFO at SSAB AB and succeeded Anders Lindén.

Charlotta Grähs was appointed Senior Vice President General Counsel and a member of Group Management as of February 21, 2022. She was previously General Counsel at Trelleborg AB and succeeded Jörgen Ekelöw.

We dare to think new

At the beginning of 2021, Epiroc introduced a new vision: Dare to think new. It highlights Epiroc's relentless focus on providing innovations that improve efficiency and safety.

Walk the talk: Updated Code of Conduct

In February, an updated version of Epiroc's Code of Conduct was launched. It is based on laws and internationally recognized principles for how companies should conduct business in a responsible way. Topics included are: the highest ethical standards, integrity, diversity and inclusion. All employees in the Group are obliged to comply with the Code of Conduct.

Science Based Targets

Epiroc is driving the industry's transition to a climate-friendly future, and in November the Science Based Targets initiative (SBTi) validated the company's ambitious climate goals. Epiroc's position as a sustainability leader has thus been further reinforced.

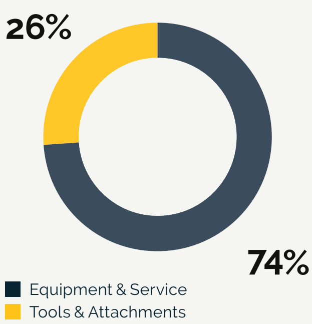
Epiroc's organization

Epiroc AB is a public company headquartered in Nacka, Sweden. The company's corporate identity number is 556041-2149. Epiroc has sales in more than 150 countries and customer centers in more than 60 countries.

The Group is organized in five separate and focused but still integrated divisions and has two reporting segments; Equipment & Service, see pages 58-59, and Tools & Attachments, see page 60. Common Group Functions serve the whole Group. Revenues from operating leases owned by Epiroc Financial Solutions are reported under Common Group Functions.

At the end of 2021, Epiroc had 27 production facilities in eleven countries. Equipment & Service had 12 facilities and Tools & Attachments had 16. One facility serves both Equipment & Service and Tools & Attachments.

Revenues per segment



Equipment & Service

Surface | Underground | Technology & Digital | Parts & Services

Tools & Attachments

Tools & Attachments

Acquisitions

Acquisitions that support profitable growth are a natural part of the strategy and Epiroc finalized eight acquisitions in 2021.

MineRP optimizes large and medium-sized mines by providing a leading software platform solution that integrates 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".

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".

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".

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 is reported in "Service".

Mining Tag 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 is reported in "Service".

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 and completed on August 10. The acquisition is reported in Tools & Attachments.

Mobilaris MCE provides advanced situational awareness solutions that increase safety and optimize operations in mining and civil engineering, particularly underground. The company has approximately MSEK 60 in revenues and 50 employees. The acquisition of the remaining shares (Epiroc previously held 34%) was completed on November 2. The acquisition is reported in "Equipment".

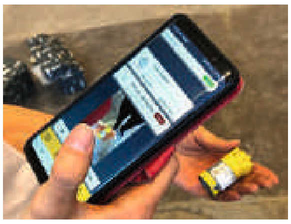
FVT Research converts diesel-powered machines into battery-electric vehicles. The company has approximately MSEK 27 in revenues and 25 employees. The acquisition was announced on September 13 and completed on November 3. The acquisition is reported in "Service".

Innovations

Boomer M20

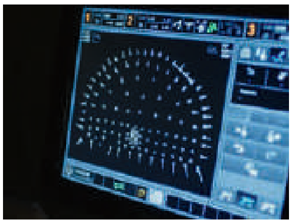
The Boomer M20 is the world's first face drilling rig with protected hydraulics, electronics and sensors. It minimizes unplanned maintenance and maximizes uptime and performance. The underground drill rig is available with a battery-electric option.

Epiroc's Inventory Management system



Epiroc's valued Smart Inventory Management system, designed to offer 24/7 self-service storage for consumables on site, was launched in more countries. It helps customers save time, reduce cost per drilled meter and gain full control of consumption per machine and/or operator.

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 tailor-made drilling plans for each and every section.

Essential Line

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

Automatic Bit Changer

The Automatic Bit Changer is the next step in autonomous drilling advancements. It eliminates human interaction with the drill string and changes rotary bits both faster and safer than if performed manually.

Pit Viper 291

The Pit Viper 291 is a powerful drill rig for large diameter blast holes. It delivers productivity, flexibility and enhances safety. With Epiroc's Rig Control System, it can be configured with scalable automation features, including fully autonomous drilling.

Reman program

The Reman program of components is a true circular offering. Instead of buying a new component, the customer returns a used component in exchange for a remanufactured component. It means maintained availability and reliability at a lower cost.

Charging products

To support customers in the transition towards battery-electric equipment, Epiroc offers a wide range of flexible charging products. If connected, the customer can also monitor their charging remotely through a cloud service.

Market development

The underlying demand was strong, both for equipment and aftermarket. High growth was achieved in all segments and in all regions. Customers' willingness to invest improved and several large orders were announced. Many of these orders include Epiroc's most advanced automation and electrification solutions.

Orders received

The orders received increased 25% to MSEK 45 648 (36 579), corresponding to an organic growth of 26%. All businesses grew, with particularly strong growth for equipment. Acquisitions contributed with 3%. Currency impacted the order intake negatively by -4%.

Compared with the previous year, orders received increased in double digits in local currency in all regions. North America achieved the highest growth rate.

- North America (23% of orders received): +42%
- South America (12% of orders received): +21%
- Europe (23% of orders received): +30%
- Africa/Middle East (14% of orders received): +31%
- Asia/Australia (28% of orders received): +23%

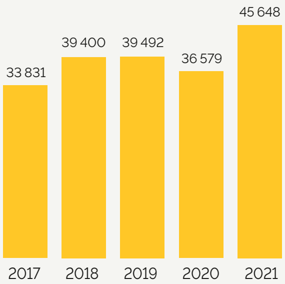
Sales bridge	Orders received	Revenues
	MSEK	MSEK
2020	**36 579**	**36 122**
Organic	26	12
Currency	-4	-4
Structure/other	3	2
Total	25	10
2021	**45 648**	**39 645**

Revenues

Revenues increased 10% to MSEK 39 645 (36 122), corresponding to an organic growth of 12%. Acquisitions impacted revenues positively by 2%, while currency impacted negatively by -4%. The book-to-bill ratio was 115% (101).

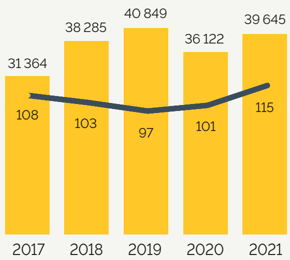
> Epiroc's goal is to achieve an annual revenue growth of 8% over a business cycle. The average annual revenue growth was 6% in the period 2015-2021.

Orders received



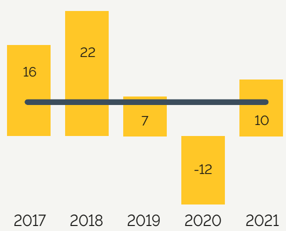
Orders received, MSEK

Revenues and book-to-bill



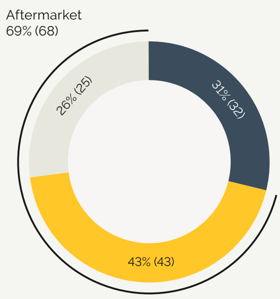
Revenues, MSEK
Book-to-bill, %

Annual and average revenue growth



Revenue growth, %
Compound annual growth rate, 2015–2021, %

Revenues by business type



Equipment Tools & Attachments
Service

Profit

Operating profit increased 22% to MSEK 8 995 (7 382), of which items affecting comparability accounted for MSEK –103 (–287). These include a positive revaluation effect of the shares held prior to the acquisition of the remaining shares of Mobilaris MCE of MSEK 167 as well as change in provision for share-based long-term incentive programs of MSEK –270 (–99). The previous year included restructuring costs of MSEK –188. The operating profit was supported by higher volumes, but was negatively affected by acquisitions and currency.

Profit bridge — **Operating profit**

	MSEK,Δ	Margin,Δ,pp
2020	**7 382**	**20.4**
Organic	1 899	2.6
Currency	-381	-0.2
Structure/other*	95	-0.1
Total	1 613	2.3
2021	**8 995**	**22.7**

**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 for Equipment & Service increased 18% to MSEK 7 808 (6 639), corresponding to a margin of 26.6% (24.7). The operating profit for Tools & Attachments increased 63% to MSEK 1 784 (1 097). corresponding to a margin of 17.5% (12.2). The operating loss for Common Group Functions was MSEK –597 (–353).

Group operating margin improved to 22.7% (20.4). The adjusted margin was 22.9% (21.2), positively impacted by higher volumes, but negatively impacted by acquisitions and currency.

Depreciation, amortization and impairment costs were MSEK –1 746 (–1 746). Earnings before depreciation and amortization, EBITDA, were MSEK 10 740 (9 128), corresponding to a margin of 27.1% (25.3).

Financial income was MSEK 166 (144) and financial expenses were MSEK -197 (-439). Net financial items were MSEK –31 (–295), positively impacted by exchange rate differences of MSEK 53 (–182). Net interest costs were MSEK –88 (–118).

Profit before tax amounted to MSEK 8 964 (7 087), corresponding to a margin of 22.6% (19.6). Income tax expense amounted to MSEK –1 895 (–1 677), corresponding to an effective tax rate of 21.1% (23.7).

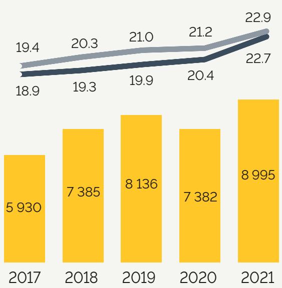
Return

Return on capital employed increased to 26.1% (21.7), positively affected by the improved operating profit. Return on equity was 29.5% (22.7).

Epiroc's goal is to improve capital efficiency and resilience. Investments and acquisitions should create value.

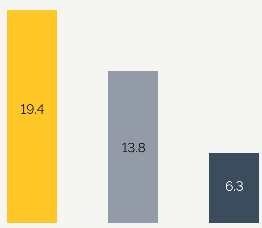
Epiroc's goal is to have an industry-best operating margin, with strong resilience over the business cycle. The Group's operating margin averaged 19.4% in 2015–2021.

Operating profit and margin



Operating profit, MSEK
Operating margin, %
Adjusted operating margin, %

Operating margin (EBIT) average 2015–2021 vs. peers and industrial companies



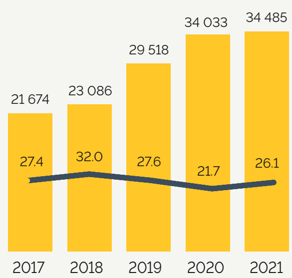
Epiroc
Global industrials (Large Cap)
Mining and construction equipment companies

Global industrials (Large cap): 3M, ABB, Alfa Laval, Assa Abloy, Atlas Copco, Caterpillar, Danaher, Deere & Co, Dover, Eaton Corp., Emerson, FLSmidth & Co, Fortive, General Electric, Graco, Hitachi, Honeywell, Komatsu, Kone, Legrand, Mitsubishi Heavy Industries, Nordson Corporation, Parker Hannifin, Rockwell Automation, Roper Technologies, Sandvik, Schindler Holding, Schneider Electric, Siemens, SKF, Smiths Group, United Technologies, Volvo AB and Xylem.

Mining and construction equipment companies: Boart Longyear, Caterpillar, Everdigm, Furukawa Co, Komatsu, Metso Outotec, Robit, Sandvik and Weir.

Data reported through February 24, 2022

Capital employed and return on capital employed



Average capital employed, MSEK
Return on capital employed, %

Balance sheet

Balance sheet in summary

MSEK	2021	% of total assets	2020	% of total assets
Intangible assets	7 233	15	4 111	9
Rental equipment	1 279	3	999	2
Other property, plant and equipment	4 587	9	4 150	10
Other noncurrent assets	2 582	5	2 313	5
Inventories	11 861	24	8 930	20
Trade receivables	7 174	15	6 045	14
Other receivables	2 247	5	1 603	4
Financial assets	828	2	682	2
Cash and cash equivalents	10 792	22	15 053	34
Total assets	**48 583**	**100**	**43 886**	**100**
Total equity	25 785	53	23 739	54
Interest bearing liabilities	9 546	20	10 961	25
Non-interest bearing liabilities	13 252	27	9 186	21
Total equity and liabilities	**48 583**	**100**	**43 886**	**100**

Total assets increased to MSEK 48 583 (43 886), mainly following acquisitions and increased inventories. Cash and cash equivalents decreased.

Net cash was MSEK 1 304 (4 137). The net debt/EBITDA ratio was –0.12 (–0.45). The net debt/equity ratio was -5.1 (–17.4).

Group financing consists of capital market borrowings of MSEK 4 000 and loan facilities of MSEK 3 000, with maturities in 2022–2027. As back-up, the Group has a MSEK 4 000 revolving credit facility and a MSEK 2 000 commercial paper program, both unutilized at year-end 2021. See note 21 and 28.

Group equity including non-controlling interests was MSEK 25 785 (23 739), corresponding to 53.0% (54.1) of total assets. Equity per share was SEK 21.38 (19.71). Total comprehensive income for the year was MSEK 8 724 (3 450).

Net working capital increased 15% to MSEK 12 186 (10 571), of which 2% is related to acquisitions. For comparable units and currency-adjusted, net working capital increased 6%, with more inventories and trade receivables. Average net working capital was MSEK 11 495 (12 217). As a percentage of revenues last 12 months, the average net working capital was 29.0% (33.8).

Cash flow

Operating cash flow was MSEK 6 867 (7 006). The improved profit contributed positively, while the cash flow from working capital was negative following higher volumes and related higher inventories and customer receivables.

Net cash flow from operating activities was MSEK 7 607 (8 334).

Net financial items paid were MSEK 139 (–94). Taxes paid were MSEK –1 978 (–1 800). Cash flow from change in working capital was MSEK –619 (1 121), mainly due to higher inventories and trade receivables.

Net investments in rental equipment were MSEK –427 (–219).

Gross investments in property, plant and equipment were MSEK –489 (–507) and divestments were MSEK 1 (84), thus net investments in property, plant and equipment were MSEK –488 (–423). The largest investments were in the manufacturing facilities in Örebro and Fagersta, Sweden. Investments in intangible assets, mainly related to capitalization of development expenditures but also investments in IT systems, were MSEK –437 (–494), net.

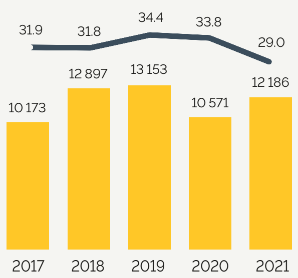
Eight (one) acquisitions and one (no) divestment were completed and the net cash flow effect was MSEK –2 352 (–75), see notes 3 and 14. Proceeds to/from other financial assets were MSEK –196 (384), net.

Dividends paid to shareholders were MSEK –3 016 (–2 892) and dividends paid to non-controlling interests were MSEK –7 (–9). Mandatory redemption of shares were MSEK –3 619 (-).

Cash flow from sales and repurchases of own shares was MSEK 64 (370), net, all related to hedging or deliveries of shares for the long-term incentive programs described in note 24. Change in interest-bearing liabilities was MSEK –1 858 (1 541).

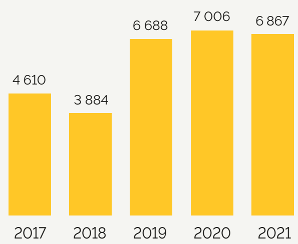
Epiroc's goal is to provide long-term stable and rising dividends. The dividend should correspond to 50% of net profit over the cycle. The Board of Directors proposes a dividend of SEK 3.00 (2.50) per share, corresponding to 51% (56) of net profit.

Net working capital



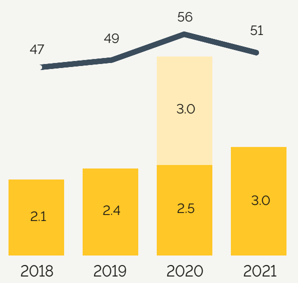
Net working capital, MSEK, period end
Average net working capital/revenues, %, 12 months

Operating cash flow



Operating cash flow, MSEK

Dividend and redemption for fiscal year



Redemption, SEK
Dividend, SEK
Dividend/net profit, %

Employees

The average number of employees increased 4% to 14 611 (14 012). On December 31, 2021, the number of employees was 15 529 (13 840). External workforce amounted to 1 474 (1 109). For comparable units, the workforce increased by 1 151 compared with the previous year, mainly in service. Epiroc uses external workforce to handle temporary fluctuations in demand and mainly within manufacturing.

The proportion of women employees and women managers at the end of the period increased to 17.1% (15.7) and 22.5% (21.0), respectively.

Number of employees, average

	2021	% of total	2020	% of total
North America	2 174	15	2 042	15
South America	1 393	9	1 377	10
Europe	4 683	32	4 674	33
– Sweden	*3 123*	*21*	*3 105*	*22*
Africa/Middle East	2 446	17	2 278	16
Asia/Australia	3 915	27	3 641	26
Total	**14 611**	**100**	**14 012**	**100**

Employees by professional category, %

	2021	2020
Service & supply chain	42	40
Production	24	26
Administration	16	16
Marketing, sales & support	11	11
Research & development	7	7
Total	**100**	**100**

Equipment & Service

Organization
Equipment & Service consists of four divisions and provides rock drilling equipment, equipment for mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, drilling equipment for exploration, water and energy, as well as related spare parts and service for the mining and infrastructure industries. The segment also provides solutions for automation, digitalization and electrification.

Market development
The customers' activity level was high with good demand for both equipment and service. The willingness to invest was also higher than in the previous year, which resulted in several large orders, including orders for greenfield mines. A strong and broadened service offering, e.g., with remanufacturing solutions, mid-life upgrades and battery conversions, was well received. Epiroc's local presence and focus on availability strengthened the market position, particularly in service.

Orders received
Orders received increased 27% to MSEK 34 513 (27 252), corresponding to an organic growth of 29%. Acquisitions contributed with 3%. Currency impacted the order intake negatively by -5%.

Compared to the previous year, orders received in local currency increased double digits in all regions. North America achieved the highest growth rate.

- North America (22% of orders received): +51%
- South America (13% of orders received): +20%
- Europe (22% of orders received): +34%
- Africa/Middle East (13% of orders received): +40%
- Asia/Australia (30% of orders received): +20%

For equipment, orders received increased 45% to MSEK 16 403 (11 326), corresponding to an organic growth of 47%. A strong underlying demand as well as several 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% (42) in the segment.

For service, orders received increased 14% to MSEK 18 110 (15 926), corresponding to 15% organic growth. The growth was supported by a combination of high customer activity and an enhanced service offering. The share of orders from service was 52% (58) in the segment.

Equipment & Service

Surface

José Sánchez
President

Develops, manufactures and markets a wide range of surface rock drilling equipment for use in mining, exploration, construction and quarrying as well as water well and energy applications worldwide. The division has production in Sweden, USA, China, India and Japan.

Underground

Sami Niiranen
President

Develops, manufactures and markets a wide range of tunnel and mining equipment for underground use, such as drilling rigs, loaders, mining trucks and ventilation systems. The division has production in Sweden, India and China.

Technology & Digital

Jonas Albertson
President

Coordinates and develops technology solutions, and provides specialist consulting and engineering services. The division drives the automation, digitalization and interoperability expansions mainly for Epiroc's other divisions. Its R&D centers are located in Sweden and India. The division has Regional Application Centers for automation and information management solutions on six continents.

Parts & Services

Jess Kindler
President

Offers a complete range of services such as spare parts, service agreements, remanufacturing solutions, Batteries as a Service, mid-life services, training and more. The division's largest distribution centers are located in Sweden, USA and China.

Sales bridge	Equipment & Service Orders received	Equipment & Service Revenues	Equipment Orders received	Equipment Revenues	Service Orders received	Service Revenues
	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%
2020	27 252	26 927	11 326	11 382	15 926	15 545
Organic	29	11	47	9	15	13
Currency	-5	-4	-5	-4	-4	-4
Structure/other	3	2	3	2	3	1
Total	27	9	45	7	14	10
2021	34 513	29 320	16 403	12 197	18 110	17 123

Revenues

Revenues increased 9% to MSEK 29 320 (26 927), corresponding to an organic growth of 11%. Acquisitions contributed with 2%. For service the revenues increased organically by 13% and for equipment by 9%. The share of revenues from service was 58% (58). The book-to-bill ratio was 118% (101).

Operating profit and margin

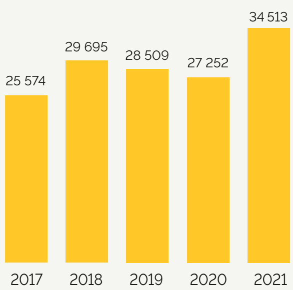
Profit bridge	Operating profit MSEK,Δ	Margin,Δ,pp
2020	**6 639**	**24.7**
Organic	1 391	2.2
Currency	-398	-0.5
Structure/other	176	0.2
Total	1 169	1.9
2021	**7 808**	**26.6**

Operating profit increased 18% to MSEK 7 808 (6 639). The profit includes a positive revaluation effect of the shares held prior to the acquisition of the remaining shares of Mobilaris MCE of MSEK 167. The previous year included restructuring costs of MSEK -84. The operating profit was positively impacted by increased volumes, while acquisitions and currency had a negative impact. The operating margin improved to 26.6% (24.7). The adjusted operating margin was 26.1% (25.0), supported by higher volumes, but diluted by acquisitions and currency.

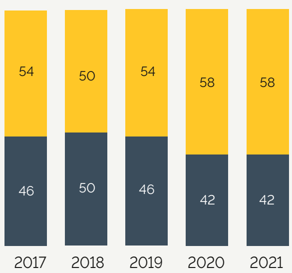
Acquisitions

Equipment & Service completed seven acquisitions in 2021. In total, the acquisitions total 865 employees and approximately MSEK 927 in annual revenues. Read more on page 53 and note 3.

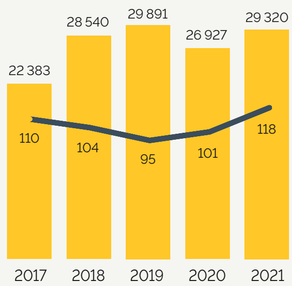
Orders received



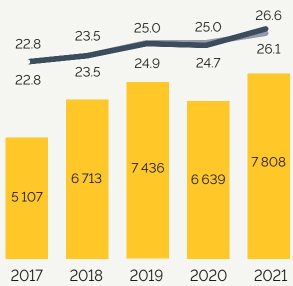
Revenue split by business type



Revenues and book-to-bill



Operating profit and margin



Tools & Attachments

Organization
Tools & Attachments consists of one division that provides rock drilling tools and hydraulic attachments that are attached to machines used mainly for drilling, deconstruction and recycling as well as for rock excavation. The division has manufacturing facilities on five continents, of which the largest ones are in Sweden and Germany.

Market development
The customers' activity level was high during the year, which was reflected in demand. Both the rock drilling tools and hydraulic attachments had good growth. The highest growth was achieved in exploration drilling tools.

Orders received
Orders received increased 20% to MSEK 11 025 (9 185), corresponding to an organic increase of 20%. Acquisitions contributed with 4%. Currency had a negative impact on orders received with 4%. Compared to the previous year, orders received in local currency increased by double digits in all regions. Asia/Australia achieved the highest growth rate.

- North America (26% of orders received): +23%
- South America (10% of orders received): +28%
- Europe (28% of orders received): +22%
- Africa/Middle East (17% of orders received): +15%
- Asia/Australia (19% of orders received): +43%

Revenues
Revenues increased 13% to MSEK 10 205 (9 024), corresponding to an organic growth of 15%. Acquisitions contributed positively with 2%, while currency had a negative impact of -4%. The book-to-bill ratio was 108% (102).

Tools & Attachments

Tools & Attachments

Goran Popovski President

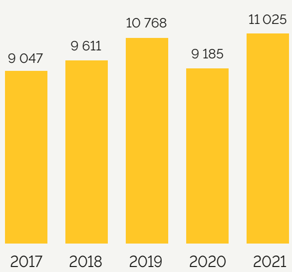
Sales bridge	Orders received	Revenues
	MSEK, Δ,%	MSEK, Δ,%
2020	**9 185**	**9 024**
Organic	20	15
Currency	-4	-4
Structure/other	4	2
Total	20	13
2021	**11 025**	**10 205**

Operating profit and margin
Operating profit increased 63% to MSEK 1 784 (1 097), supported by increased volumes, cost savings and acquisitions. The previous year included restructuring costs of MSEK -104, related to efficiency improvements. The operating margin improved to 17.5% (12.2), supported by volume growth, currency and cost control. The adjusted operating margin was 17.5% (13.3).

Profit bridge	Operating profit	
	MSEK,Δ	Margin,Δ,pp
2020	**1 097**	**12.2**
Organic	613	4.3
Currency	-6	0.4
Structure/other	80	0.6
Total	687	5.3
2021	**1 784**	**17.5**

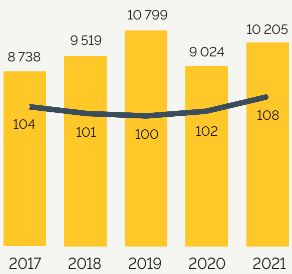
Acquisitions
Tools & Attachments completed one acquisition in 2021, with 60 employees and approximately MSEK 210 in annual revenues. Read more on page 53 and note 3.

Orders received



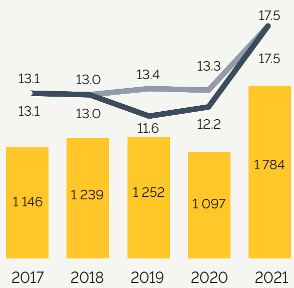
Orders received, MSEK

Revenues and book-to-bill



Revenues, MSEK
Book-to-bill, %

Operating profit and margin



Operating profit, MSEK
Operating margin, %
Adjusted operating margin, %

Parent Company

Epiroc AB is the ultimate Parent Company of the Epiroc Group and is headquartered in Nacka, Sweden. Its operations include administrative functions for the Group.

Earnings

The operating loss was MSEK –136 (–110). Profit before tax totaled MSEK 4 677 (3 336). Profit for the year amounted to MSEK 3 763 (2 634).

Financing

Total assets were MSEK 55 590 (59 300) at year-end. Interest-bearing liabilities, excl. post-employment benefits, totaled MSEK 6 989 (7 987). Equity represented 86% (86) of total assets and non-restricted equity totaled MSEK 47 489 (50 397).

Employees

The average number of employees was 41 (41).

Remuneration

Principles for remuneration, fees and other remuneration paid to the Board of Directors (Board), the President and CEO, and other members of Group Management, other statistics and the guidelines regarding remuneration and benefits to Group Management as approved by the Annual General Meeting (AGM) are specified in note 5.

Financial risks

Epiroc is subject to currency risks, interest rate risks and other financial risks. Epiroc has adopted a policy to control the financial risks to which Epiroc AB and the Group are exposed. A financial risk management committee meets regularly to make decisions about how to manage these risks. See pages 72-79 and note 28.

Shares and share capital

At year-end, Epiroc AB's share capital totaled MSEK 500 (500). The total number of issued Epiroc shares was 1 213 738 703 shares, of which 823 765 854 shares were class A and 389 972 849 shares were class B. For more information, see note 20.

Performance-based long-term incentive program

The Board of Epiroc has been authorized to purchase, transfer and sell the company's own shares in relation to Epiroc's performance-based personnel option plans. At year-end 2021, Epiroc held 7 475 933 class A shares. The Board will propose to the AGM 2022 a similar program as in previous years. See notes 20 and 24.

Appropriation of profit

The Board proposes to the AGM a dividend of SEK 3.00 (2.50) per share, which corresponds to a total of MSEK 3 619 (3 016). The dividend is proposed to be paid in two equal installments with record dates April 27 and October 24, 2022. It is also proposed that the balance of retained earnings after the dividend shall be retained in the business as described in the table below.

SEK	
Retained earnings incl. reserve for fair value	43 726 044 685
Profit for the year	3 763 243 431
Total	**47 489 288 116**
The Board of Directors proposes that these earnings shall be appropriated as follows:	
To the shareholders,	
- a dividend of SEK 3.00 per share [1]	3 618 788 310
- to be retained in the business	43 870 499 806
Total	**47 489 288 116**

[1] Based on number of shares outstanding at the balance sheet date.

Statement by the Board on proposed appropriation of profit

The Board hereby makes the following statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act. The Board notes that there will be full coverage for the company's restricted equity.

The Board makes the assessment that the company's and the Group's equity after the distribution to shareholders will be able to sustain the requirements, which the nature, size and risks of the business present. The Board further considers the actions reasonable in light of the company's and the Group's consolidation requirements, liquidity and position in general. The distribution is not assumed to present any risk for the company's or the Group's ability to fulfill its short or long-term payment obligations, nor the ability of the company to make required investments. Reflecting this, the Board considers the proposed dividend distribution to be compatible with the rules of reason expressed in the Swedish Companies Act (2005:551) chapter 17 § 3 paragraphs 2-3.

Statutory sustainability report

Epiroc has prepared a sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines. The sustainability report has been prepared in accordance with disclosure requirements set out in the Swedish Annual Accounts Act, chapter 6, paragraph 11. The scope and content of the sustainability report is defined on page 138.

The Epiroc share

Listing and shares

Epiroc's shares were listed on Nasdaq Stockholm on June 18, 2018 at an opening price of SEK 88.0 and SEK 84.0, respectively (A and B share). A shares entitle the owner to one vote while B shares entitle the owner to one tenth of a vote. A shares and B shares carry equal rights to a part of the company's assets and profit.

Return and market capitalization

In 2021, the price of the A share increased 53.2% (30.9) to SEK 229.2 and the price of the B share increased 37.9% (25.2) to SEK 191.7. The corresponding development for OMXSPI, i.e., all shares, and OMX Stockholm Industrials (SX2000PI) was 35.0% and 38.4%, respectively. The total shareholder return of the A share was 57.3% (33.6). Epiroc's market capitalization at the end of 2021 was MSEK 263 565 (177 483).

Trading

Epiroc was the 24th (24th) most traded name on Nasdaq Stockholm during the year. The total turnover in Epiroc shares was BSEK 75.1 (68.4), corresponding to average daily turnover of MSEK 297 (271). Nasdaq Stockholm accounted for 31% (34) of the total trading. Around 44% (44) of the trading was conducted on the open market, while the remainder was outside the public market, e.g., through over-the-counter trading and dark pools.

Ownership structure

At year end, Epiroc had 68 213 (67 162) shareholders. The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 34.0% (35.0) of the voting rights and 30.7% (33.5) of the number of shares. Swedish investors held 44% (47) of the voting rights and 46% (46) of number of shares.

Personnel stock option program

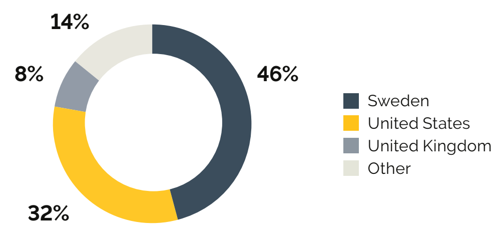
The Board of Directors (Board) will propose to the Annual General Meeting 2022 a similar performance based long-term incentive program as in previous years. The intention is to cover the plan through the repurchase of the company's own shares.

Dividend, redemption and dividend policy

The Board proposes a dividend of SEK 3.00 (2.50) per share to be paid in two equal installments. The previous year also included a distribution of SEK 3.00 per share through a share split and mandatory redemption.

Epiroc's goal is to provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50% of net profit over the cycle. The proposed dividend corresponds to 51% (56) of earnings per share.

Shareholders by country, December 31, 2021, % of capital



Ten largest shareholders*

December 31, 2021	A shares	B shares	Total shares	Votes, %	Capital, %
Investor AB	194 915 960	12 841 885	207 757 845	22.7	17.1
Alecta Pensionsförsäkring	23 520 577	43 746 588	67 267 165	3.2	5.5
Handelsbanken fonder	17 535 637	7 947 816	25 483 453	2.1	2.1
SEB Investment Management	13 320 492	100 623	13 421 115	1.6	1.1
Swedbank Robur Fonder	11 554 513	14 761 989	26 316 502	1.2	2.2
Folksam	9 925 977	-	9 925 977	1.2	0.8
Andra AP-fonden	5 486 138	-	5 486 138	0.6	0.5
SPP Fonder	4 807 510	2 452 447	7 259 957	0.6	0.6
Länsförsäkringar fondförvaltning	3 954 789	1 290 577	5 245 366	0.5	0.4
Nordea Investment Funds	3 154 484	1 681 584	4 836 068	0.4	0.4
Other	*535 589 777*	*305 149 340*	*840 739 117*	*66.0*	*69.3*
Total	**823 765 854**	**389 972 849**	**1 213 738 703**	**100.0**	**100.0**
Of which shares held by Epiroc	*7 475 933*	-	*7 475 933*	*0.9*	*0.6*

* Shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository.

Key figures per share

SEK	2021	2020
Market capitalization, year end, MSEK	263 565	177 483
Basic/diluted earnings per share	5.85/5.84	4.48
Dividend per share	3.00*	2.50
Dividend/net profit, %	51*	56
Operating cash flow per share	5.69	5.82
Equity per share, year end	21.40	19.71
A/B Share price, year end	229.20/191.7	149.7/139.0
A/B Highest share closing price	231.0/192.7	152.1/142.7
A/B Lowest share closing price	151.9/140.4	79.5/78.5
A/B Average closing price	194.1/170.1	120.5/117.1
A/B Price/Earnings ratio, year end	39.2/32.8	33.4/31.0

* Proposed by the Board.

Share information

December 31, 2021	A share	B share
Nasdaq Stockholm	EPI A	EPI B
ISIN	SE0015658109	SE0015658117
Total number of shares	823 765 854	389 972 849
– % of votes	95.5	4.5
– % of capital	67.9	32.1
Of which shares held by Epiroc	7 475 933	
– % of votes	0.87	
– % of capital	0.62	

Important dates 2022

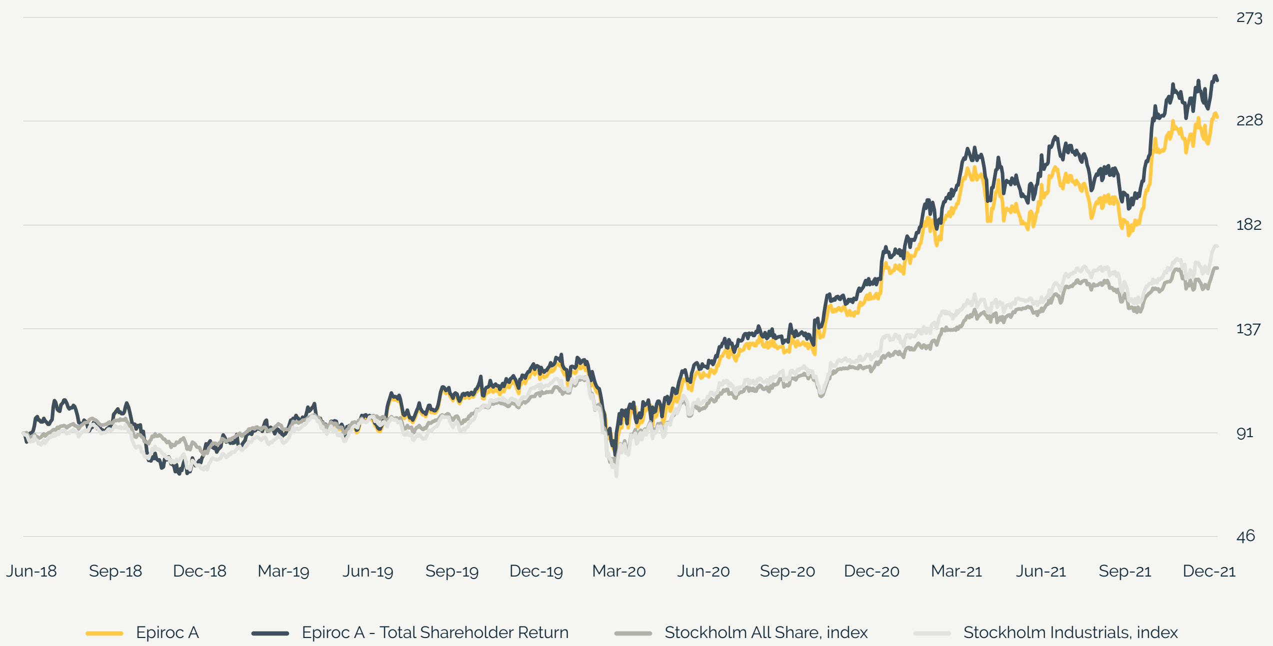
April 25	Q1 2022
April 25	Annual General Meeting in Nacka at 5 PM
April 27	Record date for SEK 1.50 dividend*
May 2	Dividend payment of SEK 1.50 per share*
July 20	Q2 2022
October 24	Record date for SEK 1.50 dividend*
October 26	Q3 2022
October 27	Dividend payment of SEK 1.50 per share*

* Proposed by the Board.

Investment case

- We focus on attractive niches with structural growth
- We drive the productivity and sustainability transformation in our industry
- We have a high proportion of recurring business
- We have a well-proven business model
- We create value for our stakeholders
- Our success is based on sustainability and a strong corporate culture

Share price development, indexed at SEK 90.85 (first closing price)



Corporate governance report

Corporate governance refers to the decision-making system through which the shareholders, directly or indirectly, control the company. Epiroc's corporate governance is designed to support the Group's long-term strategy for profitable growth by good internal control and a healthy corporate culture.

Comment from Ronnie Leten, Chair of the Board

"Epiroc has been an independent company for more than three years now. When I look back, there is a lot to be proud of. During the first years, our service business developed well, but customers hesitated somewhat when it came to investments. Then came the global pandemic, which created turbulence around the world. The rapid recovery that followed proved Epiroc's ability to prioritize availability to customers.

It is not easy to lead an organization when conditions change so quickly, but Epiroc has shown that crises are handled well. I am convinced that the key to success is committed employees who have the authority to take responsibility for their business and their customers at the local level. Decentralization has served us well as a company, but it also comes with responsibility. A healthy corporate culture is needed, as well as good corporate governance.

Another contributor to Epiroc's success is that we dare to think new. Epiroc's innovative solutions show that we drive the productivity and sustainability transformation in the industry. Automation, digitalization and electrification are strong and long-term market trends where Epiroc has positioned itself well. In combination with an effective decision-making and a good internal control, this creates prerequisites for sustainable value creation for our customers and shareholders also in the future."

Governance

Besides relevant laws and regulations, Epiroc, as a company listed on Nasdaq Stockholm, also adheres to the Nasdaq Stockholm's Rule Book for Issuers, as well as the Swedish Corporate Governance Code (the Code). Epiroc has not reported any deviations from the Code for the fiscal year.

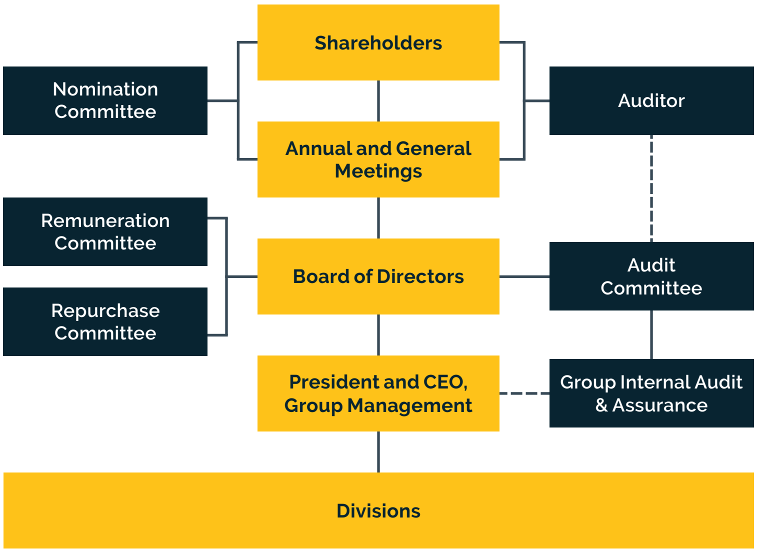
The most important internal control document is the Articles of Association, which is adopted by the Annual General Meeting. This is followed by the Board's, including its committees', rules of procedure, Epiroc's Code of Conduct (CoC), as well as a number of Group policies that cover the entire operation.

To make it easy for employees, the database the Epiroc Way is available on the intranet, in which all documents and processes for how Epiroc conducts business are available. The Group policies together with the CoC help Epiroc and its employees to comply with applicable law and maintain high ethical and environmental standards throughout the value chain.

Shareholders

At year-end, the total number of shareholders was 68 213 (67 162). The company's largest owner is Investor AB, which at the end of the year held 17.1% of the shares and 22.7% of the votes. The share of foreign ownership was 54.4% (53.4) of the number of outstanding shares. See more information about the share and the shareholders in the chapter "The Epiroc share".

CORPORATE GOVERNANCE STRUCTURE



Examples of relevant external control documents

- Swedish Companies Act
- Swedish Annual Accounts Act
- Securities Market Act
- Nasdaq Stockholm's regulations for issuers
- Swedish Code of Corporate Governance
- UN Global Compact

Examples of relevant internal control documents

- Articles of Association
- Rules of procedure for the Board
- Board committees' charters
- Instructions for the President and CEO
- Instruction regarding financial reporting
- Code of Conduct and Code of Conduct for Business Partners
- Policies and other guidelines and instructions contained in the Epiroc Way

Annual and General Meetings

The Annual General Meeting (AGM) is Epiroc's highest decision-making body, where shareholders exercise their voting rights and decide on e.g., the company's Articles of Association, governance and more. In addition to the AGM, Extraordinary General Meetings may be convened. Notices of general meetings are posted on Epiroc's website and in the Official Swedish Gazette (Post- och Inrikes Tidnigar). Information about the general meeting is also published in the two national newspapers, Svenska Dagbladet and Dagens Nyheter.

An open shareholder dialogue is important to Epiroc, and shareholders are given the opportunity to ask questions at or before general meetings. The decisions made are announced via a press release and minutes of the meeting are published on Epiroc's website.

Nomination Committee

The Nomination Committee's task is to propose board members and auditors as well as remuneration for these to the AGM. The four largest shareholders, directly registered or ownership grouped, in terms of votes at the end of August - who wish to appoint a member - will form a Nomination Committee. In addition, the Chair of the Board shall be a member of the Nomination Committee. Should the ownership structure change before the time of the AGM, there are regulations in place to handle it.

The Nomination Committee's proposal and opinion are published at the latest in connection with the notice. The Nomination Committee shall perform its tasks in accordance with the Code and pay special attention to the requirements for breadth and versatility when it comes to competence, experience and background of proposed board members.

Nomination Committee

Member	Represents	Votes August 31, 2021
Petra Hedengran (Chair)	Investor AB	22.7%
Mikael Wiberg	Alecta	3.6%
Helen Fasth Gillstedt	Handelsbanken fonder	2.0%
Jan Andersson	Swedbank Robur fonder	1.8%
Ronnie Leten	Chair of the Board, Epiroc AB	

The Annual General Meeting will be held on April 25, 2022 at 5.00 PM CEST in Nacka

Shareholders who wish to submit proposals to the Nomination Committee can do so by e-mail: nominations@epiroc.com or by letter to: SVP General Counsel, Epiroc AB, Box 4015, SE-131 04 Nacka, Sweden.

The Board of Directors

Epiroc's Board has the ultimate responsibility for the organization and its administration. The Board's work follows a written procedure and the Board is assisted by three committees that have an administrative and preparatory role: the Remuneration Committee, the Audit Committee and the Repurchase Committee.

The Board's tasks include establishing and monitoring overall goals and strategies, business plans, financial reports and adopting the necessary internal governing documents. The Board shall ensure that there are appropriate systems for follow-up and control as well as ensure the quality of the financial reporting. The Board must also identify how sustainability issues affect the company's risks and business opportunities, and report the sustainability development in the Annual and Sustainability Report.

The Board appoints, evaluates, and if necessary, dismisses the President and CEO. Other tasks include deciding on the Group's major investments, acquisitions and divestments. The Board also has the responsibility for ensuring that succession planning takes place to a reasonable extent.

The Chair of the Board leads the Board's work, is responsible for efficiency in this work, and also ensures that the Board fulfills its obligations. The Chair of the Board represents the Board in relation to Epiroc's shareholders.

The Board may delegate tasks to one or more of the board members, or to others, but shall then ensure that the tasks are performed correctly. In line with this, the Board can also on its own initiative let people outside the company, e.g., consultants, investigate and prepare matters.

The Board held ten Board meetings in 2021, including the statutory meeting. Epiroc's General Counsel was secretary at all the meetings.

Board composition

According to the Articles of Association, the board members appointed by the AGM shall consist of a minimum of six and a maximum of twelve members. They are appointed annually for the period up to and including the next AGM.

The Nomination Committee has applied the Code's diversity policy when preparing its proposal for the Board and did not propose any changes to the Board's composition to the AGM 2021. A number of board members have extensive experience in the mining industry and/or the mechanical engineering industry. A vast majority also have experience in executive and financial positions in international companies. Thus, the Board has good prerequisites to provide support to the company's senior executives.

Of the elected board members appointed by the AGM, four are women and five are men. Of the non-executive board members, three are women and five are men. Except the President and CEO and the employee representatives with deputies, none of the board members are employed by the Group. The board members are presented on pages 68-69.

Board remuneration

The remuneration for the Board was approved at the AGM 2021 and is presented in detail in note 5.

Evaluation of the Board

The Chair of the Board conducts an annual evaluation of the work of the Board and its committees. The evaluation aims, for example, to prioritize what issues the Board should give more attention and in which areas additional competence may be required.

The 2021 evaluation was conducted using a questionnaire which was followed up with a separate discussion with each board member. The results have been reported to the Nomination Committee.

The Board's work in 2021

Jan
- Q4 and FY 2020
- Evaluation of President and CEO
- Audit process review
- Parts & Services and Tools & Attachments
- Litigation and compliance status review

Mar
- Annual Report 2020
- Annual General Meeting (AGM) prep.

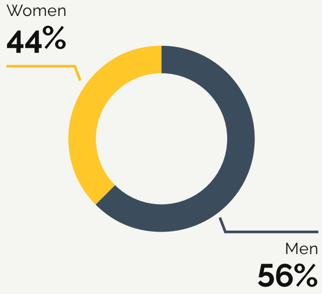
Apr
- AGM and Inaugural Board meeting
- Q1 2021
- Underground and Surface
- Risk Management review

Jul
- Q2 2021
- Sustainability and corporate responsibility

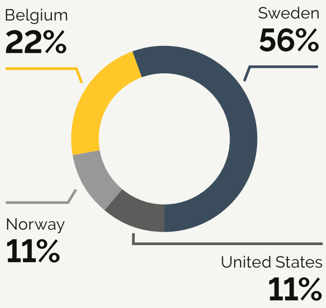
Sept
- Virtual field trip
- Review of the Group's strategy

Oct
- Q3 2021
- Leadership and talent review
- Technology & Digital

Gender of elected members



Nationality of elected members



Audit Committee

The Audit Committee is responsible for the follow-up of the Group's financial reporting, financial risk management and internal control, as well as accounting and auditing. To ensure good financial reporting and risk management, the Committee has a regular dialogue with the Group's external auditor. At least once a year, the Audit Committee meets with the auditor without management. The Audit Committee is also responsible for overseeing the work conducted by Group Internal Audit & Assurance and the Internal Control functions. The Committee also evaluates and assists the Nomination Committee with proposals for the election of an external audit firm. The Audit Committee shall consist of at least three members and the majority of these shall be independent in relation to the Group and its management.

The Audit Committee consists of Ulla Litzén (Chair), Anders Ullberg, Ronnie Leten and Lennart Evrell. Ulla Litzén, Anders Ullberg and Lennart Evrell are independent in relation to the Group and its management.

Remuneration Committee

The Remuneration Committee proposes principles for remuneration and terms of employment for members of Group Management and key personnel. The Committee shall consist of three members who are not employed by the Group. The Chair of the Board is also the chair of the Committee. Other members shall be independent in relation to the Group and its management.

The Remuneration Committee consists of Ronnie Leten (Chair), Lennart Evrell and Johan Forssell. Lennart Evrell and Johan Forssell are independent in relation to the Group and its management.

Remuneration to the President and CEO, Group Management and key personnel

A prerequisite for a successful implementation of Epiroc's strategy and the safeguarding of its long-term interests, including sustainability, is that the company can recruit and retain qualified employees. This requires competitive remuneration.

As Epiroc is a global company with senior executives in several countries, the composition of the remuneration may vary. As a general rule, however, the compensation consists of the following:

- Cash base salary, based on position, qualification and individual performance.
- Variable cash compensation, based on degree of fulfillment of predetermined individual financial or non-financial criteria. The financial goals can, for example, relate to value creation, development of operating profit and working capital. Non-financial criteria can be, for example, improved key sustainability figures, development and launch of innovative products, organizational changes, and improved work processes. The variable remuneration is set to a maximum of 70% of the basic salary.
- Pension premiums and additional market-based benefits.
- Long-term performance-based incentive program for key employees.

If a senior executive's employment is terminated by the Group, the remuneration depends on age, length of employment and possible remuneration from other economic activity or employment. However, the compensation is set to a maximum of a 24-month basic salary. See Note 5 for information on compensation in 2021.

The Board considers it to be in the best interest of shareholders that key personnel in Epiroc have a long-term interest in positive development in the value of the company's shares.

Long-term performance-based incentive program

The Board considers it to be in the best interest of shareholders that key personnel in Epiroc have a long-term interest in positive development in the value of the company's shares. The Board therefore believes that a share-related option program increases the opportunity to recruit and retain key employees in the Group.

Epiroc's AGM 2021 approved a performance-based employee stock option program for 2021. The program covers a maximum of 100 key employees. See note 24.

Repurchase Committee

In order to prepare and execute the repurchase of the company's own shares in accordance with the authorization of the AGM, the Board has appointed a repurchase committee. It consists of Anders Ullberg (Chair) and Ronnie Leten.

President and CEO

The President and CEO is appointed by the Board and responsible for the day-to-day management of Epiroc's operations. The work shall be done in accordance with the instructions established by the Board. Since March 1, 2020, Helena Hedblom is the President and CEO of Epiroc.

Group Management

The Group Management is appointed by the President and CEO and shall assist her/him in the day-to-day management. Based on goals set by the Board, the Group Management sets up objectives for operational activities, allocates resources and monitors the result. Group Management meets each month to review the financial result, update forecasts and discuss strategic issues. The Group Management is presented on pages 70-71.

External auditor

The task of the external auditor is to audit Epiroc AB's and the Group's Annual and Sustainability Report and accounts, the consolidated financial statements and the significant subsidiaries, as well as the management by the Board and the President and CEO. The principal auditor participates at all meetings of the Audit Committee. The auditor presents the annual audit to the Board at a meeting at which no management representative is present. After the end of each fiscal year, the auditor submits an audit report to the AGM.

At the AGM 2021, the auditor Deloitte AB, Sweden, was elected as external auditor until the AGM 2022. Since 2018, the lead auditor is Thomas Strömberg, authorized public accountant at Deloitte AB.

Curious to know more?

More information and relevant documents are available at:
www.epirocgroup.com/en/investors/corporate-governance

Board of Directors

	Ronnie Leten	Johan Forssell	Anders Ullberg	Ulla Litzén
Function/Since	**Chair of Board/2017**	**Member/2017**	**Member/2017**	**Member/2017**
Nationality/Born	Belgian/1956	Swedish/1971	Swedish/1946	Swedish/1956
Education	M.Sc. in Applied Economics from the University of Hasselt, Belgium.	M.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden.	M.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden.	M.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden. MBA from the Massachusetts Institute of Technology (MIT), USA. Honorary Doctorate, Stockholm School of Economics, Sweden.
Occupation	Full-time board member and/or Chair.	President and CEO of Investor AB.	Full-time board member and/or Chair.	Full-time board member and/or Chair.
Other assignments	Chair and member of the Board of Telefonaktiebolaget LM Ericsson.	Member of the Boards of Investor AB, Atlas Copco AB, Wärtsilä Oyj Abp, Patricia Industries AB, EQT AB, Confederation of Swedish Enterprise and Stockholm School of Economics.	Chair and member of the Boards of Boliden AB and Studsvik AB. Member of the Board of Valedo Partners. Chair of the Swedish Financial Reporting Board and member of the Board of the European Financial Reporting Advisory Group.	Member of the Boards of AB Electrolux and Ratos AB. Member of the Board of the Stockholm School of Economics and the School of Economics Association.
Principal work experience	President and CEO of Atlas Copco AB.	Managing Director, Head of Core Investments, of Investor AB.	President and CEO, and CFO of SSAB AB.	President of W Capital Management AB and Managing Director and member of Group Management of Investor AB.
Independent	No, not to Epiroc and its management as he was CEO of Atlas Copco AB (related company) in the past five years, nor to major owners as he has been a consultant at Investor AB.	No, not to larger shareholders as he is CEO and a member of the Board of Investor AB.	Yes.	Yes.
Holdings in Epiroc AB, incl. related parties	11 308 A shares 55 650 B shares 112 234 options [1]	5 000 B shares 10 518 synthetic shares	14 000 A shares 31 000 B shares	75 800 A shares 3 000 B shares
Attendance				
Board meetings	10/10	10/10	10/10	10/10
Audit Committee	7/7		7/7	7/7
Remuneration Committee	3/3	3/3		
Repurchase Committee	3/3		3/3	

Information as of February 28, 2022 and holdings in Epiroc AB as of December 31, 2021.
For more information and remuneration, see note 5.
[1] Call options issued by Investor AB with entitlement to purchase Epiroc Class A shares.

				
Lennart Evrell	**Jeane Hull**	**Astrid Skarheim Onsum**	**Helena Hedblom**	**Sigurd Mareels**
Member/2017	**Member/2018**	**Member/2018**	**Member/2020**	**Member/2020**
Swedish/1954	American/1955	Norwegian/1970	Swedish/1973	Belgian/1961
M.Sc. in Engineering from the Royal Institute of Technology (KTH), Sweden. B.Sc. in Business Administration from Uppsala University, Sweden.	B.Sc. in Civil Engineering from South Dakota School of Mines and Technology, USA. MBA from Nova Southeastern University, USA.	M.Sc. in Mechanical Engineering from the Norwegian University of Science and Technology in Trondheim, Norway.	M.Sc. in Material Technology from the Royal Institute of Technology (KTH), Sweden.	M.Sc. in Engineering and a PhD in Metallurgy, Ghent University, Belgium.
Full-time board member and/or Chair.	Full-time board member and/or Chair.	CEO of NG (Norsk Gjenvinning), Norway.	President and CEO, Epiroc AB.	Senior Partner Emeritus and Special Advisor at McKinsey & Co, Belgium.
Chair and member of the Board of SSAB AB. Member of the Boards of Svenska Cellulosa AB (SCA) and The Confederation of Swedish Enterprise (Svenskt Näringsliv).	Member of the Boards of Interfor Corporation, Trevali Mining Corporation and Pretium Resources Incorporated.	Member of Norwegian Government Expert Committee on Climate Friendly Investments.	Member of the Board of Stora Enso Oy and the Royal Swedish Academy of Engineering Sciences.	Chair and member of the Board of La Fortuna in Chile.
President and CEO of Boliden AB.	Executive Vice President and Chief Technical Officer of Peabody Energy. Chief Operating Officer for Rio Tinto at the Kennecott Utah Copper Mine, USA.	CEO Aker Offshore Wind, Chief Digital Officer and Managing Director Engineering Norway at Aker Solutions. Member of the Board of Principle Power Inc.	Senior Executive Vice President Mining and Infrastructure of Epiroc AB.	Partner at McKinsey & Company.
Yes.	Yes.	Yes.	No, not to Epiroc and its management as she is the President and CEO.	Yes.
4 000 B shares 7 781 synthetic shares	3 672 synthetic shares	11 452 synthetic shares	21 379 A shares 78 219 personnel options 21 333 matching options	4 305 synthetic shares
9/10 7/7 3/3	10/10	10/10	10/10	10/10

Employee representatives

Kristina Kanestad
Board member and employee representative
Appointed 2018
Nationality/Born
Swedish/1966
Holdings in Epiroc AB
1 200 B shares

Gustav El Rachidi
Deputy employee representative
Appointed 2018
Nationality/Born
Swedish/1970
Holdings in Epiroc AB
100 B shares

Daniel Rundgren
Board member and employee representative
Appointed 2019
Nationality/Born
Swedish/1973
Holdings in Epiroc AB
–

Niclas Bergström
Deputy employee representative
Appointed 2020
Nationality/Born
Swedish/1969
Holdings in Epiroc AB
–

Group Management

	Helena Hedblom	Håkan Folin	José Manuel Sánchez	Sami Niiranen	Jess Kindler
Function/Since	**President and CEO** In current position since 2020.	**Senior Vice President Controlling and Finance (CFO)** In current position since 2021*.	**President Surface** Division President since 2014 and member of Group Management since 2020.	**President Underground** Division President since 2018 and member of Group Management since 2020.	**President Parts & Services** Division President since 2016 and member of Group Management since 2020.
Nationality/Born	Swedish/1973	Swedish/1976	Spanish/1963	Finnish/1972	American/1975
Education	M.Sc. in Material Technology from the Royal Institute of Technology (KTH), Sweden.	M.Sc. in Engineering and Industrial Management Technology from the Royal Institute of Technology (KTH), Sweden.	M. Sc. in Mining from Universidad Politécnica de Madrid, Spain. Master of Marketing and Sales Management from Cerem International Business School, Spain.	M. Sc. in Mining from Helsinki University of Technology, Finland.	B. Sc. in Mining Engineering from Colorado School of Mines, USA. MBA from the University of Pennsylvania, Wharton School of Business, USA.
Principal work experience and other information	Member of the Board of Stora Enso Oy and the Royal Swedish Academy of Engineering Sciences. Previously Senior Executive Vice President Mining and Infrastructure at Epiroc.	CFO and various management positions SSAB AB and Tibnor.	President of the Drilling Solutions division and various management positions at Atlas Copco.	President of the Underground Rock Excavation division and various management positions at Atlas Copco.	President of the Mining and Rock Excavation Service division and various management positions at Atlas Copco.
Holdings in Epiroc AB, incl. related parties	21 379 A shares 78 219 personnel options 21 333 matching options	2 000 A shares	16 724 A shares 250 497 personnel options 10 775 matching options	5 751 A shares 24 626 personnel options 3 807 matching options	22 669 A shares 45 194 personnel options 10 869 matching options

Information as of February 28, 2022 and holdings in Epiroc AB as of December 31, 2021. For some members, the matching options and stock options are in the form of Share Appreciation Rights (SARs).

* As of December 1, 2021, Håkan Folin is Senior Vice President Controlling and Finance. He is replacing Anders Lindén.

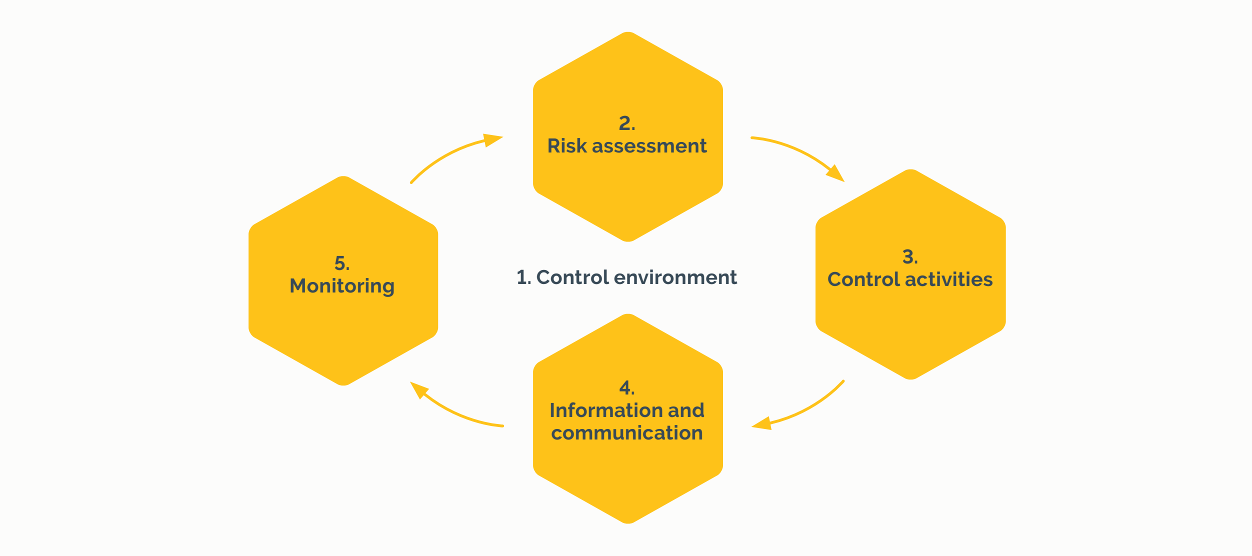
					
Jonas Albertson	**Goran Popovski**	**Nadim Penser**	**Charlotta Grähs**	**Martin Hjerpe**	**Mattias Olsson**
President Technology & Digital Division President since 2016 and member of Group Management since 2020.	**President Tools & Attachments** Division President since 2017 and member of Group Management since 2020.	**Senior Vice President People & Leadership** Member of Group Management since 2020.	**Senior Vice President General Counsel** In current position since 2022*.	**Senior Vice President M&A and Strategy** In current position since 2019.	**Senior Vice President Corporate Communications** In current position since 2018.
Swedish/1967	Swedish and Macedonian/1974	Swedish/1967	Swedish/1971	Swedish/1976	Swedish/1968
M. Sc. in Mechanical Engineering from Chalmers University, Sweden.	M. Sc. in International Business from University of Gothenburg. M.Sc. in International transport and logistics management from University of Gothenburg and Chalmers University of Technology, Sweden. B. Sc. in Marketing and International Business from University St. Kiril and Metódij in Skopje, Republic of Macedonia.	B. Sc. in Physics and Electronic Engineering from University of Lancaster, UK.	Master of Law from Gothenburg University, Sweden.	M.Sc. in Engineering Physics from Chalmers University of Technology, Sweden.	M.Sc. in Business Administration from the University of Linköping, Sweden.
President of the Rocktec division and Managing Director of Epiroc Rock Drills AB, in Sweden. Various management positions at Atlas Copco.	President of the Hydraulic Attachment Tools division and various management positions at Atlas Copco.	Vice President Human Resources for the Epiroc Mining and Infrastructure business area. Various management positions in human resources at Atlas Copco.	General Counsel at Trelleborg AB and Dometic AB. Corporate lawyer at Husqvarna AB, lawyer at Mannheimer Swartling Advokatbyrå and Hengeler Mueller Rechtsanwälte.	Partner at McKinsey & Company.	Head of Investor Relations at Assa Abloy. Vice President Investor Relations at Atlas Copco.
7 266 A shares 23 806 personnel options 3 531 matching options	7 165 A shares 114 094 personnel options 7 273 matching options	6 750 A shares 18 232 personnel options 1 736 matching options	550 A shares 1 145 B shares	10 000 A shares 37 267 personnel options 6 568 matching options	5 294 A shares 1 200 B shares 50 000 personnel options and 5 291 matching options

* As of February 21, 2022, Charlotta Grähs is Senior Vice President General Counsel. She is replacing Jörgen Ekelöw.

Internal control over financial reporting

This chapter describes Epiroc's internal control over financial reporting in accordance with the requirements specified in the Swedish Code of Corporate Governance and the Swedish Companies Act.

Internal control over financial reporting



Financial reporting risk management

Epiroc's system for internal control over financial reporting is implemented in accordance with the requirements specified in the Swedish Code of Corporate Governance and the Swedish Companies Act, which ensures a high degree of reliability in the preparation of financial reports. The regulations used for internal control have been issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

1. Control environment

The Board of Directors (Board) is responsible for internal control and governs the work through the Audit Committee. Group Management sets the tone for the organization and influences the control awareness of employees. An important success factor is well-defined and well-communicated authority. Epiroc has a dedicated Internal Control function, which is part of Group Internal Audit & Assurance and reports to the Board through the Audit Committee.

2. Risk assessment

An assessment of the financial reporting risks is conducted annually. If necessary, further control activities are introduced or existing ones are strengthened. The most significant risks in financial reporting are listed on the next page.

3. Control activities

To mitigate financial reporting risks, there are control activities in place. They are performed at all levels and at different stages of the business processes.

4. Information and communication

Epiroc has several information and communication channels that aim to ensure that information is identified, captured and communicated in a way and within a time that enables employees and managers to fulfill their responsibilities. Such channels are, for example, the Group's policies and guidelines, The Epiroc Way (intranet), business reviews and training.

5. Monitoring

The internal control activities are monitored by, for example, independent internal audits, reviews of balance sheets, financial information and results. Reviews of monthly management meetings are performed. Observations and deficiencies of significant importance are reported to Group Management, the Audit Committee and/or the Board.

Key financial reporting risks and risk management

Inventory is not appropriately valued at the lower of cost or net realizable value	• Inventories are appropriately reconciled at each reporting date. • Inventory costs and production variances are reviewed and approved by the divisions and net realizable values are compared to carrying values to identify need for adjustments of inventory values. • Inventory levels and saleability of inventory are assessed at each reporting date.
Income taxes are not accounted for in accordance with applicable tax legislation	• Tax calculations are prepared and reviewed at each reporting date. • The effective tax rate for each company is analyzed at each reporting date by Group Tax. • Compliance with transfer pricing policies is monitored regularly. • Ongoing tax audits and disputes are monitored and provision levels are evaluated by Group tax specialists.
Provision for bad debt is not calculated based on Group guidelines	• A strong process and tools are in place for collection of accounts receivable. • Bad debt provision calculation guidelines are available on the Group's intranet. • Bad debt provision needs are recalculated and booked during each reporting cycle. • Independent Balance Sheet reviews are conducted to ensure entities have followed Group guidelines when calculating provisions.
Provision for inventory obsolescence is not calculated based on Group guidelines	• Automated reports for calculation of the inventory obsolescence provision are in place. • Inventory obsolescence provision calculation guidelines are available on the Group's intranet. • Inventory obsolescence provision needs are recalculated and booked during each reporting cycle. • Independent Balance Sheet reviews are conducted to ensure entities have followed Group guidelines when calculating provisions.
Balance Sheet account reconciliations are not properly documented. Balances are not justified	• A standard template for Balance Sheet account reconciliations has been created and rolled out throughout the organization. • All internal audits include a Balance Sheet review. All issues identified must be addressed within a six-month period. • Epiroc is committed to having a formal Balance Sheet review in all its entities within a period of three years. 60 entities are subject to review on a yearly basis. • Balance Sheet reconciliations are performed monthly at an operational level.
Reporting processes and procedures are not well documented	• A documented manual of the business system and financial system used exists and is updated accordingly. • Period-end closing checklists exist, are maintained and used for financial reporting tasks. Management reviews the completed checklists on a timely basis.
Implementation of new IFRS standards is not performed properly	• New IFRS standards applicable to Epiroc are known prior to their effective date. • Group Financial Reporting leads the implementation of new IFRS standards and sets a plan for all levels impacted. • Training for local finance teams is carried out. • Group guidelines are updated to reflect the requirements for the new IFRS standards.

Risk management

Epiroc has customers in more than 150 countries, which implies both risks and opportunities. Effective risk management not only reduces the risk in the business, but also contributes to profitable growth for Epiroc.

Responsibilities

The Board of Director's (Board) is responsible for internal control of Epiroc's operations and related risks. The risk management work follows Epiroc's decentralized structure. Local companies are responsible for their own risk management, which is monitored and followed up regularly at local board meetings.

The Group functions for law, insurance, financial management, governance, tax, accounting and communication provide policies, guidelines and instructions for risk management. The Board has adopted the overall financial policies and monitors compliance with the policies.

The Group's Financial Risk Management Committee (FRMC) manages the Group's financial risks within mandates given by the Board. The members of FRMC are the President and CEO, CFO, Group Treasurer, Manager risk management and funding, and Manager Treasury Control. The FRMC meets once a quarter or more often, if circumstances require. The Audit Committee receives reports from the FRMC at each meeting.

Group Treasury has the operational responsibility for financial risk management in the Group. Group Treasury manages and controls financial risk exposures, ensures that appropriate financing is provided through loans and committed credit facilities and manages the Group's liquidity. See note 28.

The implementation of policies, guidelines and instructions for financial reporting and financial risk management is regularly reviewed through internal audits.

The crisis management process is managed by Corporate Communications. However, any disruptive or unexpected event should, as far as possible, be handled close to the incident's origin.

Insurance

Epiroc's insurance program includes property and business interruption insurance, product liability insurance, cargo insurance, so-called financial lines insurance, business travel insurance and specialty risk insurance, to the extent and for amounts considered to be in line with industry practice.

However, the Group is not fully insured against all possible risks as coverage may not be available at a reasonable cost, or at all. Hence, if an accident were to occur that causes damage that is not covered and/or exceeds the insurance limit, it could have a significant negative impact on the Group's operations, financial position and results.

Enterprise risk management

To map Group risks, Epiroc applies an enterprise risk management system covering all divisions. Risks are identified based on each divisional management team's knowledge of its business and area of responsibility. The responsibility of managing the risks identified in the risk mappings lies within each division. The Insurance & Risk Management department manages the overall process and consolidates the results at Group level in collaboration with Group Management.

At Group level, risk mappings are performed for IT, legal, sustainability and financial reporting. The risk mapping and its results are reported both to Group Management and to the Board, who monitors risk management annually.

Task Force on Climate-Related Financial Risk Disclosures (TCFD)

Epiroc provides information on the risks and opportunities that climate change will have on the business in accordance with the TCFD recommendations. A risk analysis was conducted in 2021 and Epiroc will continue to align the approach in 2022. The transition to a low-carbon economy also provides climate-related opportunities for Epiroc.

Compliance

Group Compliance, Epiroc's internal compliance function, is responsible for the prevention of anti-corruption, anti-money laundering, trade compliance as well as competition law compliance and data integrity.

Group Compliance identifies compliance risks at Group level, implements adequate policies, provides information about compliance through internal communication, and provides training and digital tools to ensure that Epiroc and its employees around the world have the appropriate knowledge for correct decision making.

Epiroc also has a forum called Compliance Board that through cross-functional collaboration ensures that Epiroc's Code of Conduct is implemented and adhered to. The following functions are members of the Compliance Board: SVP General Counsel, SVP Human Resources, SVP Corporate Communication, VP Compliance, VP Corporate Responsibility and VP Group Internal Audit and Assurance. The Compliance Board collaborates with the divisions.

Risk overview. Key risks marked with ⚠

Strategic risks

⚠	**Climate change and environment**	• Physical changes in climate, changes in regulations, carbon taxes and other transition risks can lead to lower demand. • Resource prices, pollution and access to natural resources, such as energy and water, can be negatively affected.
⚠	**Competition**	• Highly competitive markets. • Competitors continue to consolidate.
⚠	**Market**	• Products and services are used in industries which are either cyclical or affected by general economic conditions. • Mineral commodity prices are volatile and may impact demand for Epiroc's products and services.
	Regulatory and political	• Regulatory and other risks associated with international operations. • Operating in complex markets with various political, economic and social conditions where changes in the political situation in a region or country can affect an industry or company. • Pandemics and resulting political regulations and restrictions could significantly impact Epiroc's operations, for instance the production and supply of equipment and aftermarket services, as well as customers and suppliers.

Operational risks

	Acquisitions and divestments	• Difficulties in completing acquisitions, integrating acquired businesses and achieving anticipated synergies, as well as in completing divestments
⚠	**Corruption and fraud**	• Epiroc's governance, internal controls and compliance processes may not prevent corruption and fraud.
⚠	**Cyber Risk**	• Epiroc could experience a failure in or breach of its operational or information security systems and may encounter problems relating to storage and processing of personal data. • Epiroc may be unable to protect its intellectual property. • Risk with dependency on IT-systems in operations.
	Distribution	• Epiroc is dependent on the efficiency of its distribution centers and its customer • centers' sales and service organization.
⚠	**Employees**	• Risk of not being able to attract and retain key personnel or skilled employees. • Work stoppages or strikes. • A widespread pandemic could affect the health of employees and impair their ability to perform their job.
	Environment	• Not actively reducing negative environmental impact may negatively affect operations either directly or by disrupting the supply chain. • Inadequate environmental compliance can lead to substantial fines. • Extreme weather and heat stress can affect production facilities and distribution centers.
	Human rights	• Epiroc operates in countries where violations of human rights occur and encounters customers, which are also exposed to human rights issues
	Insurance	• Epiroc's insurance policies may provide insufficient protection.
⚠	**Product development**	• Failing to develop, launch and market new products or respond to technological development and customer demand for sustainable products.
	Production	• Manufacturing and production facilities may be damaged, destroyed or closed.
⚠	**Reputation**	• Negative public perceptions of Epiroc or its business partners and customers due to inadequate compliance with internationally accepted ethical, social and environmental standards could harm reputation. • Exposure to product liability and warranty claims. • Complaints and litigation could damage brand and reputation and divert management resources.
⚠	**Safety and health**	• Inadequate adherence to safety and health regulations can lead to accidents causing harm to people, and negatively impact productivity and brand.
⚠	**Supply chain**	• Epiroc relies on third-party suppliers. Interruption and lack of capacity could affect deliveries. • Risks may arise if suppliers do not comply with Epiroc Code of Conduct.

Legal and compliance risks	Risk mitigation
The risk that Epiroc violates laws on anti-corruption, anti-money laundering, trade compliance, competition law compliance and data integrity, may result in fines, damages and other financial damages as well as impair Epiroc's reputation.	• Group support to entities with advice on laws and regulations. • Publication of governing documents, such as policies and guidelines in the Epiroc Way. • Mandatory training in Epiroc's Code of Conduct for all employees and advanced training for certain employee categories. Relevant education at local level. • Implementation of tools to monitor regulatory compliance at Group level. • Increasing awareness of compliance in the organization through communication via the intranet. • Providing the "Speak Up" whistleblowing system - both internally and externally. • Follow-ups for implementation, self-assessment surveys and audits performed in cooperation with Internal Audit & Assurance. • See also more information under the specific key risks on the next pages.

Financial risk

- Financial risks include reporting risks, i.e., risk that reports do not give a fair view of Epiroc´s financial position and results. Financial risks also include currency risk, credit and counterparty risk, hedging risks, commodity price risk, taxation risk and financing risk, i.e., the risk of Epiroc encountering difficulties in repaying its debts and financing its operations. There is also a risk that impairment of goodwill or other intangible assets will adversely affect the financial results. See note 28.
- There is a risk that Epiroc´s future results of operations may differ materially from the financial goals set by the company. An emerging financial risk is that investors exit investments that present a high sustainability-related and climate risk, for example, coal.

The Code of Conduct describes who we are as a company and what we stand for. It outlines the appropriate business conduct and expected behaviors we all must follow to live up to the high ethical standards and integrity we hold ourselves to. Financial results are important and a measurement of success, but just as important is how we achieve these results.

For Epiroc, conducting business in a responsible manner is of great importance. Epiroc chooses to work with business partners who stand behind the quality of the goods and services they provide and act in accordance with high ethical standards and integrity.

Key risks, risk mitigation and opportunities

Key risk and context	Risk mitigation	Opportunities
Climate change and environment		
Physical changes in climate, changes in regulations, carbon taxes and other transition risks can impact demand negatively. Resource prices, pollution and access to natural resources, such as energy, water and raw material can be negatively affected. Within product development, failing to develop, launch and market new products or respond to technological development and customer demand for sustainable products are examples of risks.	Group Management and the divisions are continuously monitoring environmental and climate risks that can impact operations and demand. Within innovation, improved environmental performance is always an important component. The Board performs an annual oversight of climate-related risks and opportunities.	Meet increasing demand for sustainable equipment by developing products and services and/or expand offering with low emissions. Battery technologies and connected equipment can add value and help drive the transition to low-carbon solutions. Implementation of 2030 sustainability leads the organization towards halving CO_2e emissions in Scope 1, 2 and 3.
Competition		
The markets are highly competitive in terms of pricing, product design and service quality, the timing of development and introduction of new products, customer service, and financing terms and conditions. Intense competition from significant competitors and, to a lesser extent, from small regional companies and also, increasingly, from companies operating with lower costs and margins.	Continuous analyses and monitoring of market external factors and customer preferences in order to compete successfully and anticipate and respond to changes in evolving market demands, including demand for new products.	Development of high quality solutions that are in line with customer demands such as increased productivity, lower total cost of ownership and reduced environmental impact. Opportunities to continuously increase operational efficiency and lower costs of operations and improve competitive position.
Corruption and fraud		
Corruption and bribery exist in many countries where Epiroc operates. Epiroc faces the risk of corruption and other illegal acts committed by its employees. Inadequate internal controls could result in Epiroc becoming more vulnerable in relation to fraudulent acts committed by employees or other persons. Deficiencies in internal control could also cause investors and other third parties to lose confidence in Epiroc's reported financial information. There is a risk that individual employees, either by mistake or intentionally, act in breach of the applicable legal framework and Epiroc's internal policies and processes.	In-house lawyers support entities with advice on corruption laws and regulations. Proactive training is also carried out. Group Compliance identifies risks at Group level, implements adequate policies, provides information about compliance through internal communication, and provides training and digital tools to ensure that Epiroc and its employees around the world have the right knowledge for correct decision making. All employees are required to sign a CoC Compliance Statement. Training in the CoC is available for all employees. The Compliance board´s mission is to ensure that Epiroc's CoC is implemented and complied with. The board guides, supports and follows up on the process	The CoC and Group policies for how companies should conduct business responsibly will help ensure the trust of our stakeholders. Complying with legal norms and laws minimizes costs. Implementation of the 2030 sustainability goals supports compliance with the CoC.
Cyber Risk		
Epiroc could experience business interruptions caused by cybercrime, disruptions to critical IT services, or other breaches of its information systems that could lead to loss of intellectual property. The increased use of remote working introduces additional risk as it exposes more potential attack vectors. If breaches are not detected early and responded to effectively, they can harm Epiroc's reputation and have an adverse effect on the financial results.	Epiroc's cybersecurity program improves the handling of cyber security risks. For example by: • Group support and advice to entities on cybersecurity. • Revision of the Information Security Management System • Updated governing documents in the Epiroc Way. • Targeted security awareness training. • Improved protection of Epiroc authorities and data. • Increased resilience to adverse events.	Improving security and resilience goes hand-in-hand with increased customer demands on security and also improves Epiroc's competitive position.

Key risk and context	Risk mitigation	Opportunities
Employees		
Given that Epiroc continuously introduces new or enhanced products, it is important that the company is able to attract people with expertise in its product areas and in research and development. If Epiroc fails to monitor its need for employees or if it fails to continue to attract and retain highly qualified management and other skilled employees on acceptable terms, the company may experience difficulties to sustain or further develop parts of its business. A widespread pandemic could affect the health of employees and impair their ability to perform their job.	Mapping of competences and requirements is continuously carried out to ensure access to people with the right expertise at the right time. Recruitment can take place both externally and internally. Internal recruitment and job rotation are facilitated by an internal job market. Salaries and other conditions are adapted to the market and linked to business priorities. Epiroc strives to maintain good relationships with unions. An employee survey is carried out every year and followed up actively. When pandemics such as Covid-19 impact Epiroc the main focus is always the health of employees and their families and of customers. Necessary safety wear is provided to employees who need to be in production or in the field. Regular updates and clear communication to all employees enable quick adaptation to new situations.	Opportunity to set ambitious targets for employees and managers, aligned with business targets, and then give them the freedom to deliver, with accountability for results. Motivated and skilled employees and managers are crucial to achieve or exceed business targets. Much attention is spent on searching for and recruiting a high-performing, diverse workforce that will thrive in an environment of trust and individual responsibility. Implementation of the 2030 sustainability goals leads the organization towards improved safety and increased diversity. When employees and the company need to adopt quickly to changing working conditions, such as in a pandemic, Epiroc provides the technical support to do so. Epiroc and its employees have become better at working remotely and cooperating virtually.
Market		
Equipment and services are used in industries which are affected by general economic conditions and mineral commodity prices. This in turn can impact demand.	A flexible manufacturing setup with a large share of components purchased from suppliers. A significant aftermarket requirement over the equipment lifecycle creates a large and resilient service business.	Lean initiatives in manufacturing enable a more agile setup with enhanced flexibility Opportunity to further develop the aftermarket business, which will increase the resilience of the business.
Product development		
Several markets are characterized by technological advances and changes in customer preferences. Failure to develop, launch and market new products in response to customer demands for productivity and sustainability. Product development is affected by legislation on matters such as emissions, noise, vibrations and recycling. This may increase the risk of competition in emerging markets where such legislation is sometimes less strict. Substitution of existing Epiroc products and services with lower-emission options from competitors.	Continuous investments in research and development to develop products in line with customer demand and expectations, even during economic downturns. Designing products with a lifecycle perspective and measurable efficiency targets for the main product categories. Designing products with reduced emissions, vibrations or noise and increased recycling potential to meet legislative requirements. Continue using the TCFD recommendations to better understand and improve reporting on climate change risks.	Substantial opportunities to strengthen competitive edge by innovating high quality, sustainable products and creating an integrated value proposition for customers as well as meeting external environmental risks. Implementation of the 2030 sustainability goals leads the organization towards halving CO_2e emissions in operations, transport and use of products. Promote the integration of the Sustainable Development Goals in operations. Battery technologies and connected equipment are two prime areas where Epiroc can add value and help drive the transition to low-carbon solutions.
Reputation		
Epiroc's reputation and business results could be negatively affected for various reasons, including: • If customers start to lose confidence in the safety and quality of the products and services provided. • If the quality of the products and services offered by Epiroc deteriorates, including timing of delivery or quality and availability of products, whether due to a mistake by Epiroc or a third party. • Failure by Epiroc or any of its business partners or customers to comply with laws, regulations, ethical, social, product, labor, health and safety, environmental or other standards, or related political considerations. • Epiroc may be subject to complaints and lawsuits from customers, employees, suppliers and other third parties, alleging product damage, health, environmental, safety, data protection, antitrust, corruption, money laundering, export restrictions or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations.	All products are tested and also quality assured. Monitoring of product labeling and regular communications training. Epiroc has a clear well-known brand promise. The Group actively engages in stakeholder dialogue. The mandatory CoC training includes annual signing of a Code of Conduct Compliance Statement. Reporting of ethical and legal violations via the whistleblower system, Speak Up, is encouraged.	Stakeholder engagement can not only mitigate reputational risks in certain cases but also presents opportunities to increase the awareness and credibility of Epiroc's brand through collaboration and innovation. Delivering tested and quality assured products improves customer satisfaction and promotes repeat business. Increased access to new and emerging markets. The CoC with principles for how companies should conduct business responsibly helps Epiroc to safeguard its reputation and the trust of stakeholders. A high social and environmental profile is particularly important because Epiroc is present in many regions where the impacts from climate change will be heavy and resilience is low. Implementation of the 2030 sustainability goals helps ensure compliance with the CoC.

Key risk and context	Risk mitigation	Opportunities
Safety and health		
Inadequate adherence to safety and health regulations can lead to accidents causing damage to people, productivity and the Epiroc brand. Health and safety laws and regulations are becoming more complex. The cost of complying with, and the liabilities and the potential sanctions imposed pursuant to, health and safety laws and regulations could be significant.	Assess and manage safety and health risks in the operations. All major units are certified in accordance with the ISO45001 standard. To develop a behavior with safety in mind is key and activities to highlight this, such as the "SafeStart-program", "Live Work Elimination" and Epiroc Safety Day, which are organized throughout the Group. Business partners are offered trainings in Epiroc's policies including health and safety.	Improved safety and health increases productivity and satisfaction of employees and business partners. Implementation of the 2030 sustainability goals lead the organization towards improved health and safety. Promote the integration of the Sustainable Development Goals in operations.
Supply chain		
Incorrect deliveries, failure to fulfill deliveries or inadequate capacity at suppliers could cause delays or failures in deliveries, which in turn may cause reduced sales and a decline in customer confidence. Supply interruptions could arise from shortages of raw materials, labor disputes, climate change and weather conditions affecting products or shipments, transportation disruptions or other factors beyond Epiroc's control. Risk that Epiroc's business partners do not share the same values as expressed in Epiroc CoC. Risk that products contain components which are not sustainably produced, for instance the presence of conflict minerals in electronic components.	Select and evaluate business partners on the basis of objective factors including quality, delivery, price, and reliability, as well as commitment to environmental and social performance. Establishment of a global network of sub-suppliers, to prevent supplier dependency. Providing suppliers with timely and sufficient information in order to manage changes in volumes. Business partners to sign the Business Partner CoC. Continue the process to investigate and remove the potential presence of conflict minerals in the value chain.	Further increase business agility and reduce costs by improving supplier inventory management in response to changes in demand. Continue to be a preferred business partner and promote efficiency, sustainability and safety. Good supplier relations help to improve Epiroc´s competitive position. Promote human rights and work towards improving labor conditions, reducing the risk of corruption and conflicts. Opportunity to strengthen customer relationships by being ready to support customers that are impacted by the Dodd Frank legislation on conflict minerals Implementation of the 2030 sustainability goals leads towards halving CO_2e emissions in operations, transport and use of products, and ensuring compliance with the CoC. Promote the integration of the Sustainable Development Goals in operations.

Financial information and notes

Group financial information

Consolidated income statement

January - December, MSEK	Note	2021	2020
Revenues	4	39 645	36 122
Cost of sales		-24 192	-22 418
Gross profit		**15 453**	**13 704**
Administrative expenses		-3 166	-2 817
Marketing expenses		-2 313	-2 225
Research and development expenses		-1 172	-1 032
Other operating income	7	361	163
Other operating expenses	7	-139	-413
Share of profit in associated companies and joint ventures	14	-29	2
Operating profit	**4, 5, 6, 7, 16**	**8 995**	**7 382**
Financial income	8	166	144
Financial expenses	8	-197	-439
Net financial items		**-31**	**-295**
Profit before tax		**8 964**	**7 087**
Income tax expense	9	-1 895	-1 677
Profit for the year		**7 069**	**5 410**
Profit attributable to:			
– owners of the parent		7 058	5 399
– non-controlling interests		11	11
Basic earnings per share, SEK	11	5.85	4.48
Diluted earnings per share, SEK	11	5.84	4.48

Consolidated statement of comprehensive income

January - December, MSEK	Note	2021	2020
Profit for the year		**7 069**	**5 410**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans		697	-147
Income tax relating to items that will not be reclassified		-141	32
Total items that will not be reclassified to profit or loss		**556**	**-115**
Items that may be reclassified subsequently to profit or loss			
Translation differences on foreign operations		1 099	-1 812
- realized and reclassified to profit and loss		-	-33
Cash flow hedges		-	0
Income tax relating to items that may be reclassified		-	0
Total items that may be reclassified subsequently to profit or loss		**1 099**	**-1 845**
Other comprehensive income for the year, net of tax	**10**	**1 655**	**-1 960**
Total comprehensive income for the year		**8 724**	**3 450**
Total comprehensive income attributable to			
– owners of the parent		8 707	3 447
– non-controlling interests		17	3

Consolidated balance sheet

MSEK	Note	Dec. 31, 2021	Dec. 31, 2020
Assets			
Non-current assets			
Intangible assets	12	7 233	4 111
Rental equipment	13	1 279	999
Other property, plant and equipment	13	4 587	4 150
Investments in associated companies and joint ventures	14	106	188
Other financial assets and other receivables	15	1 007	751
Deferred tax assets	9	1 469	1 374
Total non-current assets		**15 681**	**11 573**
Current assets			
Inventories	16	11 861	8 930
Trade receivables	17	7 174	6 045
Other receivables	18	2 057	1 414
Current tax receivables		190	189
Financial assets	15	828	682
Cash and cash equivalents	19	10 792	15 053
Total current assets		**32 902**	**32 313**
Total assets		**48 583**	**43 886**
Equity and liabilities			
Equity	20		
Share capital		500	500
Other paid-in capital		106	80
Reserves		-14	-1 107
Retained earnings including profit for the year		25 137	24 220
Equity attributable to owners of the parent		**25 729**	**23 693**
Non-controlling interests		56	46
Total equity		**25 785**	**23 739**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	21, 22	8 562	9 491
Post-employment benefits	23	356	806
Deferred tax liabilities	9	785	606
Other liabilities		203	54
Provisions	26	454	323
Total non-current liabilities		**10 360**	**11 280**
Current liabilities			
Interest-bearing liabilities	21, 22	628	664
Trade payables		5 512	3 605
Current tax liabilities		562	391
Other liabilities	25	5 447	3 911
Provisions	26	289	296
Total current liabilities		**12 438**	**8 867**
Total equity and liabilities		**48 583**	**43 886**

Consolidated statement of changes in equity

2021	Equity attributable to owners of the parent							
MSEK	Share capital	Other paid-in capital	Translation reserve	Cash flow hedge	Retained earnings	Subtotal	Non-controlling interests	Total equity
Opening balance, Jan. 1	**500**	**80**	**-1 107**	**0**	**24 220**	**23 693**	**46**	**23 739**
Profit for the year	–	–	–	–	7 058	7 058	11	7 069
Other comprehensive income for the year	–	–	1 093	0	556	1 649	6	1 655
Total comprehensive income for the year	**–**	**–**	**1 093**	**0**	**7 614**	**8 707**	**17**	**8 724**
Dividend	–	–	–	–	-3 016	-3 016	-7	-3 023
Redemption of shares	–	–	–	–	-3 619	-3 619	–	-3 619
Divestment of 1 759 929 series A shares	–	26	–	–	322	348	–	348
Acquisitions 1 421 649 of series A shares	–	–	–	–	-284	-284	–	-284
Share-based payment, equity settled								
– expense during the year	–	–	–	–	22	22	–	22
– exercise option	–	–	–	–	-122	-122	–	-122
Closing balance, Dec. 31	**500**	**106**	**-14**	**0**	**25 137**	**25 729**	**56**	**25 785**

2020	Equity attributable to owners of the parent							
MSEK	Share capital	Other paid-in capital	Translation reserve	Cash flow hedge	Retained earnings	Subtotal	Non-controlling interests	Total equity
Opening balance, Jan. 1	**500**	**58**	**730**	**0**	**21 473**	**22 761**	**52**	**22 813**
Profit for the year	–	–	–	–	5 399	5 399	11	5 410
Other comprehensive income for the year	–	–	-1 837	0	-115	-1 952	-8	-1 960
Total comprehensive income for the year	**–**	**–**	**-1 837**	**0**	**5 284**	**3 447**	**3**	**3 450**
Dividend	–	–	–	–	-2 892	-2 892	-9	-2 901
Divestment of 2 972 466 series A shares	–	22	–	–	348	370	–	370
Share-based payment, equity settled								
– expense during the year	–	–	–	–	25	25	–	25
– exercise option	–	–	–	–	-18	-18	–	-18
Closing balance, Dec. 31	**500**	**80**	**-1 107**	**0**	**24 220**	**23 693**	**46**	**23 739**

Consolidated statement of cash flows

January - December, MSEK	Note	2021	2020
Cash flow from operating activities			
Operating profit		8 995	7 382
Adjustments for:			
Depreciation, amortization and impairment	12, 13	1 746	1 746
Capital gain/loss and other non-cash items		-192	252
Net financial items received/paid		139	-94
Taxes paid		-1 978	-1 800
Pension funding and payment of pension to employees		-57	-54
Cash flow before change in working capital		**8 653**	**7 432**
Change in:			
Inventories		-1 947	536
Operating receivables		-1 184	486
Operating liabilities		2 512	99
Change in working capital		**-619**	**1 121**
Increase in rental equipment		-775	-595
Sale of rental equipment		348	376
Net cash flow from operating activities		**7 607**	**8 334**
Cash flow from investing activities			
Investments in other property, plant and equipment		-489	-507
Sale of other property, plant and equipment		1	84
Investments in intangible assets	12	-437	-498
Sale of intangible assets		-	4
Acquisition of subsidiaries and associated companies	3	-2 358	-63
Divestment of subsidiaries	3	6	-12
Proceeds to/from other financial assets, net		-196	384
Net cash flow from investing activities		**-3 473**	**-608**
Cash flow from financing activities			
Dividend		-3 016	-2 892
Dividend paid to non-controlling interest		-7	-9
Redemption of shares		-3 619	–
Repurchase of own shares		-284	–
Divestment of own shares		348	370
Borrowings		150	4 010
Repayment of borrowings		-1 564	-2 012
Payment of lease liabilities		-444	-457
Net cash flow from financing activities		**-8 436**	**-990**
Net cash flow for the year		**-4 302**	**6 736**
Cash and cash equivalents, Jan. 1		15 053	8 540
Exchange rate difference in cash and cash equivalents		41	-223
Cash and cash equivalents, Dec. 31	19	**10 792**	**15 053**
Operating cash flow			
Net cash from operating activities		7 607	8 334
Net cash from investing activities		-3 473	-608
Acquisition and divestment of subsidiaries and associated companies		2 352	75
Other adjustments [1)]		381	-795
Operating cash flow		**6 867**	**7 006**

[1)] Mainly currency hedges of loans and changes in Financial Solutions portfolios.

Group notes

1. Significant accounting policies

The consolidated financial statements comprise Epiroc AB, the Parent Company ("the Company"), and its subsidiaries (together "the Group" or Epiroc) and the Group's interest in associated companies and joint ventures. Epiroc AB is headquartered in Nacka, Sweden.

The Annual Report for the Group and for Epiroc AB, including financial statements, was approved for issuance on March 3, 2022 . The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on April 25, 2022.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish recommendation RFR 1 "Supplementary Accounting Rules for Groups" and applicable statements issued by the Swedish Financial Reporting Board.

Basis of consolidation

The consolidated financial statements have been prepared in accordance with the acquisition method. The financial statements of the Group include all entities in which the Company, directly or indirectly, has control. Control exists when the Company has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power to affect its returns. Generally, control and hence consolidation is based on ownership.

Intra-group balances and internal income and expense arising from intra-group transactions are fully eliminated in preparing the Group's financial statements. Gains and losses arising from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full, but losses only to the extent that there is no evidence of impairment.

Business combinations

Business combinations are accounted for using the acquisition method. Business combinations are seen as if the Group directly acquires the assets and assumes the liabilities of the entity acquired. At the acquisition date, the date on which control is obtained, each identifiable asset acquired and liability assumed is recognized at its acquisition date fair value. When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. When a business combination is achieved in stages, the Group's previously held interests (including associated companies and joint ventures) in the acquired entity are remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of acquisition date fair value amounts of the identifiable assets acquired and liabilities assumed.

Non-controlling interest is initially measured at the non-controlling interest's proportionate share of the fair value of identifiable net assets.

Subsequent profit or loss attributable to the non-controlling interest is allocated to the non-controlling interest, even if it puts the non-controlling interest in a deficit position. Acquisitions of non-controlling interests are recognized as a transaction between owners of the parent and non-controlling interests. The difference between consideration paid and the proportionate share of net assets acquired is recognized in equity. For details on the acquisitions made during the year, see note 3.

Associated companies and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over financial and operating policies. When the Group holds 20–50% of the voting power, it is presumed that significant influence exists, unless otherwise demonstrated. A joint venture is an entity over which the Group has joint control, through contractual agreements with one or more parties. Investments in associated companies and joint ventures are reported according to the equity method. This means that the carrying value of interests in an associate or joint venture corresponds to the Group's share of reported equity of the associate or joint venture, any goodwill, and any other remaining fair value adjustments recognized at acquisition date.

"Shares of profit in associated companies and joint ventures", included in the income statement, comprises the Group's share of the associate's and joint venture's income after tax adjusted for any amortization and depreciation, impairment losses, and other adjustments arising from any remaining fair value adjustments recognized at acquisition date. Dividends received from an associated company or joint venture reduce the carrying value of the investment. Unrealized gains and losses arising from transactions with an associate or a joint venture are eliminated to the extent of the Group's interest, but losses only to the extent that there is no evidence of impairment of the asset. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognize further losses unless the Group has incurred obligations or made payments on behalf of the associate.

Functional currency and foreign currency translation

The financial statements are presented in Swedish krona (SEK), which is the functional reporting currency for Epiroc AB and also the presentation currency for the Group. Unless otherwise stated, the amounts presented are in millions Swedish krona (MSEK).

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the balance sheet date. Non-monetary items that are measured at historical cost are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

In the financial statements, the balance sheets of foreign subsidiaries are translated to SEK using exchange rates at the balance sheet date and the income statements are translated at the average exchange rates for the reporting period. Foreign exchange differences are recognized in OCI and are accumulated in the currency translation reserve in equity. Exchange rates for major currencies that have been used for the Group's financial statements are disclosed in note 28.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group's President and CEO, who is the chief operating decision maker for Epiroc, monitors the operations by divisions which represent the operating segments for the Group. In the Group's financial statements the operating segments have been aggregated to two reporting segments, Equipment & Service and Tools & Attachments, in accordance with IFRS 8. See note 4 for additional information.

Revenue recognition

Revenue is recognized in an amount that reflects the expected and entitled consideration for transferring goods and/or services to customers when control has passed to the customer. See note 4 for further information on revenue by segment and by geographical area.

1. Significant accounting policies, cont.

Goods sold
Revenue from goods sold is recognized at one point in time when control of the goods has been transferred to the customer. This occur when the Group has a present right to payment for the goods, the customer has legal title of the goods, the goods have been delivered to the customer and/or the customer has the significant risks and rewards of the ownership of the goods.

When the goods sold are highly customized and an enforceable right to payment is present, revenue is recognized over time using the proportion of cost incurred to date compared to estimated total cost to measure progress towards transferring the control of the goods to the customer.

For buy-back commitments where the buy-back price is lower than original selling price but there is an economic incentive for the customer to use the buy-back commitment option, the transaction is accounted for as an operating lease.

Variable consideration
Some contracts with customers provide a right of return, trade discounts or volume rebates. With such components, revenue is deferred until highly probable that a reversal of revenue will not occur. Such provisions are estimated at contract inception and updated thereafter.

Rights of return
When a contract with a customer provides a right to return the goods within a specified period, the Group accounts for the right of return using the expected value method based on historical experience with the customer or similar customers and taking into consideration future expected deliveries. The amount of revenue related to the expected returns is deferred and recognized in the balance sheet within "Other liabilities". A corresponding adjustment is made to the cost of sales and recognized in the balance sheet within "Other receivables".

Rendering of services
Revenue from services is recognized over time by reference to the progress towards satisfaction of each performance obligation. The progress towards satisfaction of each performance obligation is measured by the proportion of cost incurred to date compared to estimated total cost of each performance obligation.

Where the outcome of a service contract cannot be estimated reliably, revenue is recognized to the extent of costs incurred that are expected to be recoverable. When it is probable that total contract costs will exceed total revenue, the expected loss is recognized as an expense immediately.

Contract assets and contract liabilities
If the right to consideration for a specific performance obligation is conditional on satisfying another performance obligation, the right is classified as a contract asset. When payment has been received in advance of satisfying the performance obligation, the liability is classified as a contract liability.

Performance obligation
Information about the Group's performance obligations is summarized below:

Equipment
The performance obligation is satisfied upon delivery of the equipment, except for equipment with complex installation, in these circumstances; the performance obligation is satisfied upon completion of installation of the equipment. Payment is generally due between 30–60 days from delivery. In some contracts, short-term advances are required before the equipment is delivered. Some contracts contain right of return, late delivery penalties, volume rebates and buy-backs, which give rise to variable consideration. With variable consideration revenue is deferred until highly probable that a reversal of revenue will not occur.

Installation services
Installation services are sold either separately or as a part of an equipment sale. The performance obligation is satisfied over time and payment is generally due upon completion and acceptance by the customer.

Spare parts and tools
The performance obligation is satisfied upon delivery of the equipment. Payment is generally due between 30–60 days from delivery. Some contracts contain volume rebates, which give rise to variable consideration subject to constraint.

Services
The providing of services is satisfied over time and payment is generally due 30–60 days after completion.

See note 4 for more information regarding the Group's performance obligations.

Rental operations
Rental income from rental equipment is recognized on a straight-line basis over the rental period. Sale of rental equipment is recognized as revenue when the significant risks and rewards of ownership have been transferred to the buyer. The carrying value of the rental equipment sold is recognized as cost of sales. Investments in and sale of rental equipment are included in cash flow from operating activities.

Other operating income and expenses
Commissions and royalties are recognized on an accrual basis in accordance with the financial substance of the agreement. Gains and losses on disposals of non-current assets are determined by comparing the proceeds from disposal with the carrying amount. Such gains or losses are recognized within "Other operating income" and "Other operating expenses". See note 7 for additional information.

Financial income and expenses
Interest income and interest expense are recognized in profit or loss using the effective interest rate method. See note 8 for additional information.

Income taxes
Income taxes include both current and deferred taxes. Income taxes are reported in profit or loss unless the underlying transaction is reported in OCI or in equity, in which case the corresponding tax is reported according to the same principle. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognized using the balance sheet liability method. The calculation of deferred taxes is based on differences between the values reported in the balance sheet and their valuation for taxation, which are referred to as temporary differences, and the carryforward of unused tax losses and tax credits. Temporary differences attributable to the following assets and liabilities are not provided for: the initial recognition of goodwill, the initial recognition (other than in business combinations) of assets or liabilities that affect neither accounting nor taxable profit, and differences related to investments in subsidiaries, associated companies and joint ventures to the extent that they will probably not reverse in the foreseeable future, and for which the Company is able to control the timing of the reversal of the temporary differences.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. In the calculation of deferred taxes, enacted or substantively enacted tax rates are used for the individual tax jurisdictions.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. For details regarding taxes, see note 9.

Earnings per share
Basic earnings per share are calculated based on the profit for the year attributable to owners of the parent and the basic number of shares outstanding adjusted for any subsequent split made prior to the release of the financial statements. Diluted earnings per share are calculated based on the profit for the year attributable to owners of the parent and the diluted number of shares outstanding. Dilutive effects arise from stock options that are settled in shares. Stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options. When calculating

1. Significant accounting policies, cont.

the dilutive effect, the exercise price is adjusted by the value of future services related to the options. See note 11 for more details.

Intangible assets
Goodwill
Goodwill is recognized at cost, as established at the date of acquisition of a business (see "Business combinations"), less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units (CGU) that are expected to benefit from the synergies of the business combination. The operating segments of Epiroc have been identified as CGU's. Impairment testing is performed at least annually or whenever the need is indicated. Goodwill is reported as an indefinite useful life intangible asset.

Technology-based intangible assets
Expenditure on research activities is expensed as incurred. Research projects acquired as part of business combinations are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, these research projects are carried at cost less amortization and impairment losses. Expenditure on development activities are expensed as incurred unless the activities meet the criteria for being capitalized:

- the product or process being developed is estimated to be technically and commercially feasible and will generate probable future benefits, and
- the Group has the intent and ability to complete and sell or use the product or process, and
- the Group has the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized expenditure includes the cost of materials, direct labor, and other costs directly attributable to the project. Capitalized development expenditure is carried at cost less accumulated amortization and impairment losses. See note 7 and note 12 for the allocation of amortization in the Income statement.

Other intangible assets
Other intangible assets include trademarks, marketing and customer related intangible assets and contract based rights, such as licenses or franchise agreements. Acquired other intangible assets relating to contract based rights, such as licenses or franchise agreements, are capitalized based on their fair value at the time of acquisition and carried at cost less accumulated amortization and impairment losses. Expenditure on internally generated goodwill, trademarks and similar items is expensed as incurred.

Changes in the Group's intangible assets during the year are described in note 12.

Property, plant and equipment
Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost of an item of property, plant and equipment comprises purchase price, import duties, and any cost directly attributable to bringing the asset to the location and condition for use. The cost also includes dismantlement and removal of the asset in the future, if applicable. Borrowing costs for assets that need a substantial period of time to get ready for their intended use are included in the cost value until the assets are substantially ready for their use or sale and are thereafter depreciated.

The Group capitalizes costs on initial recognition and on replacement of significant parts of property, plant and equipment if it is probable that the future economic benefits embodied will flow to the Group and the cost can be measured reliably. All other costs are expensed in profit or loss when incurred.

Rental equipment
The rental fleet includes drill rigs, mine trucks, loaders, and to a lesser extent hydraulic attachments, simulators and other mining and construction equipment. Rental equipment is initially recognized at cost and is depreciated over the estimated useful life of the equipment. Rental equipment is depreciated to a residual value estimated at 0–10% of cost.

Depreciation and amortization
Depreciation and amortization is calculated based on cost using the straight-line method over the estimated useful life of the asset. Parts of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately when the useful life of the parts does not coincide with the useful life of other parts of the item.

The estimated useful lives are as follows:

Technology-based intangible assets	3–15 years
Trademarks	4–10 years
Marketing and customer related intangible assets	4–10 years
Buildings	25–50 years
Machinery and equipment	3–10 years
Vehicles	4–5 years
Computer hardware and software	3–10 years
Rental equipment	3–8 years

The useful life and residual values are reassessed annually or more often if there are indications of impairment. Land, assets under construction and goodwill are not depreciated or amortized. For changes in the Group's property, plant and equipment, see note 13.

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

A remeasurement of the lease liability, and a corresponding applicable adjustment to the related right-of-use asset, is performed when

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or a change in expected payments under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

In the consolidated balance sheet, the Group presents the lease liability within "non-current interest bearing liability" and within "current interest bearing liability" for the part of the lease liability that is

1. Significant accounting policies, cont.

due within the next 12 months. The right-of-use asset is presented within "Other property, plant and equipment" or "Rental equipment".

Group as lessor
At inception of a lease contract, the Group assesses whether the lease is a finance lease or an operating lease. If the Group, as a lessor, substantially retains the ownership rights and obligations of the asset, then the lease is classified as an operating lease. However, the lease is classified as a finance lease if the ownership rights and obligations of the asset are transferred to the lessee.

In cases where the Group acts as a lessor under an operating lease, the asset is classified as rental equipment and is subject to the Group's depreciation policies. The lease payments are included in profit or loss on a straight-line basis over the term of the lease.

Under finance leases where the Group acts as lessor, the transaction is recorded as a sale and a lease receivable, comprising the future minimum lease payments and any residual value guaranteed to the lessor, is recorded. Lease payments are recognized as repayment of the lease receivable and interest income. See note 22 for more details on leases.

In cases where the Group acts as an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately. The Group assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head-lease.

Impairment of non-financial assets
The carrying values of the Group's non-financial assets are reviewed at least at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount (i.e., the greater of fair value less costs to sell and value in use). In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of assessing impairment, assets are grouped in CGUs, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognized in profit or loss.

An impairment loss related to goodwill is not reversed. In respect of other assets, impairment losses in prior periods are reviewed for possible reversal of the impairment at each reporting date.

Inventories
Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recognized according to the first-in-first-out principle and include the cost of acquiring inventories and bringing them to their existing location and condition. Inventories manufactured by the Group and work in progress include an appropriate share of production overheads based on normal operating capacity. Inventories are reported net of deductions for obsolescence and internal profits arising in connection with deliveries from the production companies to the distribution and customer centers. See note 16 for more details.

Equity
Shares issued by the company are classified as equity.

When shares are repurchased, the amount of the consideration paid is recognized as a deduction from equity net of any tax effect. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or subsequently reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is transferred to or from other paid-in capital. See note 20.

Provisions
Provisions are recognized:

- when the Group has a legal or constructive obligation (as a result of a past event),
- it is probable that the Group will have to settle the obligation, and
- the amount of the obligation can be estimated reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, the provision is determined by discounting the expected future cash flows of estimated expenditures. Provisions for product warranties are recognized as cost of sales at the time the products are sold based on the estimated cost using historical data for level of repairs and replacements. A restructuring provision is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or been announced publicly.

Present obligations arising under onerous contracts are recognized as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Before a provision is established, the Group recognizes an impairment loss on the asset associated with the contract. For details on provisions, see note 26.

Post-employment benefits
Post-employment benefit plans are classified either as defined contribution or defined benefit plans. Under a defined contribution plan, the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits. Contributions to defined contributions plans are expensed when employees provide services entitling them to the contribution.

Defined benefit plans are the Group's obligation to provide agreed benefits to current and former employees. The net obligation of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in return for their services in current and prior periods.

The amount is discounted to determine its present value and the fair values of any plan assets are deducted. Funded plans with net assets, i.e., plans with assets exceeding the commitments, are reported as non-current assets.

The costs for defined benefit plans are calculated using the Projected Unit Credit Method, which distributes the cost over the employee's service period. The calculation is performed annually by independent actuaries using actuarial assumptions such as employee turnover, mortality and future increase in salaries and medical costs. Changes in actuarial assumptions, experience adjustments of obligations and changes in fair value of plan assets result in remeasurements and are recognized in OCI. Each quarter a remeasurement is performed to adjust the present value of pension liabilities and the fair value of pension assets against OCI. Net interest on defined benefit obligations and plan assets is reported as interest income or interest expense. See note 23 for additional information.

Share-based compensation
The Group has share-based incentive programs, consisting of stock options and share appreciation rights, which may be offered to certain employees based on position and performance. Additionally, the Board are offered synthetic shares.

The fair value of stock options that can only be settled in shares (equity-settled) is recognized as an employee expense with a corresponding increase in equity. The fair value, measured at grant date using the Black-Scholes model, is recognized as an expense over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of stock options vested.

The fair value of the share appreciation rights, synthetic shares, and options with a choice for employees to settle in shares or cash is recognized in accordance with policies for cash-settled share-based payments. The value is recognized as an employee expense with a corresponding increase in liabilities. The fair value, measured at grant date and remeasured at each reporting date using the Black-Scholes model, is accrued and recognized as an expense over the vesting period. Changes in fair value are, during the vesting period and after the vesting period until settlement, recognized in profit or loss as an employee expense. The accumulated expense recognized equals the cash amount paid at settlement. Social security charges are paid in cash and are accounted for in line with the policies for cash-settled share-based payments, regardless of whether they are related to equity or cash-settled share-based payments. See note 24 for details.

1. Significant accounting policies, cont.

Financial instruments
Financial instruments recognized in the balance sheet include assets, such as trade receivables, financial investments and derivatives, and liabilities such as loan liabilities, trade payables and derivatives.

Financial assets and liabilities
Financial assets and liabilities are recognized when the Group becomes a party to the contractual provision of the instrument. Transactions of financial assets are accounted for at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognized on issuance of invoices. Liabilities are recognized when the other party has performed and there is a contractual obligation to pay. Derecognition, fully or partially, of a financial asset occurs when the rights in the contract have been realized or matured, or when the Group has transferred risks and rewards and no longer has control over it. A financial liability is derecognized, fully or partially, when the obligation specified in the contract is discharged or otherwise expires. A financial asset and a financial liability are offset and the net amount presented in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. Gains and losses from derecognition and modifications are recognized in profit or loss.

Measurement of financial instruments
Financial instruments are classified at initial recognition. The classification decides the measurement of the instruments.

Classification and measurement of financial assets
Equity instruments: are classified at fair value through profit or loss (FVTPL) unless they are held for non-trading purposes, in which case an irrevocable election can be made on initial recognition to classify them at fair value through other comprehensive income (FVOCI) with no subsequent reclassification to profit or loss. The Group classifies equity instruments at FVTPL.

Derivative instruments: are classified at FVTPL, unless they are classified as a hedging instrument and the effective part of the hedge is recognized in OCI.

Debt instruments: the classification of financial assets that are debt instruments, including hybrid contracts, is based on the Group's business model for managing the assets and the asset's contractual cash flow characteristics. The instruments are classified at either:
- amortized cost,
- FVOCI, or
- FVTPL.

Financial assets at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost using the effective interest method. Assets classified at amortized cost are held under the business model of collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are subject to a loss allowance for expected credit losses.

FVOCI are assets held under the business model of both selling financial assets and collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial instruments in this category are recognized at fair value at initial recognition and changes in fair value are recognized in OCI until derecognition, when the amounts in OCI are reclassified to profit or loss. The assets are subject to a loss allowance for expected credit losses.

FVTPL are all other debt instruments that are not measured at amortized cost or FVOCI. Financial instruments in this category are recognized at fair value at initial recognition and changes in fair value are recognized in profit or loss.

Classification and measurement of financial liabilities
Financial liabilities are classified at amortized cost, with the exception of derivatives. Financial liabilities at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost using the effective interest method.

Derivatives are classified at FVTPL, unless they are classified as a hedging instrument and the effective part of the hedge is recognized in OCI.

Fair value for financial assets and liabilities is described in note 28.

Impairment of financial assets
Financial assets, except those classified at FVTPL, are subject to impairment for expected credit losses. In addition, the impairment model applies to contract assets, loan commitments and financial guarantees that are not measured at FVTPL. The IFRS 9 expected credit loss (ECL) model is forward looking and a loss allowance is recognized at first recognition of an investment of debt instruments, lease receivables, trade receivables or financial guarantee contracts when there is an exposure to credit risk. Expected credit losses reflect the present value of all cash shortfalls related to default events either over the following 12 months or over the expected life of a financial instrument, depending on type of asset and on credit deterioration from inception. The ECL reflects an unbiased, probability-weighted outcome that considers multiple scenarios based on reasonable and supportable forecasts.

The simplified model is applied to trade receivables, lease receivables and contract assets. A loss allowance is recognized over the expected lifetime of the receivable or asset. For other items subject to ECL, the impairment model with a three-stage approach is applied. Initially, and at each reporting date, a loss allowance will be recognized for the following 12 months, or a shorter time period depending on the time to maturity (stage 1). If there has been a significant increase in credit risk since origination a loss allowance will be recognized for the remaining lifetime of the asset (stage 2). For assets that are considered as credit impaired, allowance for credit losses will continue to capture the lifetime expected credit losses (stage 3). For credit impaired receivables and assets, the interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount as in previous stages. The Group defines default as customers where significant financial difficulties have been identified.

In the respective model applied, the measurement of ECL is based on different methods for different credit risk exposures. For trade receivables and contract assets, the method is based on historical loss rates in combination with forward-looking considerations. Lease receivables and cash and cash equivalents are impaired by a rating method, where ECL is measured by the product of the probability of default, loss given default, and exposure at default. Both external credit agencies rating and internally developed rating methods are applied. The measurement of ECL considers potential collateral and other credit enhancements in the form of guarantees.

The financial assets are presented in the balance sheet at amortized cost, i.e., net of gross carrying amount and the loss allowance. Changes in the loss allowance are recognized in profit or loss as impairment losses. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derivatives and Hedge accounting
Derivative instruments are recognized in the balance sheet at fair value on the date a derivative contract is entered into and also subsequently measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. Changes in fair value for derivatives that do not fulfill the criteria for hedge accounting are recognized through profit and loss, either in operating result or net financial items depending on the purpose of the use of the derivative. Interest payments for interest rate swaps are recognized as interest income or expenses, whereas changes in fair value of future payments are presented as gains or losses from financial instruments. The Group has not had any derivatives qualifying for hedge accounting during the year.

Contingent liabilities
A contingent liability is a possible obligation or a present obligation that arises from past events that is not reported as a liability or provision, due either to the fact that it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable calculation of the amount cannot be made.

1. Significant accounting policies, cont.

Changes in accounting policies

For the Annual Report 2021 there are no new IFRS standards to be implemented. The following amendments have been implemented.

IFRS 9, IAS 39, IFRS 7 amendments
Changes in the reference interest reform have been implemented. Epiroc estimates that the changes will not affect the company's method of accounting.

Extended IFRS 16 amendments
The extended amendment of IFRS 16 Leasing is linked to Covid-19, an assessment is made from the view of the lessee whether there has been a modification or not of the lease agreement due to a discount received or financial relief. Epiroc estimates that the change has not affected the company's way of accounting.

New or amended accounting standards effective after 2021
Revised standards IFRS 7 Insurance contracts, amendments in IAS 37, IAS 16 and in IAS 1 have been issued but were not effective as of December 31, 2021, and have not been applied by the Group. They are not expected to have a material overall impact on the consolidated financial statements of the Group.

2. Critical accounting estimates and judgments

The preparation of financial reports requires management's judgment and the use of estimates and assumptions that affect the amounts reported in the Group's financial statements. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances. Actual results may differ from those estimates. The estimates and assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which they are revised and in any future periods affected.

The estimates and the judgments which, in the opinion of management, are significant to the underlying amounts included in the financial reports and for which there is a significant risk that future events or new information could entail a change in those estimates or judgments are as follows.

Revenue recognition
Key sources of estimation uncertainty
Revenue for services is recognized over time in profit or loss by reference to the progress towards satisfaction of the performance obligation at the balance sheet date. The progress towards satisfaction is determined by the proportion of cost incurred to date compared to estimated total cost of each performance obligation.

Revenue for goods sold is recognized in profit or loss at one point in time when control of the goods has been transferred to the customer.

Accounting judgment
Management's judgment is used, for instance, when assessing:

- the degree of progress towards satisfaction of the performance obligations and the estimated total costs for such contracts when revenue is recognized over time, to determine the revenue and cost to be recognized in the current period, and whether any losses need to be recognized,
- if the control has been transferred to the customer (i. e., the Group has a present right to payment for the goods, the customer has legal title of the goods, the goods have been delivered to the customer and/or the customer has the significant risks and rewards of the ownership of the goods), to determine if revenue and cost should be recognized in the current period,
- the transaction price of each performance obligation when a contract includes more than one performance obligation, to determine the revenue and cost to be recognized in the current period, and
- the customer credit risk (i.e., the risk that the customer will not meet the payment obligation), to determine and justify the revenue recognized in the current period.

Impairment of goodwill, other intangible assets and other non-current assets
Key sources of estimation uncertainty
Goodwill is not amortized but is subject to annual tests for impairment. Other intangible assets and other non-current assets are amortized or depreciated based on management's estimates of the period that the assets will generate revenue but are also reviewed regularly for indications of impairment. The impairment tests are based on a review of the recoverable amount, which is estimated based on management's projections of future cash flows using internal business plans and forecasts.

Accounting judgment
Asset impairment requires management's judgment, particularly in assessing:

- whether an event has occurred that may affect asset values,
- whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset in the business,
- the appropriate assumptions to be applied in preparing cash flow projections, and
- the discounting of these cash flows.

Changing the assumptions selected by management to determine the level of impairment, if any, could affect the financial position and results of operation. See note 12.

Deferred taxes
Key sources of estimation uncertainty
Deferred tax assets are recognized for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carryforwards. The Group records deferred tax assets based upon management's estimates of future taxable profit in different tax jurisdictions. The actual results may differ from these estimates, due to change in the business climate and change in tax legislation. See note 9.

Inventory
Accounting judgment
The Group values inventory at the lower of historical cost, based on the first-in-first-out basis, and net realizable value. The calculation of net realizable value involves management's judgment as to the estimated sales prices, overstock articles, outdated articles, damaged goods, and selling costs. If the estimated net realizable value is lower than historical cost, a valuation allowance is established for inventory obsolescence. See note 16 for additional information.

2. Critical accounting estimates and judgments, cont.

Trade and financial receivables
Key sources of estimation uncertainty
The Group measures the expected credit losses on financial assets classified at amortized cost including trade and financial receivables, lease receivables and contract assets. The expected credit losses are an assessment that reflects an unbiased, expected outcome based on reasonable and supportable forecasts.

Accounting judgment
Management's judgment considers rapidly changing market conditions which may be particularly sensitive in customer financing operations. An overall control is performed to ensure that an adequate loss allowance is recognized. More information and comments on Covid-19 impact can be found in the section "Credit risk" in note 28 and in the Administration report.

Post-employment benefit valuation assumptions
Key sources of estimation uncertainty
Post-employment obligations are dependent on the assumptions established by management and used by actuaries in calculating such amounts. The key assumptions include discount rates and future salary increases. The actuarial assumptions are reviewed on an annual basis and are changed when it is deemed appropriate. See note 23 for additional information regarding assumptions used in the calculation of obligations for defined benefits.

Legal proceedings and tax claims
Accounting judgment
Epiroc recognizes a liability when the Group has an obligation from a past event involving the transfer of economic benefits and when a reasonable estimate can be made of what the transfer might be. The Group reviews outstanding legal cases regularly in order to assess the need for provisions in the financial statements. These reviews consider the factors of the specific case by internal legal counsel and through the use of outside legal counsel and advisors when necessary. The financial statements may be affected to the extent that management's assessments of the factors considered are not consistent with the actual outcome. Additionally, the legal entities of the Group are frequently subject to audits by tax authorities in accordance with standard practice in the countries where the Group operates. In instances where the tax authorities have a different view on how to interpret the tax legislation, the Group makes estimates as to the likelihood of the outcome of the dispute, as well as estimates of potential claims. The actual results may differ from these estimates.

Warranty provisions
Key sources of estimation uncertainty
Provisions for product warranties should cover future commitments for the sales volumes already realized. Warranty provision is a complex accounting estimate due to the variety of variables which are included in the calculations. The calculation methods are based on the type of products sold and historical data for level of repairs and replacements. The underlying estimates for calculating the provision are reviewed at least quarterly as well as when new products are being introduced or when other changes occur which may affect the calculation.

Leasing
Accounting judgment
Determining the lease term of contracts with renewal and termination options – Group as Lessee
The Group has a few lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, the Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. For properties with a lease term of ten years or more, the non-cancelable period is assumed to equal the term stated in the contract as the renewal periods are not reasonably certain to be exercised. If the term in the contract is less than ten years it must be assessed whether any options to extend the lease will be exercised. Circumstances that affect the assessment include any investment in the property that the lessee has made. It is continuously assessed if and when the entity is reasonably certain to exercise an option to extend the contract. In addition, the renewal options for leases of vehicles are not included as part of the lease term because the Group typically leases vehicles for not more than the lease term stated in the contract and, hence, does not exercise any renewal option.

Task Force on Climate-Related Financial Disclosures
The Task Force on Climate-Related Financial Disclosures (TCFD) provides recommendations to companies to report on their climate-change risks and opportunities, and to increase transparency on related actions to tackle them. During 2021, the work focused on a qualitative scenario assessment for physical and transition climate-related risks and opportunities.

Physical risks such as heat stress, extreme weather, and water scarcity affecting suppliers or Epiroc´s own operations were all identified as risks. The impact for Epiroc was considered low due to possible mitigation measures, such as reducing single supplier dependency, strategic location of manufacturing, distribution centers and suppliers as well as altered working hours.

For transitional risks, such as reputational risks due to Epiroc´s ties to the mining industry, which is often categorized as a high-risk industry for climate and environmental issues, was identified as one risk. While at the same time recognizing that the mining industry and access to minerals such as copper will play a key role in the green transition.

As a result of the scenario analysis, it is clear that the transition to a low-carbon economy also provides climate-related opportunities for Epiroc. In 2022, Epiroc will continue to analyze climate risks and opportunities as part of the annual risk assessment. For more information on TCFD, see note 7 in Notes on sustainability performance.

3. Acquisitions and divestments

Acquisitions 2021

All acquisitions described below were made through the purchase of 100% of shares and voting rights or through the purchase of the net assets of the acquired businesses, except for one subsidiary to MineRP where 50.3% of the shares and voting rights were acquired and Mobilaris MCE AB where the remaining 66% of the shares and voting rights were acquired. Before the acquisition date Epiroc owned 34% of the shares in Mobilaris MCE AB (associated company). The Group's previously held interest in Mobilaris MCE AB was remeasured at its acquisition date fair value and the resulting gain of 167 was recognized in Other operating income. See note 7. From November 1, Mobilaris MCE AB is a fully-owned subsidiary.

The Group received control over the businesses upon the date of the acquisition. All acquisitions have been accounted for using the acquisition method, no equity instruments have been issued in connection with the acquisitions.

Acquisitions that support profitable growth are a natural part of the strategy and in 2021, Epiroc has completed eight acquisitions:

In May, reporting segment Equipment & Service acquired MineRP, Canada, including subsidiaries and associated companies. The company optimizes large and medium-sized mines by providing a leading software platform solution that integrates all technical mining data.

In June, reporting segment Equipment & Service acquired Kinetic Logging Services Pty Ltd, Australia. The company provides mining-technology measurement services to build improved geological models, which increase the accuracy in surface production.

In June, reporting segment Equipment & Service acquired 3D-P, USA, including subsidiaries. The company provides wireless connectivity solutions for companies within surface mining for successful implementation of autonomous solutions.

In July, reporting segment Equipment & Service acquired Meglab, Canada, including subsidiaries. The company offers cost-effective electrification and telecommunications infrastructure solutions required for mine electrification.

In July, reporting segment Equipment & Service acquired Mining Tag S.A., Chile, including one subsidiary. The company provides sensor-based solutions that strengthen safety and productivity in mines.

In August, reporting segment Tools & Attachments acquired DandA Heavy Industries Co. Ltd., South Korea. The company manufactures and sells hydraulic breakers and extends Epiroc's offering.

In November, reporting segment Equipment & Service acquired Mobilaris MCE AB, Sweden. The company provides advanced situational solutions that optimize operations in mining and civil engineering.

In November, reporting segment Equipment & Service acquired FVT Research Inc., Canada. The Company converts diesel-powered mining machines to battery-electric vehicles.

The amounts in the following table detail the recognized amounts according to the preliminary purchase price allocations. The amounts are aggregated for all acquisitions made during the year, as the relative amounts of the individual acquisitions are not considered significant. In order to finalize the purchase price allocations, all relevant information like final consideration and final operating balances need to be in place.

Fair value (preliminary) of acquired assets and liabilities	Group recognized values
MSEK	2021
Net assets identified	1 105
of which:	
Intangible assets	1 053
Tangible assets	347
Inventory	136
Trade receivables	203
Trade payables	125
Goodwill	1 877
Total consideration	**2 982**
Acquired cash and cash equivalents	142
Fair value previously held interest in Mobilaris MCE AB	231
Contingent consideration	251
Net cash outflow	**2 358**

The goodwill recognized on acquisitions is primarily related to the synergies expected to be achieved from integrating these companies into the Group's existing structure. As of December 31, 2021 the acquisitions have a total cash flow effect of -2 358. The contingent consideration is recognized as a liability at fair value. The payment is dependent on achieving future targets for revenues within two years of the acquisitions. The fair value is based on probability-weighted scenarios and is discounted to net present value. According to the preliminary purchase price allocation, total consideration amounts to 2 982. The acquired businesses have contributed to revenues by 641 and to operating profit by -56 since their respective dates of acquisition.

CONTRIBUTION FROM BUSINESSES ACQUIRED IN 2021

MSEK	2021
Contribution from date of control	
Revenues	641
Operating profit	-56
Contribution if the acquisition had occurred on Jan. 1	
Revenues	1 260
Operating profit	-89

Divestments 2021

No material divestments of subsidiaries have been made during the last twelve months.

Acquisition 2020

In August, the Equipment & Service segment acquired the company ItalParts Italia S.r.l. through the purchase of 100% of the shares and voting rights. The Group received control over the business upon the date of the acquisition. The acquisition has been accounted for using the acquisition method, no equity instruments have been issued in connection with the acquisition.

ItalParts Italia S.r.l. is a distributor of service products. The purchase price is not material for Epiroc and therefore not disclosed.

Divestments 2020

No divestments of subsidiaries have been completed.

4. Segment information

2021	Equipment & Service	Tools & Attachments	Common group functions	Eliminations	Group
Revenues from external customers	29 271	10 201	173	–	39 645
Inter-segment revenues	49	4	20	- 73	0
Total revenues	**29 320**	**10 205**	**193**	**- 73**	**39 645**
Operating profit/loss	**7 808**	**1 784**	**- 597**	–	**8 995**
– of which share of profit in associated companies and joint ventures	*- 29*	–	–	–	*- 29*
Net financial items	–	–	–	–	- 31
Income tax expense	–	–	–	–	-1 895
Profit for the year					**7 069**
Non-cash expenses/income					
Depreciation/amortization	1 230	389	141	- 41	1 719
Impairment	26	1	–	–	27
Other non-cash expenses/income	108	- 23	98	–	183
Segment assets	**24 593**	**9 201**	**2 356**	**- 332**	**35 818**
– of which goodwill	*2 885*	*1 204*	–	–	*4 089*
Investments in associated companies and joint ventures	104	2	–	–	106
Unallocated assets	–	–	–	–	12 659
Total assets					**48 583**
Segment liabilities	**10 014**	**3 371**	**543**	**- 188**	**13 740**
Unallocated liabilities	–	–	–	–	9 059
Total liabilities					**22 798**
Capital expenditures					
Property, plant and equipment	1 301	373	193	- 55	1 812
– of which assets leased	*356*	*172*	*20*	–	*548*
Intangible assets	413	23	1	–	437
Total capital expenditures	**1 714**	**396**	**194**	**- 55**	**2 249**
Intangible assets acquired (acquisition of business)	1 003	50			1 053
Goodwill acquired	1 823	13	–	41	1 877

2020	Equipment & Service	Tools & Attachments	Common group functions	Eliminations	Group
Revenues from external customers	26 834	9 022	266	–	36 122
Inter-segment revenues	93	2	36	-131	0
Total revenues	**26 927**	**9 024**	**302**	**-131**	**36 122**
Operating profit/loss	**6 639**	**1 097**	**-383**	**29**	**7 382**
– of which share of profit in associated companies and joint ventures	*2*	–	–	–	*2*
Net financial items	–	–	–	–	-295
Income tax expense	–	–	–	–	-1 677
Profit for the year					**5 410**
Non-cash expenses/income					
Depreciation/amortization	1 206	400	192	-56	1 742
Impairment	3	1	–	–	4
Other non-cash expenses/income	67	25	-89	–	3
Segment assets	**17 698**	**7 507**	**1 910**	**-233**	**26 882**
– of which goodwill	*953*	*1 096*	–	–	*2 049*
Investments in associated companies and joint ventures	186	2	–	–	188
Unallocated assets	–	–	–	–	16 816
Total assets					**43 886**
Segment liabilities	**7 041**	**2 438**	**639**	**-98**	**10 020**
Unallocated liabilities	–	–	–	–	10 127
Total liabilities					**20 147**
Capital expenditures					
Property, plant and equipment	1 048	317	188	-55	1 498
– of which assets leased	*281*	*115*	*0*	–	*396*
Intangible assets	454	41	3	–	498
Total capital expenditures	**1 502**	**358**	**191**	**-55**	**1 996**
Goodwill acquired	38	-1	–	–	37

4. Segment information, cont.

The Group is organized in five separate and focused, but still integrated operating divisions, aggregated into two reporting segments: Equipment & Service and Tools & Attachments. The reporting segments offer different products and services. They are also, together with the divisions, the basis for management and internal reporting and are regularly reviewed by the Group's President and CEO, the chief operating decision maker.

Common group functions are functions which serve the whole Group and is not considered a segment. Common group functions include Epiroc Financial Solutions. Revenues from operating leases owned by Epiroc Financial Solutions are reported under common group functions.

The accounting policies for the segments are the same as those described in note 1. Epiroc's inter-segment pricing is determined on a commercial basis. Segment assets comprise property, plant and equipment (including right-of-use assets), intangible assets, lease receivables, other non-current receivables, inventories, and current receivables. Segment liabilities include the sum of non-interest-bearing liabilities such as operating liabilities, other provisions, and other non-current liabilities. Lease liabilities (part of interest-bearing liabilities) are also included. Capital expenditure includes property, plant and equipment, and intangible assets, but excludes the effect of goodwill, intangible assets and property, plant and equipment through acquisitions.

Geographical information
The revenues presented are based on the location of the customers while non-current assets are based on the geographical location of the assets. These assets include non-current assets other than financial instruments, investments in associated companies and joint ventures, deferred tax assets, and post-employment benefit assets.

BY GEOGRAPHIC AREA/COUNTRY

	Revenues		Non-current assets	
	2021	2020	2021	2020
North America				
USA	3 653	3 299	1 495	1 383
Canada	3 526	2 962	1 467	457
Mexico	1 677	1 470	60	44
	8 856	**7 731**	**3 022**	**1 884**
South America				
Chile	2 323	2 013	229	84
Peru	1 083	983	54	53
Brazil	947	949	21	22
Other countries	944	691	19	31
	5 297	**4 636**	**323**	**190**
Europe				
Russia	2 421	2 559	24	21
Sweden	1 234	1 098	4 806	3 881
Turkey	563	530	6	4
Germany	537	492	284	291
Norway	517	520	63	1
Italy	378	304	140	132
Spain	367	322	25	22
Finland	319	456	58	67
Other countries	2 481	2 397	543	338
	8 817	**8 678**	**5 949**	**4 757**
Africa/Middle East				
South Africa	2 460	2 125	503	419
Zambia	632	481	47	16
Congo (DRC)	493	540	47	40
Other countries	1 904	1 874	57	67
	5 489	**5 020**	**654**	**542**
Asia/Australia				
Australia	4 801	4 568	1 490	480
China	2 216	1 881	753	680
India	1 554	1 174	368	334
Kazakhstan	801	634	25	21
Other countries	1 814	1 800	515	376
	11 186	**10 057**	**3 151**	**1 891**
Total	**39 645**	**36 122**	**13 099**	**9 264**

REVENUES

	2021	2020
Equipment & Service	29 320	26 927
of which Equipment	*12 197*	*11 382*
of which Service [1]	*17 123*	*15 545*
Tools & Attachments	10 205	9 024
Common Group functions/eliminations	120	171
Total	**39 645**	**36 122**

[1] "Service" includes spare parts and service.

4. Segment information, cont.

Performance obligations
The transaction prices allocated to the remaining performance obligations (unsatisfied or partially satisfied as of December 31) are as follows:

	2021	2020
Within one year	639	460
More than one year	748	505

The remaining performance obligations expected to be recognized within one year or more than one year, relate to combined service contracts, where the entire contract is assessed to be one performance obligation.

The amount of remaining performance obligations not yet satisfied or partially satisfied has not been disclosed for:
- Contracts with a contract period of less than one year.
- Contracts meeting the requirement for the right to invoice expedient.

5. Employees and personnel expenses

AVERAGE NUMBER OF EMPLOYEES

	2021			2020		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	20	21	41	22	19	41
Subsidiaries						
North America	350	1 824	2 174	302	1 740	2 042
South America	184	1 209	1 393	172	1 205	1 377
Europe	936	3 706	4 642	913	3 720	4 633
– of which Sweden	*638*	*2 444*	*3 082*	*621*	*2 443*	*3 064*
Africa/Middle East	271	2 175	2 446	255	2 023	2 278
Asia/Australia	624	3 291	3 915	514	3 127	3 641
Total subsidiaries	**2 365**	**12 205**	**14 570**	**2 156**	**11 815**	**13 971**
Total	**2 385**	**12 226**	**14 611**	**2 178**	**11 834**	**14 012**

GENDER BREAKDOWN, NUMBER AND PROPORTION OF WOMEN

	2021			2020		
Group	Women	Men	Proportion of women %	Women	Men	Proportion of women %
Board of Directors excl. union representatives [1]	4	5	44	4	5	44
Group Management	1	10	9	1	10	9
Senior managers in subsidiaries [2]	3	33	8	2	34	6

1) The President and CEO is also a member of the Board of Directors.
2) Senior managers refer to General Managers and Regional General Managers with legal functions.

REMUNERATION AND OTHER BENEFITS FOR THE GROUP

MSEK	2021	2020
Salaries and other remuneration [1, 2]	7 072	6 365
of which Parent Company [2]	*284*	*129*
Contractual pension benefits [3]	502	438
of which Parent Company	*10*	*17*
Other social costs	1 159	1 078
of which Parent Company	*102*	*48*
Total	**8 733**	**7 881**

1) Salaries and other remuneration including variable compensation to Board of Directors and Group Management, excluding pensions, 129 (79).
2) Recognized costs for share-based payments 193 (69) of which 41 (23) to Group Management.
3) Pensions to Group Management 11 (11).

REMUNERATION TO SENIOR MANAGERS IN SUBSIDIARIES [1]

MSEK	2021	2020
Salaries and other remuneration [2]	110	88
Contractual pension benefits	7	8
Other social costs	7	6

1) Senior managers refer to General Managers and Regional General Managers with legal functions.
2) Salaries and other remuneration include recognized cost for share-based payments.

5. Employees and personnel expenses, cont.

REMUNERATION AND OTHER BENEFITS TO THE BOARD OF DIRECTORS

2021 KSEK	Fee	Value of synthetic share at grant date	Number of shares at grant date	Additional number of shares, share split/ redemption 2021 [2)]	Other fees [3)]	Total fees incl. value of synthetic shares at grant date [4)]	Adj. due to vesting and change in stock price [5)]	Total expense recognized
Chair of Board:								
Ronnie Leten	2 104	–	–	–	381	2 485	–	2 485
Other members of the Board:								
Anders Ullberg	657	–	–	–	252	909	–	909
Astrid Skarheim Onsum	328	328	2 221	156		656	939	1 595
Helena Hedblom	–	–	–	–	–	–	–	–
Jeane Hull	657	–	–	55	–	657	300	957
Johan Forssell	328	328	2 221	142	93	749	862	1 611
Lennart Evrell	328	328	2 221	101	275	931	638	1 569
Ulla Litzén	657	–	–	–	270	927	–	927
Sigurd Mareels	328	328	2 221	49	–	656	354	1 010
Union representatives [1)]	68	–	–	–	–	68	–	68
Total	**5 455**	**1 312**	**8 883**	**502**	**1 271**	**8 038**	**3 093**	**11 131**

1) Union representatives receive compensation to prepare for their participation in board meetings paid out in 2021.
2) A share split and mandatory redemption of the Epiroc share was executed in May 2021. In order to secure the economic value, the number of synthetic shares was adjusted with the same method as for the share-based incentive programs. See note in table Summary of share value based incentive programs page 115.
3) Refers to fees in board committees.
4) Provision for synthetic shares (excl. social costs) at December 31, 2021, MSEK 8.6 (4.2).
5) Refers to synthetic shares received in 2018–2021.

2020 KSEK	Fee	Value of synthetic share at grant date	Number of shares at grant date	Other fees [2)]	Total fees incl. value of synthetic shares at grant date [3)]	Adj. due to vesting and change in stock price [4)]	Total expense recognized
Chair of Board:							
Ronnie Leten	2 050	–	–	370	2 420	–	2 420
Other members of the Board:							
Anders Ullberg	640	–	–	245	885	–	885
Astrid Skarheim Onsum	320	320	3 272	–	640	375	1 015
Helena Hedblom	–	–	–	–	–	–	–
Jeane Hull	640	–	–	–	640	128	768
Johan Forssell	320	320	3 272	90	730	342	1 072
Lennart Evrell	320	320	3 272	126	766	247	1 013
Ulla Litzén	640	–	–	260	900	–	900
Sigurd Mareels	203	203	2 035	–	406	102	508
Union representatives [1)]	78	–	–	–	78	–	78
Total	**5 211**	**1 163**	**11 851**	**1 091**	**7 465**	**1 193**	**8 658**

1) Union representatives receive compensation to prepare for their participation in board meetings paid out in 2020.
2) Refers to fees in board committees.
3) Provision for synthetic shares (excl. social costs) at December 31, 2020, MSEK 4.2 (1.9).
4) Refers to synthetic shares received in 2018–2020.

5. Employees and personnel expenses, cont.

REMUNERATION AND OTHER BENEFITS TO GROUP MANAGEMENT

2021 KSEK	Base salary	Variable compensation 1)	Other benefits 2)	Pension	Total, excl. recognized costs for share-based payments	Recognized costs for share-based payments 3)	Total expense recognized
President and CEO							
Helena Hedblom	10 800	7 560	108	3 270	21 738	4 632	26 370
Other members of Group Management (10 positions) 4)	32 071	14 230	11 593	8 177	66 072	36 766	102 838
Total	**42 871**	**21 790**	**11 701**	**11 447**	**87 810**	**41 398**	**129 208**

1) Variable compensation refers to amount earned in 2021 and to be paid in 2022.
2) Refers to vacation pay, company car, medical insurance, housing allowance, severance pay and other benefits.
3) Refers to the stock options received in 2016–2021 and includes recognized costs due to change in stock price and vesting period.
4) In December 2021 Håkan Folin joined as Senior Vice President Controlling and Finance. Former Senior Vice President Controlling and Finance Anders Lindén was no longer part of Group Management.

2020 KSEK	Base salary 2)	Variable compensation 3)	Other benefits 4)	Pension	Total, excl. recognized costs for share-based payments	Recognized costs for share-based payments 7)	Total expense recognized
President and CEO							
Helena Hedblom 1)	8 083	1 458	95	2 544	12 180	7 222	19 402
Per Lindberg 1) 5)	1 879	–	23	658	2 560	-1 059	1 501
Other members of Group Management (10 positions) 6)	27 713	5 545	2 995	7 374	43 627	16 900	60 527
Total	**37 675**	**7 003**	**3 113**	**10 576**	**58 367**	**23 063**	**81 430**

1) Per Lindberg was President and CEO until February 29, 2020. Helena Hedblom is President and CEO from March 1, 2020.
2) During the months May-July, Group Management had a voluntary salary reduction of 10% of the base salary.
3) Variable compensation refers to amount earned in 2020 and to be paid in 2021.
4) Refers to vacation pay, company car, medical insurance, housing allowance and other benefits. In 2019 the amount included costs related to the agreement with the departing President and CEO Per Lindberg.
5) An agreement was entered in 2019 with the departing President and CEO Lindberg that from March 1, 2020 and during 18 months he will be available to the extent requested by the Company. He will be entitled to remuneration during the period reduced by compensation from other employment and assignments. During 2020, Lindberg has received remuneration of MSEK 12.7 under this agreement. This remuneration is not disclosed in the table above, since the total cost was recognized in 2019.
6) Until February 29, other members of Group Management consisted of 5 members. As of March 1, other members of Group Management consisted of 10 members. Helena Hedblom is President and CEO from March 1, 2020. For the period January 1 - February 29, 2020, she was a member of Group Management and her remuneration during said period is included in the sum for other members of Group Management.
7) Refers to the stock options received in 2016–2020 and includes recognized costs due to change in stock price and vesting period.

REMUNERATION AND OTHER FEES FOR MEMBERS OF THE BOARD OF DIRECTORS, THE PRESIDENT AND CEO, AND OTHER MEMBERS OF GROUP MANAGEMENT

Remuneration to the Board of Directors 2021

The remuneration to the Board of Directors is approved at the Annual General Meeting of the shareholders. Remuneration and fees are based on the work performed by the board. The Annual General Meeting held on April 28, 2021 decided that fees to the board members elected by the general meeting, until the next Annual General Meeting, should be as follows:

- The chair of the board was granted an amount of SEK 2 130 000.
- Each of the other board members not employed by the Group were granted SEK 665 000.
- An amount of SEK 275 000 was granted to the chair of the audit committee and SEK 185 000 to each of the other members of this committee.
- An amount of SEK 130 000 was granted to the chair of the remuneration committee and SEK 95 000 to each of the other members of this committee.
- An amount of SEK 70 000 to each non-executive director who, in addition, participates in committee work decided upon by the board.

The board members may choose to receive their whole remuneration in cash or 50% of the remuneration in cash and 50% of their remuneration in the form of synthetic shares. The synthetic shares received will be based on an average of the closing price of A-shares during ten trading days following the publishing of the first quarter results 2021. The payment of each synthetic share is made in 2026 and corresponds to the average price during the ten trading days after the publishing of the first quarterly result in 2026. The synthetic shares also carry the right to a recalculation in order to take into account the value of any dividend paid on Epiroc's shares during the period the synthetic shares have been held.

Four board members accepted the right to receive synthetic shares. The number and costs at grant date and at the end of the fiscal year are disclosed by board member in the table "Remuneration and other benefits to the Board".

Remuneration to Group Management

The principles for the remuneration to the members of Group Management are adopted by the General Meeting of the shareholders in the Guidelines for Senior Executive Remuneration. The present guidelines were adopted by the Annual General Meeting 2020. These approved guidelines are outlined below. They will be in force until the Annual General Meeting 2024 unless the Board before then finds a need for material amendments and proposes to the General Meeting to adopt such amendments.

Group Management consists of the present CEO and President and ten other members. The compensation to Group Management consists of base salary, variable compensation, possible long-term incentive, pension benefits and other benefits.

5. Employees and personnel expenses, cont.

President and CEO
The variable compensation can provide a maximum of 70% of the base salary. The variable compensation is not included in the basis for pension benefits.

The President and CEO is a member of the Epiroc group pension policy for executives in Sweden, which is a defined contribution plan. The contribution is age related and was 35% of the base salary for the former President and CEO and 30% of the base salary for the present. The retirement age is 65.

The President and CEO is entitled to severance pay of 12 months if the Company terminates employment and a further six months if the CEO has not been engaged in a new employment contract.

The President and CEO is eligible to a performance related employee stock option plan during 2021. Further information about the plan is found in note 24.

Other members of Group Management
The variable compensation can provide a maximum of 40-50% of the base salary depending on position.

Members of Group Management locally employed in Sweden have a defined contribution pension plan, with contribution ranging from 30% to 35% of the base salary depending on age. The variable compensation is not included in the basis for pension benefits. The retirement age is 65. Two members are on expatriate terms and conditions and they are on defined contribution pension plans with contributions related to their home country pension plans.

Other benefits mainly consist of company car and private health insurance. Two members are on expatriate terms and conditions and they receive benefits according to the Epiroc Group Expatriate Policy.

Other members of Group Management are entitled to severance pay if the Company terminates their employment. The amount of severance pay is dependent on the length of employment with the Company and the age of the executive, but never more than 24 months' salary.

Group Management is eligible for a performance related employee stock option plan during 2021. Further information about the plan is found in note 24.

Stock Options, holdings for Group Management
The stock options holdings as of December 31, 2021, are detailed below. See also note 24 for additional information.

STOCK OPTIONS HOLDINGS (INCLUDING MATCHING OPTIONS) AT DEC. 31, 2021

Grant Year 1)	President and CEO	Other members of Group Management
2016	-	121 957
2017	3 471	90 461
2018	4 795	195 398
2019	32 563	163 063
2020	58 723	120 138
2021 2)	153 341	285 551
Total	**252 893**	**976 568**

1) Grants prior to 2018 relate to Atlas Copco plans transferred to Epiroc.
2) Estimated grants for the 2021 stock option program including matching options.

Performance based employee stock option plan
It is important that key personnel at Epiroc have a long-term interest in good value development of the shares of the Company and align their performance in a manner that enhances such development. In particular, this applies to the group of key personnel that consists of the senior executives. It is also the assessment of the Board that a share related employee stock option program increases the attractiveness of Epiroc on the global market and enhances the possibility to recruit and keep key personnel in the Group.

Guidelines for senior executive remuneration, as adopted by the Annual General Meeting 2020
The CEO and the other members of Group Management fall within the provisions of these guidelines and are hereinafter referred to as "senior executives". The guidelines are forward-looking, i.e., they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. These guidelines do not apply to remuneration decided or approved by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability
For more information regarding the Company's business strategy, please see the most recent Annual Report on Epiroc Group's webpage. A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration.

Long-term share-related incentive programs have been implemented in the Company. Such programs have been decided, and any future such program will be decided, by the general meeting and are therefore excluded from these guidelines. For more information on the existing programs, please see the Annual Report or the Group's webpage.

Types of remuneration, etc.
The remuneration may consist of a base salary, annual variable compensation, pension contributions and additional benefits and shall be on market terms. Additionally, the general meeting may – irrespective of these guidelines – decided on, among other things, share-related or share price-related remuneration.

Base salary
The base salary shall reflect the position, competence and individual performance.

Variable cash remuneration
The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration compensation is limited to a maximum of 70% of the base salary. The variable cash remuneration shall be linked to criteria that can be financial or non-financial. The financial goals may be in relation to, for example, value creation, and development of revenues, operating profit or working capital. The goals may be individualized, quantitative or qualitative objectives. The objective with the variable cash remuneration is to promote the fulfillment of annual short-term goals in line with the company's business strategy and long-term interests, including its sustainability.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the remuneration committee. To what extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation.

5. Employees and personnel expenses, cont.

Pension benefits
The pension benefits shall be defined contribution to a maximum of 35% of the base salary. Variable cash remuneration shall not qualify for pension benefits if not stipulated by mandatory law or by collective agreement covering the executive.

Other benefits
Other benefits may include, for example, life insurance, private medical insurance and company cars. Premiums and other costs relating to such benefits may amount to not more than 15 % of the base salary.

Conditions for expatriates, etc.
For a senior executive working on an international assignment outside of own home country, certain other benefits apply in compliance with the Company's Conditions for Expatriate Employees. For executives employed in other countries than Sweden the pension and other benefits will be according to local market practice.

Termination of employment
In case of termination of employment of a senior executive by the Company, the compensation can amount to a maximum of 24 months' base salary depending on age, length of employment and possible income from other economic activity or employment. When the executive terminates employment, the period of notice is six months. The executive will in the latter case not be entitled to severance pay unless bound by a non-compete obligation.

Salary and employment conditions for employees
In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for other employees of the company have been taken into account. This is done by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines
The remuneration committee's tasks include preparing the Board of Directors' decision to propose guidelines for senior executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be valid until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for executive management, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in the Company.

Deviations from these guidelines
The Board of Directors may resolve to deviate from these guidelines, in whole or in part, if in a specific case there is special cause for the deviation and the Board deems a deviation is reasonable to serve the company's long-term interests or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

6. Remuneration to auditors

AUDIT FEES AND OTHER SERVICES

	2021	2020
Deloitte		
Audit fees and other services	28	28
Other services, tax	1	2
Other services, other	2	1
Other audit firms		
Audit fees	4	3
Other services, tax	10	1
Other services, other	26	4
Total	**71**	**39**

Audit fees refers to audit of the financial statements and the accounting records. For the Parent Company this also includes audit of the administration of the business by the Board of Directors, and the President and CEO.

Audit activities other than the audit assignment refer, for example, to comfort letters. Tax services include both tax consulting services and tax compliance services. Other services essentially comprise other consultancy services, such as due-diligence services in connection with acquisitions.

At the Annual General Meeting of Epiroc 2021, Deloitte was elected as auditor for the Epiroc Group until the Annual General Meeting 2022.

7. Other operating income and expenses

OTHER OPERATING INCOME

	2021	2020
Commissions received	1	1
Capital gain on sale of property, plant and equipment	16	47
Foreign exchange gains	110	30
Revaluation gain attributable to non-controlling interest in Mobilaris	167	0
Other operating income	67	85
Total	**361**	**163**

OTHER OPERATING EXPENSES

	2021	2020
Capital loss on sale of property, plant and equipment	-22	-36
Capital loss on divestment of business	–	0
Foreign exchange losses	–	-279
Other operating expenses [1]	-117	-98
Total	**-139**	**-413**

[1] Other operating expenses included costs for split from Atlas Copco of MSEK 18 in 2020.

Additional information on costs by nature
Cost of sales includes expenses for inventories, see note 16, warranty costs, environmental fees, and transportation costs.

Salaries, remunerations and employer contributions amounted to 8 733 (7 881) of which expenses for post-employment benefits amounted to 405 (438). See note 5 for further details.

Included in the operating profit are exchange rate gains and losses on translation of payables and receivables of an operating nature. Amortization, depreciation and impairment for the year amounted to 1 746 (1 746). Costs for research and development, including amortization, depreciation and impairment, amounted to 1 172 (1 032). Amortization related to development expenditure for 2021 amounted to 314 (296). See note 12 and 13 for further details. Epiroc has not received any material government grants related to Covid-19. Epiroc has not utilized governmental support for short-time work in Sweden.

8. Financial income and expenses

FINANCIAL INCOME AND EXPENSES

	2021	2020
Assets measured at amortized cost		
Interest income		
– cash and cash equivalents	30	47
– financial lease receivables	81	97
Interest income at effective interest method	**111**	**144**
Assets measured at fair value in income statement		
Capital gain – other assets	2	0
Foreign exchange gain, net	53	–
Financial income	**166**	**144**
Liabilities measured at amortized cost		
Interest expenses		
– Interest-bearing liabilities	-95	-109
Total interest expenses at effective interest method	**-95**	**-109**
Liabilities measured at fair value in income statement		
- derivatives	-28	-84
- lease liabilities	-41	-39
- pension provisions, net	-16	-12
- other	-20	-17
Change in fair value		
- other liabilities and borrowings	-2	2
Foreign exchange losses, net	–	-182
Impairment loss	5	2
Financial expenses	**-197**	**-439**
Financial expenses, net	**-31**	**-295**

Foreign exchange gain, net includes foreign exchange gains of 639 (758) and foreign exchange losses of -586 (940). The gains and losses refer to revaluation of derivatives, interest-bearing liabilities and cash in foreign currency. Total impairment was positive in 2021 as actual losses on financial lease receivables were less than the reversals of the existing provision balance.

9. Income taxes

INCOME TAX EXPENSE

	2021	2020
Current taxes	-2 144	-1 848
Deferred taxes	249	171
Total	**-1 895**	**-1 677**

The income tax expense recognized was -1 895 (-1 677), which corresponds to an effective tax rate of 21.1% (23.7). The major differences between the effective tax rate and the expected tax rate are explained below. The expected tax rate is calculated as a weighted average, based on profit before tax multiplied by the statutory tax rate in each country.

BRIDGE OF THE EFFECTIVE TAX RATE

	2021	2020
Profit before tax	**8 964**	**7 087**
Expected income tax expense (weighted average)	-2 076	-1 661
Expected tax in %	**23.2**	**23.4**
Tax effect of:		
Non-deductible expenses	-61	-119
Non-taxable income	290	156
Withholding taxes	-105	-67
Adjustments related to prior years, net:		
– current taxes	30	-44
– deferred taxes	31	57
Tax loss carryforwards and tax credits, net	6	0
Change in tax rates, deferred tax	3	2
Other items	-13	-1
Recognized income tax expense	-1 895	-1 677
Effective tax in %	**21.1**	**23.7**

The income tax expense was mainly impacted by non-deductible expenses and non-taxable income. Included in non-taxable income is income subject to reduced taxation under local tax law, mainly in China and the USA, as well as a non-taxable gain related to revaluation of shares in subsidiaries. Withholding taxes concern taxes on profit repatriation. Adjustments from prior years, current and deferred taxes, relate to adjustments of tax provisions and tax assessments for previous years. The net effect from tax credits and tax loss carryforwards relates to expired tax credits and tax loss carryforwards, as well as utilized tax credits and tax loss carryforwards for which no deferred tax assets previously were recognized. Change in tax rate relates to changed corporate tax rates in certain countries.

9. Income taxes,, cont.

Changes in the net deferred tax asset balance from the beginning of the year to the end of the year are explained below:

CHANGE IN NET DEFERRED TAX ASSET BALANCE

	2021	2020
Opening balance, Jan. 1	768	630
Recognized in the income statement	249	171
Tax on amounts recorded in equity	-141	32
Acquisitions	-232	0
Translation difference	42	-65
Transaction with shareholders	-2	0
Closing balance, Dec. 31	**684**	**768**

Changes in deferred taxes recognized in the income statement are attributable to the change in temporary differences on the following items:

DEFERRED TAXES RECOGNIZED IN THE INCOME STATEMENT

	2021	2020
Intangible assets	20	-43
Property, plant and equipment	9	20
Other financial assets	-4	-4
Inventories	156	35
Current receivables	-56	49
Operating liabilities	71	12
Provisions	15	22
Post-employment benefits	39	23
Borrowings	22	44
Other items	-42	8
Changes due to temporary differences	**230**	**166**
Loss/credit carryforwards	19	5
Charges to profit for the year	**249**	**171**

The deferred tax assets and liabilities recognized in the balance sheet are attributable to temporary differences on the following items:

DEFERRED TAX ASSETS AND LIABILITIES

	2021			2020		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	43	662	-619	41	467	-426
Property, plant and equipment	143	601	-458	119	549	-430
Other financial assets	10	32	-22	15	14	1
Inventories	977	27	950	787	20	767
Current receivables	106	85	21	86	10	76
Operating liabilities	386	5	381	294	2	292
Provisions	99	0	99	105	0	105
Post–employment benefits	89	0	89	171	–	171
Borrowings	419	0	419	357	0	357
Tax loss/credit carryforwards	43	0	43	18	–	18
Other items [1]	33	252	-219	0	163	-163
Deferred tax assets/liabilities	**2 348**	**1 664**	**684**	**1 993**	**1 225**	**768**
Netting of assets/liabilities	-879	-879	–	-619	-619	–
Net deferred tax balances	**1 469**	**785**	**684**	**1 374**	**606**	**768**

[1] Other items primarily relate to provision for taxes on profit repatriation.

Epiroc has tax loss carryforwards of 162 (66), for which deferred tax assets of 43 (18) were recognized. Epiroc has no tax loss carryforwards for which deferred tax assets have not been recognized.

10. Other comprehensive income

OTHER COMPREHENSIVE INCOME FOR THE YEAR

	2021			2020		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Attributable to owners of the parent						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	697	-141	556	-147	32	-115
Items that may be reclassified subsequently to profit or loss						
Translation differences on foreign operations	1 093	–	1 093	-1 804	–	-1 804
- realized and reclassified to profit and loss	–	–	–	-33	–	-33
Total other comprehensive income	**1 790**	**-141**	**1 649**	**-1 984**	**32**	**-1 952**
Attributable to non-controlling interests						
Translation differences on foreign operations	6	–	6	-8	–	-8
Total other comprehensive income	**1 796**	**-141**	**1 655**	**-1 992**	**32**	**-1 960**

11. Earnings per share

EARNINGS PER SHARE

Amounts in MSEK	2021	2020
Basic earnings per share	5.85	4.48
Diluted earnings per share	5.84	4.48

The calculation of earnings per share presented above is based on profits and average number of shares as detailed below.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

Amounts in MSEK	2021	2020
Profit for the year	7 058	5 399

AVERAGE NUMBER OF SHARES OUTSTANDING

In thousands of shares	2021	2020
Basic weighted average number of shares outstanding	1 206 305	1 204 483
Effect of employee stock options	1 765	659
Diluted weighted average number of shares outstanding	**1 208 070**	**1 205 142**

12. Intangible assets

Impairment tests are performed annually, and whenever there are indications of impairment during the year. Goodwill is allocated and tested at the level of cash-generating units, identified as Epiroc's operating segments. The recoverable amount for each cash-generating unit has been determined on the basis of value in use in Epiroc's valuation model. Epiroc's valuation model is based on discounted future cash flows, with a forecast period of five years or ten years, as applicable. The forecast is based on the business plan of each operating segment, considering the characteristics and development of its particular end markets based on both internal and external sources, and represents management's best estimate of the development of its business operations. The parameters used to calculate future cash flows are assumptions on revenue growth, gross margin development, functional cost efficiency, as well as capital efficiency, including planned capital expenditures and target levels of working capital.

Epiroc's weighted average cost of capital (WACC) is calculated as 8% (8) after-tax. As the operating segments are all relatively diversified with similar geographic coverage, and to a large extent have similar organization structures and customer bases, the same discount rate is used for all segments. The perpetual growth beyond the forecast period is assumed as 2% (2).

In 2021, the estimated value of all Epiroc's operating segments exceeded their carrying values, and no impairment was recognized. Epiroc also performed sensitivity analysis including a range for the most critical assumptions, including revenue growth, gross margin development, WACC and perpetual growth rate, and concluded that neither of these scenarios would give rise to any impairment charge.

The table below presents the carrying value of goodwill allocated to operating segments (cash-generating units) and reporting segments.

GOODWILL

	2021	2020
Underground Division	144	148
Surface Division	1 091	462
Parts & Services Division	637	343
Technology & Digital Division	1 013	–
Equipment & Service	**2 885**	**953**
Tools & Attachments Division	1 204	1 096
Tools & Attachments	**1 204**	**1 096**
Total	**4 089**	**2 049**

Amortization and impairment of intangible assets are recognized on the following line items in the income statement:

	2021		2020	
	Internally generated	Acquired	Internally generated	Acquired
Cost of sales	–	5	0	2
Administrative expenses	24	58	24	29
Marketing expenses	1	32	1	30
Research and development expenses	270	44	267	29
Total	**295**	**139**	**292**	**90**

Impairment charges on intangible assets totaled 4 (4), of which 4 (4) were classified as research and development expenses in the income statement, and 0 (0) were classified as marketing expenses and 0 (0) as cost of sales. Of the impairment charges, 4 (4) were due to capitalized development costs relating to discontinued projects.

	Internally generated		Acquired				
2021	Product development	Other technology and contract based	Trademarks	Marketing and customer related	Other technology and contract based	Goodwill	Total
Cost							
Opening balance, Jan. 1	3 193	336	87	431	1 121	2 049	7 217
Additions	279	33	–	–	125	–	437
Acquisition of business	–	–	59	48	946	1 877	2 930
Disposals	-3	-1	–	-5	-30	–	-39
Reclassification	-27	–	–	–	1	–	-26
Translation differences	115	10	4	34	37	163	363
Closing balance, Dec. 31	**3 557**	**378**	**150**	**508**	**2 200**	**4 089**	**10 882**
Amortization and impairment losses							
Opening balance, Jan. 1	2 101	246	41	251	467	–	3 106
Amortization for the period	246	26	14	24	101	–	411
Impairment charge for the period	23	–	–	–	–	–	23
Disposals	-2	-1	–	-5	-27	–	-35
Reclassifications	-3	–	–	–	1	–	-2
Translation differences	86	9	2	23	26	–	146
Closing balance, Dec. 31	**2 451**	**280**	**57**	**293**	**568**	**–**	**3 649**
Carrying amounts							
At Jan. 1	1 092	90	46	180	654	2 049	4 111
At Dec. 31	**1 106**	**98**	**93**	**215**	**1 632**	**4 089**	**7 233**

12. Intangible assets, cont.

2020	Internally generated: Product development	Internally generated: Other technology and contract based	Acquired: Trademarks	Acquired: Marketing and customer related	Acquired: Other technology and contract based	Acquired: Goodwill	Total
Cost							
Opening balance, Jan. 1	3 126	257	189	537	1 197	2 185	7 491
Additions	340	102	–	–	56	–	498
Acquisition of business	–	–	–	–	1	37	38
Divestment of business	–	–	-91	-46	-24	-1	-162
Disposals	-142	-12	–	-8	-61	–	-223
Reclassification	7	–	–	–	1	–	8
Translation differences	-138	-11	-11	-52	-49	-172	-433
Closing balance, Dec. 31	**3 193**	**336**	**87**	**431**	**1 121**	**2 049**	**7 217**
Amortization and impairment losses							
Opening balance, Jan. 1	2 069	236	130	308	522	–	3 265
Amortization for the period	256	32	7	26	57	–	378
Impairment charge for the period	4	–	–	–	–	–	4
Divestment of business	–	–	-91	-46	-24	–	-161
Disposals	-142	-10	–	-8	-51	–	-211
Reclassifications	7	–	–	–	–	–	7
Translation differences	-93	-12	-5	-29	-37	–	-176
Closing balance, Dec. 31	**2 101**	**246**	**41**	**251**	**467**	**–**	**3 106**
Carrying amounts							
At Jan. 1	1 057	21	59	229	675	2 185	4 226
At Dec. 31	**1 092**	**90**	**46**	**180**	**654**	**2 049**	**4 111**

Other technology and contract based intangible assets include computer software, patents, trademarks, customer relationships and contract based rights such as licenses and franchise agreements. All intangible assets other than goodwill are amortized. For information regarding amortization and impairment policies, see note 1.

13. Property, plant and equipment

2021	Buildings and land	Machinery and equipment	Construction in progress and advances	Right-of-use asset	Total	Rental equipment	Right-of-use asset	Total Rental equipment
Cost								
Opening balance, Jan. 1	1 166	5 109	435	2 554	9 264	1 969	6	1 975
Additions	6	167	316	548	1 037	775	–	775
Acquisition of business	91	187	21	48	347	–	–	–
Divestment of business	–	-4	–	–	-4	–	–	–
Disposals	-10	-298	–	-300	-608	-491	–	-491
Reclassifications	136	96	-309	-1	-78	-50	-2	-52
Translation differences	82	192	8	95	377	106	1	107
Closing balance, Dec. 31	**1 471**	**5 449**	**471**	**2 944**	**10 335**	**2 309**	**5**	**2 314**
Depreciation and impairment losses								
Opening balance, Jan. 1	460	3 874	–	780	5 114	974	2	976
Depreciation for the period	46	411	–	459	916	391	2	393
Impairment charge for the period	3	–	–	–	3	–	–	–
Divestment of business	–	-4	–	–	-4	–	–	–
Disposals	-8	-288	–	-227	-523	-285	–	-285
Reclassifications	20	6	–	-1	25	-103	-1	-104
Translation differences	38	143	–	36	217	55	–	55
Closing balance, Dec. 31	**559**	**4 142**	**–**	**1 047**	**5 748**	**1 032**	**3**	**1 035**
Carrying amounts								
At Jan. 1	706	1 235	435	1 774	4 150	995	4	999
At Dec. 31	**912**	**1 307**	**471**	**1 897**	**4 587**	**1 277**	**2**	**1 279**

Set out below are the carrying amounts of right-of-use assets by class of underlying asset recognized.:

RIGHT-OF-USE ASSETS

2021	Buildings and land	Machinery and equipment	Total	Rental equipment
Carrying amounts, Jan. 1	1 517	257	1 774	4
Carrying amounts, Dec. 31	**1 650**	**247**	**1 897**	**2**

13. Property, plant and equipment, cont.

2020	Buildings and land	Machinery and equipment	Construction in progress and advances	Right-of-use asset	Total	Rental equipment	Right-of-use asset	Total Rental equipment
Cost								
Opening balance, Jan. 1	1 423	5 326	354	2 492	9 595	2 289	44	2 333
Additions	5	140	362	396	903	595	–	595
Divestment of business	-61	–	–	-1	-62	–	–	–
Disposals	-85	-251	–	-179	-515	-541	-32	-573
Reclassifications	14	237	-272	-7	-28	-215	-4	-219
Translation differences	-130	-343	-9	-147	-629	-159	-2	-161
Closing balance, Dec. 31	**1 166**	**5 109**	**435**	**2 554**	**9 264**	**1 969**	**6**	**1 975**
Depreciation and impairment losses								
Opening balance, Jan. 1	553	3 925	–	504	4 982	1 088	32	1 120
Depreciation for the period	47	416	–	459	922	440	2	442
Divestment of business	-48	–	–	-1	-49	–	–	–
Disposals	-44	-215	–	-125	-384	-331	-27	-358
Reclassifications	–	-2	–	-6	-8	-137	-4	-141
Translation differences	-48	-250	–	-51	-349	-86	-1	-87
Closing balance, Dec. 31	**460**	**3 874**	**–**	**780**	**5 114**	**974**	**2**	**976**
Carrying amounts								
At Jan. 1	870	1 401	354	1 988	4 613	1 201	12	1 213
At Dec. 31	**706**	**1 235**	**435**	**1 774**	**4 150**	**995**	**4**	**999**

Depreciation and impairment of tangible assets are recognized on the following line items in the income statement:

	2021	2020
Cost of sales	887	923
Administrative expenses	176	262
Marketing expenses	217	144
Research and development expenses	30	31
Other operating expenses	2	4
Total	**1 312**	**1 364**

Depreciation for the period relating to right-of-use assets amounted to a total of 461 (461), of which 324 (321) relates to Buildings and land, 135 (138) to Machinery and equipment and 2 (2) to Rental equipment. For more information regarding depreciation, see note 1.

14. Investments in associated companies and joint ventures

ACCUMULATED CAPITAL PARTICIPATION

	2021	2020
Opening balance, Jan. 1	188	201
Acquisitions of associated companies [1]	1	–
Divestment of business [2]	-64	–
Dividends	-	-1
Profit for the year after income tax [3]	-29	2
Translation differences	10	-14
Closing balance, Dec. 31	**106**	**188**

14. Investments in associated companies and joint ventures, cont.

SUMMARY OF FINANCIAL INFORMATION FOR ASSOCIATED COMPANIES

2021	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Group's share, %
Shenzhen Nectar Engineering & Equipment Co. Ltd.	China	125	41	84	139	2	25
Zhejiang GIA Machinery Manufacturing Co. Ltd.	China	96	63	33	61	2	49
ASI Mining LLC	USA	180	108	72	80	-69	34
Glass Terra (Pty) Ltd. 1)	Australia	1	1	0	2 4)	0 4)	27
Sirius Consulting (Pty) Ltd. 1)	South Africa	2	0	2	5 4)	2 4)	50

2020	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Group's share, %
Shenzhen Nectar Engineering & Equipment Co. Ltd.	China	93	21	72	85	2	25
Zhejiang GIA Machinery Manufacturing Co. Ltd.	China	53	25	28	44	-1	49
Mobilaris MCE AB	Sweden	88	36	22	73	2	34
ASI Mining LLC	USA	180	49	131	153	5	34

1) Part of acquisition of MineRP. See note 3.
2) Divestment refers to Mobilaris MCE AB that is a fully-owned subsidiary from November 1. See Note 3 for further details. The result of remeasuring the equity interest in Mobilaris MCE AB to fair value is recognized as Other operating income. See note 7.
3) Including share of profit in Mobilaris MCE AB until the divestment date.
4) Included from the date of acquisition.

The above table is based on the most recent financial reporting available from associated companies. The Epiroc percentage share of each holding represents both ownership interest and voting rights.

15. Other financial assets

Fair value of financial instruments under other financial assets corresponds to their carrying value.

	2021	2020
Non-current assets		
Pension plan assets in excess of pension obligations (note 23)	171	30
Financial assets classified at amortized cost		
– finance lease receivables	276	207
– other financial receivables	560	514
Closing balance, Dec. 31	**1 007**	**751**
Current assets		
Financial assets classified at amortized cost		
– finance lease receivables	242	170
– other financial receivables	586	512
Closing balance, Dec. 31	**828**	**682**

The gross amount of finance lease receivables amounted to 520 (379), of which 2 (1) have been impaired, and the gross amount of other financial receivables amounted to 1 173 (1 055), of which 27 (30) have been impaired. The total estimated fair value of collateral to finance lease receivables and other financial receivables was 365 (187) and 821 (740), respectively, consisting primarily of repossession rights. See note 22 on finance leases for Group as lessor and note 28 for information on credit risk.

16. Inventories

	2021	2020
Raw materials	540	381
Work in progress	2 084	1 478
Semi-finished goods	1 935	1 280
Finished goods	7 302	5 791
Closing balance, Dec. 31	**11 861**	**8 930**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 388 (483). Reversals of write-downs which were recognized in earnings totaled 137 (68). Previous write-downs have been reversed as a result of improved market conditions in certain markets. Inventories recognized as expenses amounted to 16 741 (13 718).

17. Trade receivables

Fair value for trade receivables corresponds to their carrying value. Trade receivables are classified at amortized cost.

EXPECTED CREDIT LOSSES, TRADE RECEIVABLES

	2021	2020
Provisions at Jan. 1	551	437
Business acquisitions and divestments	0	–
Provisions recognized for expected credit losses	152	304
Release of unutilized provisions	-147	-70
Write-offs	-12	-44
Translation differences	42	-76
Closing balance, Dec. 31	**586**	**551**

Trade receivables of 7 174 (6 045) are reported net of impairment amounting to 586 (551). Impairment recognized in the income statement totaled 152 (304). Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. The acquisition of subsidiaries increased trade receivables by 203 (0) at date of completion of the acquisitions. At year-end 2021, the expected credit loss amounted to 7.5% (8.4) of gross total customer receivables. The impairment assessed for individual receivables affected the loss provision negatively. The change in the provision for potential credit losses is due to assessments made on an individual basis for each receivable, which also takes into account future ability to pay, changed market conditions, and is not always linked to a change in the size of the balance sheet item. For credit risk information, see note 28.

18. Other receivables

Fair value for other receivables corresponds to their carrying value.

	2021	2020
Derivatives		
– recognized at fair value through profit and loss	46	167
Other receivables	1 220	790
Accrued income	183	47
Prepaid expenses	608	410
Closing balance, Dec. 31	**2 057**	**1 414**

Other receivables consist primarily of VAT claims and advances to suppliers. Accrued income relates mainly to service and construction projects. Prepaid expenses include items such as rent, insurance, interest, IT and employee costs. Other receivables are reported net of impairments, amounting to 2 057 (1 414). Accrued income relates mainly to service contracts where only passage of time is required before invoicing will occur.

19. Cash and cash equivalents

Cash and cash equivalents are classified at amortized cost. Fair value corresponds to their carrying value. According to IFRS 9, cash and cash equivalents are subject to impairment testing according to the expected credit loss model. During 2021 the impairment was insignificant and therefore not recognized.

Cash and cash equivalents had an estimated average effective interest rate of 0.2% (0.4). The low interest rate environment persisted during 2021, which is why the return is slightly lower than previous year.

The committed, but unutilized, credit line is 4 000 (4 000), see note 21 for additional information.

	2021	2020
Cash	5 933	8 283
Cash equivalents	4 859	6 770
Closing balance, Dec. 31	**10 792**	**15 053**

20. Equity

At year-end, Epiroc's share capital totaled 500 (500). The total number of issued Epiroc shares was 1 213 738 703 (1 213 738 703) shares, of which 823 765 854 (823 765 854) were class A shares and 389 972 849 (389 972 849) were class B shares, each with a quota value of approximately SEK 0.41 (0.41). Class A shares entitle the owner to one vote while class B shares entitle the owner to one tenth of a vote. Class A shares and class B shares carry equal rights to a part of the company's assets upon liquidation and distribution of dividends.

The Board of Directors of Epiroc has been granted a mandate by Epiroc's Annual General Meeting on April 28, 2021 to repurchase, transfer and sell own shares in order to fulfill the obligations under Epiroc's performance based employee stock option plans. Repurchase and sale will be made at a price per share within the registered trading interval, at any given point in time. The mandate is valid until Epiroc's Annual General Meeting 2022 and allows:

1) The acquisition of not more than 1 800 000 series A shares, of which a maximum of 1 700 000 may be transferred to option holders under the performance based personnel option plan 2021.
2) The acquisition of not more than 20 000 series A shares, later to be sold on the market in connection with payment to Board members who have opted to receive synthetic shares as part of their remuneration.
3) The sale of not more than 60 000 series A shares to cover costs related to previously issued synthetic shares to Board members.
4) The sale of a maximum 5 800 000 series A and series B shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the performance based personnel option plans 2016, 2017 and 2018.

The 2020 Annual General Meeting approved a mandate to the Board of Directors of Epiroc to repurchase, transfer and sell own shares in order to fulfill the obligations under Epiroc's performance based employee stock option plans. Repurchase and sale will be made at a price per share within the registered trading interval, at any given point in time. The mandate is valid until Epiroc's Annual General Meeting 2021 and allows:

1) The acquisition of not more than 2 500 000 series A shares, of which a maximum of 2 450 000 may be transferred to option holders under the performance based personnel option plan 2020.
2) The acquisition of not more than 16 000 series A shares, later to be sold on the market in connection with payment to Board members who have opted to receive synthetic shares as part of their remuneration.
3) The sale of not more than 33 000 series A shares to cover costs related to previously issued synthetic shares to Board members.
4) The sale of a maximum 5 900 000 series A shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the performance based personnel option plans 2015, 2016 and 2017.

20. Equity, cont.

During 2021 Epiroc divested 338 280 class A shares in accordance with mandates granted by the 2021 and 2020 Annual General Meeting. As of December 31, 2021, Epiroc AB held 7 475 933 (7 814 213) class A shares. More information regarding employee stock option plans can be found in note 24.

Reserves
Consolidated equity includes certain reserves which are described below:

Translation reserve
The translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations, the translation of intra-group receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as from the translation of liabilities that hedge the company's net investments in foreign operations.

Non-controlling interest
The non-controlling interest amounts to 56 (46). The non-controlling interest is not material to the Group.

Appropriation of profit
The Board of Directors proposes a dividend of SEK 3.00 (2.50) per share, totaling 3 619 (3 015) if shares held by the Company on December 31, 2021 are excluded.

Amounts in SEK	
Retained earnings including reserve for fair value	43 726 044 685
Profit for the year	3 763 243 431
Total	**47 489 288 116**
The Board of Directors proposes that these earnings shall be appropriated as follows;	
To the shareholders, a dividend of SEK 3.00 per share[1]	3 618 788 310
To be retained in the business	43 870 499 806
Total	**47 489 288 116**

1) Based on number of shares outstanding at the balance sheet date.

The proposed dividend for 2020 of SEK 2.50 per share, that was approved by the Annual General Meeting on April 28, 2021, was accordingly paid by Epiroc AB. Total dividend paid amounted to SEK 3 015 690 289. In addition, a distribution of SEK 3.00 per share, equal to SEK 3 619 064 307, was accordingly paid by Epiroc through a mandatory share redemption procedure.

21. Borrowings

		2021		2020	
	Maturity	Carrying amount	Fair value	Carrying amount	Fair value
Non-current					
Medium Term Note Program MSEK 1 250, Fixed	2023	1 247	1 282	1 246	1 307
Medium Term Note Program MSEK 750, Floating	2023	749	762	749	773
Medium Term Note Program MSEK 1 000, Fixed	2026	997	1 032	996	1 035
Medium Term Note Program MSEK 1 000, Floating	2026	999	1 061	998	1 048
Bilateral borrowings MEUR 100, Floating	2022[1]	–	–	1 004	1 015
Bilateral borrowings MSEK 2 000, Floating	2025	1 998	1 999	1 996	2 030
Bilateral borrowings MSEK 1 000, Floating	2027	999	1 021	998	1 057
Other bank loans		61	61	80	80
Less current portion of long-term borrowings		-22	-22	-20	-20
Total non-current bonds and loans		**7 028**	**7 196**	**8 047**	**8 325**
Lease liabilities		1 528	1 528	1 442	1 442
Other financial liabilities		6	6	2	2
Total non-current borrowings		**8 562**	**8 730**	**9 491**	**9 769**
Current					
Current portion of long-term borrowings		22	22	20	20
Loans		180	180	176	176
Lease liabilities		424	424	371	371
Other financial liabilities		2	2	97	97
Total current borrowings		**628**	**628**	**664**	**664**
Closing balance, Dec. 31		**9 190**	**9 358**	**10 155**	**10 433**

1) Loan prepaid during December, 2021

The difference between carrying amount and fair value of borrowings relates to the measurement method as certain liabilities are reported at fair value and not at amortized cost. See additional information about the Group's exposure to interest rate risk and foreign currency risk in note 28.

Debt in the Group is primarily raised by the Parent Company and transferred to subsidiaries as internal loans or capital injections. Financing is also undertaken locally in countries in which there are legal restrictions preventing financing through Group companies. During December the bilateral borrowings of MEUR 100, with original maturity in April 2022, were fully prepaid. In November 2021, S&P Global Ratings reconfirmed Epiroc's BBB+ credit rating with a stable outlook. The table below shows the Group's back-up facilities.

21. Borrowings, cont.

BACK-UP FACILITIES

	2021		2020	
	Facility size	Utilized	Facility size	Utilized
Revolving credit facility[1)]	4 000	–	4 000	–
Commercial paper program	2 000	–	2 000	–
Total back-up facilities	**6 000**	**–**	**6 000**	**–**

1) The revolving credit facility matures in 2025.

RECONCILIATION OF CHANGES IN LIABILITIES

2021	Opening balance	Financing cash flows	New leases	Other changes in lease liabilities	Acquired/ divested companies	Fair value change through P/L	Foreign exchange movement	Reclassification	Closing balance
Non-current									
Loans and bonds	8 047	-1 054	–	–	33	4	19	-21	7 028
Lease liabilities	1 442	-77	313	-50	34	–	45	-179	1 528
Other financial liabilities	2	-171	–	–	176	–	-1	–	6
Total non-current borrowings	**9 491**	**-1 302**	**313**	**-50**	**243**	**4**	**63**	**-200**	**8 562**
Current									
Loans	196	-81	–	–	45	–	21	21	202
Lease liabilities	371	-370	235	-21	14	–	16	179	424
Other financial liabilities	97	-94	–	–	–	–	-1	–	2
Total current borrowings	**664**	**-545**	**235**	**-21**	**59**	**–**	**36**	**200**	**628**
Total	**10 155**	**-1 847**	**548**	**-71**	**302**	**4**	**99**	**0**	**9 190**

2020	Opening balance	Financing cash flows	New leases	Other changes in lease liabilities	Acquired/ divested companies	Fair value change through P/L	Foreign exchange movement	Reclassification	Closing balance
Non-current									
Loans and bonds	6 082	2 004	–	–	–	1	-40	–	8 047
Lease liabilities	1 640	-36	226	-23	-18	–	-74	-273	1 442
Other financial liabilities	2	–	–	–	–	–	0	–	2
Total non-current borrowings	**7 724**	**1 968**	**226**	**-23**	**-18**	**1**	**-114**	**-273**	**9 491**
Current									
Loans	308	-58	–	–	–	–	-54	–	196
Lease liabilities	394	-422	170	-15	-2	–	-27	273	371
Other financial liabilities	3	94	–	–	–	–	0	–	97
Total current borrowings	**705**	**-386**	**170**	**-15**	**-2**	**–**	**-81**	**273**	**664**
Total	**8 429**	**1 582**	**396**	**-38**	**-20**	**1**	**-195**	**0**	**10 155**

22. Leases

Leases – lessee

The Group has lease contracts primarily from rented premises, machinery, and computer and office equipment. Lease contracts for office, factory facilities and machines typically run for a period of 3 to 15 years, while motor vehicles and other equipment generally have lease terms between 2 and 5 years. For a limited number of lease contracts, purchase and renewal options exist for machinery and renewal options exist for premises. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered leases of low value. Also, if the lease contract has a lease term that is less than 12 months, the lease is considered a short-term lease and such payments are recognized as an expense over the lease term.

The carrying amount of right-of-use assets as of December 31, 2021, amounted to 1 899 (1 778). See note 13 for the carrying amounts of right-of-use assets by class of underlying asset recognized and movements during the period.

The carrying amounts of lease liabilities (included under interest-bearing liabilities) are presented below.

Lease liability	2021	2020
Carrying amounts, Jan. 1	1 813	2 034
Carrying amounts, Dec. 31	**1 952**	**1 813**
Non-current	1 528	1 442
Current	424	371
Total	**1 952**	**1 813**

See note 28 for maturity analysis of the lease liability. The Group had a cash outflow for lease liabilities of 444 (457), refer to note 21 for more information.

22. Leases, cont.

The amounts recognized in the income statement during 2021 are the following;

	2021	2020
Costs for low value assets	-24	-34
Costs for short-term leases	-29	-41
Variable lease payments not included in the lease liability	-8	-6
Income from subleasing right-of-use assets	11	11
Gains/losses from sale and leaseback transactions	-1	–
Interest expenses on lease liability	-41	-39
Depreciation for the period	-461	-461
Impairment charges for the period	–	–

For information on financial exposure and policies for control of financial risks see note 28.

Leases – lessor

Operating leases – lessor

Epiroc has equipment which is leased to customers under operating leases. Long-term operating lease contracts are financed and administered by Epiroc Financial Solutions and certain other subsidiaries.

Future payments for non-cancelable operating leasing contracts fall due as follows:

	2021	2020
Fall due year:		
2021	–	219
2022	331	118
2023	134	67
2024	83	31
2025	21	11
2026	0	0
>2026	0	0
Total	**569**	**446**

During 2021, lease income relating to operating lease contracts amounted to 535 (598).

Finance leases – lessor

The Group offers lease financing to customers via Epiroc Financial Solutions and certain other subsidiaries. See note 28 for information on financial exposure and policies for control of financial risks. Future lease payments to be received fall due as follows:

	2021	2020
Fall due year:		
2021	–	86
2022	240	123
2023	169	84
2024	99	57
2025	35	46
2026	4	1
>2026	0	0
Undiscounted lease payments	**547**	**397**
Unguaranteed residual value	3	1
Less: Unearned finance income	30	21
Present value of lease payments receivable	**520**	**377**
Impairment loss allowance	-2	-1
Net investment in the lease	**518**	**376**

During the year, the finance lease receivables increased mainly due to higher overall demand for capital equipment.

The selling profit/loss (net) recognized in the income statement amounted to 77 (103), and the finance income on the net investment in the lease amounted to 4 (7).

23. Post-employment benefits

Post-employment benefits

Epiroc provides post-employment defined benefit pension plans and other long-term employee benefits in most of its major locations. The most significant countries in terms of size of plans are Sweden, Germany, Switzerland and India.

The plans in the four most significant countries are funded with different local financing vehicles, held separated from the Group for future benefit payments. In Sweden the financing vehicle for the main ITP2-plans retirement pension is the Group's pension foundation. In addition, the Epiroc family pension under ITP2 is insured by a third-party insurer, Alecta. This plan is recognized as a defined contribution plan as sufficient information for calculating the net pension obligation is not available. Alecta's surplus can be distributed among the policyholders and/or the insured. At the end of 2021, Alecta's surplus of its so-called collective funding amounted to 172% (148). The collective funding consists of the fair value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions.

The Group identifies a number of risks in the investments of pension plan assets. The main risks are interest rate risk, market risk, counter-party risk, liquidity risk, inflation risk and currency risk. The risk that the managed pension assets will not cover the pension commitments is also affected by life expectancy and any large wage increases. The Group works continuously to manage the risks and ensure that the investment orientations reflect Epiroc´s risk tolerance level and that the investments have a long-term investment horizon. The investment portfolio should be diversified, which means that multiple asset classes, markets and issuers should be utilized. An asset liability management assessment should be conducted periodically. The study should include a number of elements. The most important elements are the duration of the assets and the timing of settlement of liabilities, the expected return of the assets, the expected development of liabilities, the forecast cash flows and the impact of a shift in interest rates on the obligation.

The net obligations for post-employment benefits and other long-term employee benefits have been recognized in the balance sheet as follows:

	2021	2020
Financial assets (note 15)	-171	-30
Post-employment benefits	356	806
Other provisions (note 26)	101	74
Closing Balance, Dec. 31	**286**	**850**

The tables below show the Group's obligations for post-employment benefits and other long-term employee benefits, the assumptions used to determine these obligations and the assets relating to these obligations for employee benefits, as well as the amounts recognized in the income statement and the balance sheet.

The net amount recognized in the balance sheet amounted to 286 (850). The weighted average remaining duration of the obligation is 22.3 (23.3) years.

23. Post-employment benefits, cont.

POST-EMPLOYMENT BENEFITS

2021	Funded pension plans	Unfunded pension plan	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	1 854	72	14	87	2 027
Fair value of plan assets	-1 738	–	-3	–	-1 741
Present value of net obligations	**116**	**72**	**11**	**87**	**286**
Effect of asset ceiling	–	–	–	–	–
Other long-term service obligations	–	–	–	–	–
Net amount recognized in balance sheet	**116**	**72**	**11**	**87**	**286**

2020	Funded pension plans	Unfunded pension plan	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	2 139	38	5	69	2 251
Fair value of plan assets	-1 397	–	-4	–	-1 401
Present value of net obligations	**742**	**38**	**1**	**69**	**850**
Effect of asset ceiling	–	–	–	–	–
Other long-term service obligations	–	–	0	–	–
Net amount recognized in balance sheet	**742**	**38**	**1**	**69**	**850**

PLAN ASSETS CONSIST OF THE FOLLOWING:

2021	Quoted market price	Unquoted market price	Total
Debt instruments	330	4	334
Equity instruments	97	–	97
Property	24	413	437
Assets held by insurance companies	49	–	49
Cash	236	–	236
Investment funds	148	426	574
Derivatives	0	-4	-4
Other	18	–	18
Closing balance, Dec. 31	**902**	**839**	**1 741**

2020	Quoted market price	Unquoted market price	Total
Debt instruments	232	–	232
Equity instruments	107	–	107
Property	22	443	465
Assets held by insurance companies	41	–	41
Cash	148	–	148
Investment funds	403	–	403
Derivatives	–	5	5
Closing balance, Dec. 31	**953**	**448**	**1 401**

MOVEMENT IN PLAN ASSETS

	2021	2020
Fair value of plan assets at Jan. 1	1 401	1 219
Interest income	20	21
Remeasurement – return on plan assets	300	183
Settlements	0	-2
Other significant events	11	–
Employer contributions	14	3
Plan members contributions	1	1
Benefit paid by the plan	-17	-10
Reclassifications	–	–
Translation differences	11	-14
Fair value of plan assets, Dec. 31	**1 741**	**1 401**

THE PLAN ASSETS ARE ALLOCATED AMONG THE FOLLOWING GEOGRAPHIC AREAS:

	2021	2020
Europe	1 681	1 366
of which Sweden	*1 461*	*985*
Rest of the world	60	35
Total	**1 741**	**1 401**

ASSET CEILING

	2021	2020
Asset ceiling at Jan. 1	–	–
Remeasurements – asset ceiling	–	–
Translation difference	–	–
Asset ceiling, Dec. 31	–	–

MOVEMENT IN PRESENT VALUE OF THE OBLIGATIONS FOR DEFINED BENEFITS

	2021	2020
Defined benefit obligations at Jan. 1	2 251	1 866
Current service cost	114	104
Past service cost	-5	-4
Gain/loss on settlement	0	1
Interest expense (+)	35	33
Other significant events	67	–
Actuarial gains (–)/ losses (+) arising from experience adjustments	-210	172
Actuarial gains (–)/ losses (+) arising from financial assumptions	-169	165
Actuarial gains (–)/ losses (+) arising from demographic assumptions	-7	1
Settlements	0	0
Benefits paid from plan or company assets	-65	-57
Translation differences	16	-30
Defined benefit obligations, Dec. 31	**2 027**	**2 251**

Remeasurements recognized in other comprehensive income amount to -697 (147) and 11 (8) in profit and loss. The Group expects to pay 58 (43) in contributions to defined benefit plans in 2022.

23. Post-employment benefits, cont.

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

	2021	2020
Current service cost	114	104
Past service cost	-5	-4
Gain/loss on settlements	0	1
Net interest cost	15	12
Employee contribution	–	0
Remeasurement of other long-term benefits	11	8
Total	**135**	**121**

The total benefit expense for defined benefit plans amounted to 135 (121), of which 120 (109) has been charged to related functions under operating expenses and 15 (12) to financial expenses. Expenses related to defined contribution plans amounted to 382 (329).

PRINCIPAL ACTUARIAL ASSUMPTIONS AT THE BALANCE SHEET DATE (EXPRESSED AS WEIGHTED AVERAGES, IN %)

	2021	2020
Discount rate		
Europe	1.67%	1.32%
Future salary increases		
Europe	2.69%	2.69%

The Group has identified discount rate and future salary increases as the primary actuarial assumptions for determining defined benefit obligations. Changes in those actuarial assumptions affect the present value of the net obligation. The discount rate is determined by reference to market yields at the balance sheet date using, if available, high quality corporate bonds (AAA or AA) matching the duration of the pension obligations. In countries where corporate bonds are not available, government bonds are used to determine the discount rate. In Sweden, in line with prior years, mortgage bonds are used for determining the discount rate.

Epiroc's mortality assumptions are set by country, based on the most recent mortality studies that are available. Where possible, generational mortality assumptions are used, meaning that they include expected improvements in life expectancy over time.

The table below shows the sensitivity analysis for discount rate and salary, and describes the potential effect on the present value of the defined pension obligation.

SENSITIVITY ANALYSIS

Europe	2021	2020
Change in discount rate +0.50%	-198	-235
Change in discount rate -0.50%	227	271
Salary increase 0.50%	99	112
Salary decrease 0.50%	-88	-99

24. Share-based payments

Share value based incentive programs

Performance based employee stock option plan 2016-2020

Employees in Epiroc have prior to 2018 been offered to participate in certain share-based payment programs offered by Atlas Copco. At the time when the Epiroc shares were listed, Atlas Copco had four programs in place, 2014-2017, in which certain Epiroc employees were participants. The performance based employee stock option plans in Atlas Copco were in accordance with their terms split between Atlas Copco and Epiroc in connection with the distribution and listing of Epiroc on Nasdaq Stockholm. Approximately 90 key employees of Epiroc have received under the performance based stock option plan for the years 2016-2020 options related to Epiroc and receive incentives related to the performance of Epiroc.

The terms and conditions of the performance based employee stock option plans for the years 2016–2020 are in all material aspects similar to the terms and conditions of the performance based employee stock option plan for 2021 in Epiroc, as described below. More details of the programs are found in table "Summary of share value based incentive programs" (see page 115).

Performance based employee stock option plan 2021

The Annual General Meeting of Epiroc held on April 28, 2021, resolved, based on a proposal from the Board of Directors, to introduce a performance based employee stock option plan for 2021, which is similar in structure to the previous stock option plans approved by the Annual General Meeting.

The performance based employee stock option plan is directed at a maximum of 100 key employees in Epiroc, who will have the possibility to acquire a maximum of 1 657 447 Class A shares in Epiroc. The issuing of options depends on the value increase expressed as Economic Value Added of Epiroc during 2021. In an interval of SEK 700 000 000, the issue varies linearly from zero to 100% of the maximum number of options. The participating key employees are divided into different categories, with different amounts of maximum issues of options, depending on their positions. The issuing of options will take place no later than March 20, 2022. The term of the options is seven years from granting, and the options are exercisable not earlier than three years from grant date. The exercise price shall be set at an amount corresponding to 110% of the average of the closing rates on Nasdaq Stockholm of Epiroc's Class A shares during a period of ten business days following the date of the publishing of the Interim report Q4, 2021. A participant must still be employed in order to exercise his/her options. The options are not transferable.

The costs of the performance based employee stock option plan will, on an on-going basis during the term of the plan, be reported in accordance with IFRS 2, and is estimated to amount up to approximately 52. The estimated costs for advice and administration linked to the program are approximately 3.5. In order to limit the exposure of the performance based employee stock option plan, hedging measures have been adopted in the form of share buy-backs (see note 20), which can be transferred to the participants of the plan pursuant to resolutions passed at the Annual General Meeting of Epiroc.

A prerequisite for the participation of senior executives (11 participants) in the performance based employee stock option plan is an investment of a maximum of ten percent of the participants' respective base salary for 2021 before tax, in series A shares of Epiroc. The investments may be made in cash or by payment of shares, however, not by shares that are obtained as a part of the performance based employee stock option plans for 2019 – 2020. Senior executives who have invested in Epiroc series A shares as a part of the employee stock option plan, in addition to the proportional participation in the plan, for each share acquired have a right (a "matching option") to acquire a share three years after the grant until the expiration of the employee stock option plan 2021 at a price equal to 75% of the market value upon which the exercise price of the shares in the 2021 employee stock option plan was based, subject to continued employment and continued ownership of the shares.

For all the programs, 2016–2021, a total maximum of 8 271 002 shares could be delivered to employees, corresponding to approximately 0.7% of the total number of shares in Epiroc.

The Board of Epiroc has the right to decide to implement an alternative incentive solution (SARs) for key persons in such countries where the grant of employee stock options is not feasible. In the 2016–2019 programs, at the request of optionees, it has been possible to settle the options by the Company's paying cash equal to the

24. Share-based payment, cont.

excess of the closing price of the shares over the exercise price on the exercise day, less any administrative fees. Due to this choice of settlement by the Swedish employees, these options were classified for accounting purposes as cash-settled in accordance with IFRS 2. As of October 2020, this possibility was removed from the terms and therefore only those options in the 2016-2017 plans are accounted for as cash-settled if the participant has opted for this possibility. For the plans 2018 and onwards no options are accounted for as cash-settled.

The Black-Scholes model is used to calculate the fair value of the options/SARs in the programs at issue date. For the programs in 2021, the fair value of the options/SARs was based on the following assumptions:

KEY ASSUMPTIONS

	2021 Program (Dec. 31, 2021)	2020 Program (Dec. 31, 2020)
Expected exercise price	SEK 252.12/171.90 [1]	SEK 164.62/112.24 [1]
Expected volatility	30%	30%
Expected options life (years)	4.41	4.64
Expected share price	SEK 229.20	SEK 149.65
Expected dividend (growth)	SEK 2.50 (6%)	SEK 2.40 (6%)
Risk free interest rate	0.00%	1.00%
Expected average grant value	SEK 40.80/69.92 [1]	SEK 21.93/43.03 [1]
Number of outstanding options	1 524 352	2 143 282
– of which forfeited [2]	-26 630	-1 611 191
Number of matching options	24 101	37 891

1) Matching options for senior executives.
2) Including adjustments for performance achievement.

The expected volatility has been determined by analyzing the historic development of the Epiroc A Share price and other shares on the stock market. When determining the expected option life, assumptions have been made regarding the expected exercising behavior of different categories of optionees.

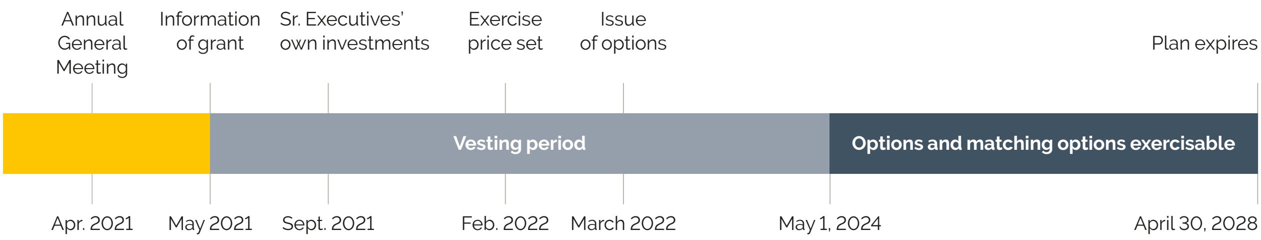
For the stock options in the 2016–2021 programs, the fair value is recognized as an expense over the following vesting periods:

PROGRAM

	Vesting period		Exercise period	
Stock options	From	To	From	To
2016	May-16	Apr-19	May-19	Apr-23
2017	May-17	Apr-20	May-20	Apr-24
2018	May-18	Apr-21	May-21	Apr-25
2019	May-19	Apr-22	May-22	Apr-26
2020	May-20	Apr-23	May-23	Apr-27
2021	May-21	Apr-24	May-24	Apr-28

For the 2021 program, a new valuation of the fair value has been performed and will be performed at each reporting date until the issue date, which as indicated below will occur in March 2022.

TIMELINE 2021 OPTION PLAN



For SARs and the options classified as cash-settled, the fair value is recognized as an expense over the same vesting period; the fair value is, however, remeasured at each reporting date and changes in the fair value after the end of the vesting period continue to be recognized as a personnel expense.

In accordance with IFRS 2, the expense in 2021 for the Group for all share-based incentive programs amounted to 193 (69) excluding social costs, of which 22 (26) refers to equity-settled options. The related costs for social security contributions are accounted for in accordance with the statement from the Swedish Financial Reporting Board (UFR 7) and are classified as personnel expenses. In the balance sheet, the provision for the Group for share appreciation rights as of December 31, 2021, amounted to 186 (121). See additional information about the Group's share-based incentive program in note 5.

24. Share-based payment, cont.

SUMMARY OF SHARE VALUE BASED INCENTIVE PROGRAMS

Program	Initial number of employees	Number of options	Additional number of options, share split/ redemption 2021 [1]	Expiration date	Exercise price, SEK [1]	Type of share	Fair value at grant date	Intrinsic value for vested SARs
Stock options								
2016	66	4 966 702	10 168	4/30/23	74.62	A	16.53	–
2017	64	2 095 148	7 591	4/30/24	92.97	A	15.90	–
2018	63	1 976 817	25 383	4/30/25	95.39	A	15.63	–
2019	70	743 903	11 210	4/30/26	127.85	A	6.48	–
2020	64	393 126	5 939	4/30/27	179.91	A	37.04	–
Matching options								
2017	7	22 993	173	4/30/24	63.41	A	26.84	–
2018	11	50 566	760	4/30/25	65.04	A	27.11	–
2019	13	44 784	670	4/30/26	87.17	A	14.14	–
2020	11	37 891	569	4/30/27	122.66	A	61.34	–
Share appreciation rights								
2016	12	954 761	7 881	4/30/23	74.62	A	–	154.58
2017	14	446 150	10 674	4/30/24	92.97	A	–	136.23
2018	24	555 408	6 301	4/30/25	95.39	A	–	133.81
2019	21	184 998	2 785	4/30/26	127.85	A	–	–
2020	27	138 965	2 101	4/30/27	179.91	A	–	–

[1] A share split and mandatory redemption of the Epiroc share was executed in May 2021. In order to ensure that the economic value for the participant was not negatively affected, the exercise price and the number of stock options, matching options and share appreciation rights were adjusted, similar to the method used by Nasdaq Stockholm to adjust exchange traded option contracts.

NUMBER OF OPTIONS/RIGHTS 2021

Program	Outstanding January 1	Additional number of options, share split/ redemption 2021 [1]	Exercised	Expired/ forfeited	Outstanding December 31	–of which exercisable	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2016	717 890	10 168	210 617	–	517 441	517 441	16	201.56
2017	518 807	7 591	126 759	–	399 639	399 639	28	209.84
2018	1 814 605	25 383	688 329	–	1 151 659	1 151 659	40	203.59
2019	743 903	11 210	–	8 161	746 952	–	52	–
2020	393 126	5 939	–	4 834	394 231	–	64	–
Matching options								
2017	11 605	173	1 872	–	9 906	9 906	28	214.15
2018	50 566	760	14 364	–	36 962	36 962	40	225.16
2019	44 784	670	–	–	45 454	–	52	–
2020	37 891	569	–	–	38 460	–	64	–
Share appreciation rights								
2016	636 134	7 881	307 346	–	336 669	336 669	16	201.55
2017	992 956	10 674	493 779	–	509 851	509 851	28	190.10
2018	462 949	6 301	170 060	–	299 190	299 190	40	203.97
2019	184 998	2 785	–	–	187 783	–	52	–
2020	138 965	2 101	–	4 834	136 232	–	64	–

[1] A share split and mandatory redemption of the Epiroc share was executed in May 2021. In order to ensure that the economic value for the participant was not negatively affected, the exercise price and the number of stock options, matching options and share appreciation rights were adjusted, similar to the method used by Nasdaq Stockholm to adjust exchange traded option contracts.

NUMBER OF OPTIONS/RIGHTS 2020

Program	Outstanding January 1	Conversion Stock options/Share appreciation rights	Exercised	Expired/ forfeited	Outstanding December 31	–of which exercisable	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2015	186 273	–	186 273	–	–	–	–	104.94
2016	2 346 981	-534 921	948 590	145 580	717 890	717 890	28	128.63
2017	1 965 284	-745 438	552 274	148 765	518 807	518 807	40	126.63
2018	1 860 889	–	–	46 284	1 814 605	–	52	–
2019	759 983	–	–	16 080	743 903	–	64	–
Matching options								
2016	2 847	–	2 847	–	–	–	28	127.40
2017	21 285	–	9 680	–	11 605	11 605	40	140.65
2018	50 566	–	–	–	50 566	–	52	–
2019	44 784	–	–	–	44 784	–	64	–
Share appreciation rights								
2015	21 264	–	21 264	–	–	–	–	85.51
2016	409 231	534 921	308 018	–	636 134	636 134	28	131.10
2017	356 891	745 438	79 620	29 753	992 956	992 956	40	135.24
2018	509 233	–	–	46 284	462 949	–	52	–
2019	184 998	–	–	–	184 998	–	64	–

25. Other liabilities

Other financial liabilities are classified at amortized cost. Fair value of other liabilities corresponds to carrying value.

OTHER CURRENT LIABILITIES

	2021	2020
Derivatives		
– classified at fair value through profit and loss	94	56
Other financial liabilities		
– other liabilities	861	438
– accrued expenses	2 637	2 265
Advances from customers [1)]	1 564	1 031
Deferred revenue service contracts [1)]	291	121
Closing balance, Dec. 31	**5 447**	**3 911**

1) In advances from customers and deferred revenue, 1 574 (929) is related to contract liabilities. The significant increase from prior year is the result of new advances from the increase of orders received where the control of the goods has not yet been transferred to the customer. 864 (433) of the advances from customers and deferred revenue 2020 have been recognized as revenue during 2021.

Accrued expenses include items such as social costs, vacation pay liability, accrued interest, and accrued operational expenses.

26. Provisions

2021	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	176	76	367	619
During the year				
– provisions made	178	15	372	565
– provisions used	- 144	- 33	- 226	- 403
– provisions reversed	- 29	–	- 21	- 50
Discounting effect	- 1	–	- 2	- 3
Business acquisitions	–	–	20	20
Reclassification	–	- 31	7	- 24
Translation differences	12	–	7	19
Closing balance, Dec. 31	**192**	**27**	**524**	**743**
Non-current	12	3	439	454
Current	180	24	85	289
Total	**192**	**27**	**524**	**743**

2021, Maturity	Product warranty	Restructuring	Other	Total
Less than one year	180	24	85	289
Between one and five years	12	1	406	419
More than five years	0	2	33	35
Total	**192**	**27**	**524**	**743**

2020	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	207	45	362	614
During the year				
– provisions made	132	95	214	441
– provisions used	-106	-59	-185	-350
– provisions reversed	-36	-2	-14	-52
Reclassification	-1	–	1	0
Translation differences	-20	-3	-11	-34
Closing balance, Dec. 31	**176**	**76**	**367**	**619**
Non-current	10	34	279	323
Current	166	42	88	296
Total	**176**	**76**	**367**	**619**

2020, Maturity	Product warranty	Restructuring	Other	Total
Less than one year	166	42	88	296
Between one and five years	10	33	259	302
More than five years	0	1	20	21
Total	**176**	**76**	**367**	**619**

Other provisions consist primarily of amounts related to share-based payments including social fees and other long-term employee benefits (see note 24).

27. Assets pledged and contingent liabilities

Epiroc had 84 (61) in sureties and other contingent liabilities. These primarily relate to pension commitments and commitments related to customer claims and various legal matters. In addition, Epiroc has commercial guarantees for fulfillment of contractual undertakings, which is part of the Group's normal course of business of 430 (209).

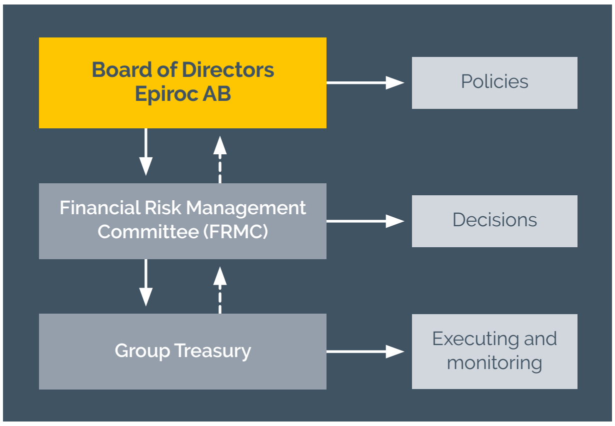
28. Financial risk management

In its operations Epiroc is exposed to a variety of financial risks: funding and liquidity risk, currency risk, interest rate risk and credit risk.

Organization
The Board of Directors establishes the Group's financial risk policy. The Group has a Financial Risk Management Committee (FRMC) that manages the Group's financial risks within the mandate given by the Board of Directors. The members of the FRMC are the CEO, CFO, Group Treasurer and representatives from Group Treasury. The FRMC meets quarterly or more frequently if circumstances require.

Group Treasury has operational responsibility for financial risk management in the Group. Group Treasury manages and controls financial risk exposures, ensures that appropriate financing is in place through loans and committed credit facilities and manages the Group's liquidity.

Group Treasury reports to the FRMC quarterly and the FRMC reports to the Audit Committee.



Capital structure
The Group defines capital as borrowings and equity. The Group's financial goals include an efficient capital structure and the flexibility to make selective acquisitions, while maintaining an investment grade rating. The Group's goal is to provide long-term stability and raise dividends to its shareholders. The dividend should correspond to 50% of net profit over the cycle. The capital requirement is assessed on the basis of ratios such as net debt/equity and net debt/EBITDA.

Net debt/cash
Net debt/cash is defined by the Group as interest-bearing liabilities and post-employment benefits, adjusted for the fair value of interest rate swaps, less cash and cash equivalents and certain other financial receivables. The position for December 31 was:

NET DEBT/CASH

	2021	2020
Interest-bearing liabilities	9 190	10 155
Post-employment benefits	356	806
Cash and cash equivalents	-10 792	-15 053
Certain other financial receivables	-58	-45
Net debt/cash	**-1 304**	**- 4 137**
Total equity	**25 785**	**23 739**
Net debt/equity ratio, %	-5.1	-17.4

Rating
Another variable in the assessment of the Group's capital structure is the credit rating. In November 2021, S&P Global Ratings reconfirmed Epiroc's BBB+ credit rating with a stable outlook.

Funding and liquidity risk

Funding and liquidity risk is defined as the risk of the cost being higher and financing opportunities limited as borrowing is renegotiated and payment obligations cannot be met as a result of insufficient liquidity or difficulties in securing funding.

Policy
The policy states the minimum average tenor, i.e., time to maturity (three years), and the maximum amount that can mature within the next 12 months (MSEK 3 000). According to the policy the Group should maintain a minimum of committed credit facilities (MSEK 4 000) and ensure a short-term liquidity reserve, which comprises cash, cash equivalents and uncommitted credit facilities.

Comments for the year
The Group does not have any borrowings maturing within the next 12 months. As back-up facilities, the Group has an MSEK 4 000 revolving credit facility and an MSEK 2 000 commercial paper program, both unutilized at year-end.

As of December 31, 2021, the Group's total interest-bearing liabilities amounted to 9 190 (10 155). The average time to maturity of the Group's external debt was 3.7 years (4.2) at year-end. Cash and cash equivalents for the Group total 10 792 (15 053). For more information on borrowings, maturities and back-up facilities, see note 21.

The following table shows the maturity structure of the Group's financial liabilities. The figures shown are contractual undiscounted cash flows based on contracted date, when the Group is liable to pay, including both interest and nominal amounts. The Group's short-term liquidity reserve exceeds financial liabilities due within 2022.

FINANCIAL LIABILITIES - FUTURE UNDISCOUNTED CASH FLOWS

2021	2022	2023	2024	2025	2026	>2026
Liabilities to credit institutions	61	2 097	35	2 032	2 023	1 005
Lease liabilities	–	363	263	219	181	551
Derivatives	–	–	–	–	–	–
Other liabilities	–	191	–	–	–	–
Non-current financial liabilities	**61**	**2 651**	**298**	**2 251**	**2 204**	**1 556**
Liabilities to credit institutions	201	–	–	–	–	–
Lease liabilities	455	–	–	–	–	–
Derivatives	94	–	–	–	–	–
Other accrued expenses	2 638	–	–	–	–	–
Trade payables	5 512	–	–	–	–	–
Other liabilities	777	–	–	–	–	–
Current financial liabilities	**9 677**	–	–	–	–	–
Total financial liabilities	**9 738**	**2 651**	**298**	**2 251**	**2 204**	**1 556**

28. Financial risk management, cont.

2020	2021	2022	2023	2024	2025	>2025
Liabilities to credit institutions	57	1 101	2 082	36	2 035	3 026
Lease liabilities	-	350	268	188	157	520
Derivatives	-	-	-	-	-	-
Other liabilities	-	39	-	-	-	-
Non-current financial liabilities	**57**	**1 490**	**2 350**	**224**	**2 192**	**3 546**
Liabilities to credit institutions	20	-	-	-	-	-
Lease liabilities	409	-	-	-	-	-
Derivatives	56	-	-	-	-	-
Other accrued expenses	2 266	-	-	-	-	-
Trade payables	3 605	-	-	-	-	-
Other liabilities	429	-	-	-	-	-
Current financial liabilities	**6 785**	-	-	-	-	-
Total financial liabilities	**6 842**	**1 490**	**2 350**	**224**	**2 192**	**3 546**

Interest rate risk

Interest rate risk is the risk that changes in market interest rates affect the Group's net interest. How quickly interest rate changes impact net interest depends on the fixed interest term of the borrowings, including interest rate derivatives.

Policy

The policy states that the duration, i.e., period over which interest rates are fixed, of the loan portfolio should be within a range (6–48 months, with a benchmark of 12 months), including effects from interest rate derivatives.

Comments for the year

The Group's borrowings have a mix of fixed and floating rates. The Group is exposed to benchmark rates in borrowings at a floating rate of 4 745. The Group's floating rate borrowings are linked to STIBOR, for more information on the Group's borrowings, see note 21.

The average interest duration was 13 (15) months and the average interest rate of the Parent Company's borrowings was 0.86% (0.75).

A shift upwards in interest rates of 1 percentage point would affect the Group's borrowings and impact the Group's net interest by approximately -48 (-58) and a similar downwards shift would impact the Group's net interest by approximately +31 (+24).

Currency risk

The Group operates in various geographical markets and undertakes transactions denominated in foreign currencies and is consequently exposed to exchange rate fluctuations. Currency exposure occurs in connection with payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure).

Transaction exposure

Transaction exposure primarily arises when the Group's products are sold in other countries and in other currencies. Sales in each respective market primarily take place in local currency. These payment flows create currency exposures that affect the Group's earnings in the event of exchange rate fluctuations.

Policy

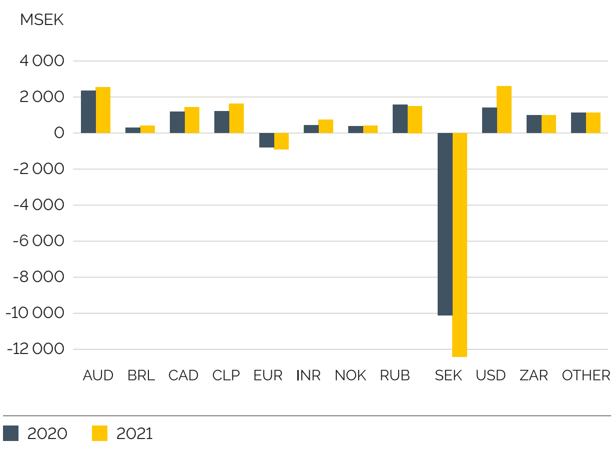
The Group's policy states that exposures shall be reduced by matching inflows and outflows of the same currencies. Based on the assumption that hedging does not have any significant effect on the Group's long-term result, the policy recommends leaving transaction exposures unhedged on an ongoing basis. Divisional management is responsible for maintaining readiness to adjust operations (price and cost) to compensate for adverse currency movements. However, the FRMC can decide to hedge part of the transaction exposure. For these cases, transactions shall qualify for hedge accounting in accordance with IFRS and hedging beyond 18 months is not allowed.

Comments for the year

The operational transaction exposure is measured as an estimate of the net foreign exchange flows per currency. Estimates are based on the Group's intercompany payments and on payment flows from customers and to suppliers in the most significant currencies. The net amounts are shown in the graph below, corresponding to 12 421 (10 113).

The Group has continued to manage transaction exposures primarily by matching inflows and outflows in the same currencies. As of year-end the Group has not hedged any of its transaction exposure.

ESTIMATED OPERATIONAL TRANSACTION EXPOSURE IN THE GROUP'S MOST IMPORTANT CURRENCIES, 2021 AND 2020



The table below shows the effect on pretax earnings that one-sided fluctuations in each currency may have.

TRANSACTION EXPOSURE SENSITIVITY [1)]

	2021	2020
AUD Currency rate +/–1%	25	23
USD Currency rate +/–1%	26	14
SEK Currency rate +/–1%	124	101

1) The indication is based on the assumptions that no hedging transactions have been undertaken, and before any impact of offsetting price adjustments or similar measures.

The financial transaction exposure in the Group, i.e., internal and external borrowing or lending in foreign currencies, is centrally managed by Group Treasury. Group Treasury hedges the financial transaction exposure either by FX forwards or by matching inflows and outflows in the same currencies.

28. Financial risk management, cont.

Translation exposure

Currency exposure occurs when translating the results of foreign subsidiaries into SEK, which affects the Group's earnings when exchange rates fluctuate (income statement). The translation exposure on the balance sheet occurs when translating net assets of foreign subsidiaries into SEK, which affects other comprehensive income (OCI).

Policy

The Group's general policy for managing translation exposure is that the translation exposure should be reduced by matching assets and liabilities in the same currencies. The FRMC may decide to hedge part or all of the remaining translation exposure and any hedging shall qualify for hedge accounting in accordance with IFRS.

Comments for the year

The translation exposure is measured as the net of assets and liabilities in a certain currency. As of year-end the Group has not hedged any of its translation exposure.

A change up or down by 1% in the value of each currency against the Swedish krona would affect the Group's pretax earnings by approximately +/- 23 (13).

Credit risk

Credit risk can be divided into operational and financial credit risk. These risks are described further in the following sections. The table shows the total credit risk exposure related to assets classified as financial instruments as of December 31, 2021.

CREDIT RISK

	2021	2020
Loans and receivables		
– trade receivables	7 174	6 045
– finance lease receivables	518	377
– other financial receivables	1 146	1 025
– other receivables	1 221	790
– accrued income	182	47
– cash and cash equivalents	10 792	15 053
Derivatives	46	167
Total	**21 079**	**23 505**

TRADE RECEIVABLES, BOTH CURRENT AND NON-CURRENT

	2021		2020	
Gross value	Gross	Impaired	Gross	Impaired
Not past due	5 175	11	4 309	57
Past due but not individually impaired				
0-30 days	1 179	0	987	0
31-60 days	406	2	341	0
61-90 days	154	1	190	1
More than 90 days	675	27	651	48
Past due and individually impaired				
0-30 days	41	1	18	1
31-60 days	6	3	4	0
61-90 days	7	2	3	2
More than 90 days	107	100	77	80
Collective impaired	**10**	**439**	**16**	**362**
Total	**7 760**	**586**	**6 596**	**551**

Operational credit risk

Operational credit risk is the risk that the Group's customers do not meet their payment obligations.

Policy

According to the Group's operational credit risk policy, divisions and individual business units are responsible for the commercial risks arising from their operations. The operational credit risk is measured as the net aggregate value of receivables from a customer.

Since the Group's sales are distributed among many customers, of whom no single customer represents a significant share of the Group's commercial risk, the monitoring of commercial credit risks is primarily performed at the divisional or business unit level. Each entity is required to have an approved commercial risk policy. These shall aim to preserve the high credit quality of the Group's portfolios and thereby protect the Group's short and long-term viability. Risk is always assessed based on all available information; taking into account collateral, credit characteristics and overall market conditions. When making commercial credit risk decisions, risk will always be judged based on the combined risks rather than on each of the several risk factors evaluated.

The entity establishes provisions for its estimate of expected credit losses (ECL) in respect of financial assets. The measurement of ECL is based on different measures for different credit risk exposures. For trade receivables and contract assets, the measure for ECL is based on the expected loss rate based on historical default statistics, with forward-looking analysis separately considered. The provision is calculated for all receivables and the expected loss rate is applied. In addition, the Group performs an assessment on an individual basis to ensure that adequate loss allowance is made for receivables with observable evidence of higher credit risk with specific factors such as signs of bankruptcy, officially known insolvency, etc.

Lease receivables are impaired by using a rating model when determining the expected credit loss. The rating model considers the customer's rating, the country's political and commercial risk and a rating of the country's legal system. Both external credit agencies' ratings and internally developed rating methods are applied. The measurement of ECL considers the fair value of collateral and any delay. The assessment also takes into account the degree of insurance.

Forward-looking analysis, including macroeconomic factors impacting different customer segments and geographical areas, is separately considered in both models described above (if not reflected in the rating model) and the impairment level is adjusted to reflect identified changes for the specific market, if needed.

Comments for the year

Trade receivables relate to a large number of customers, spread across diverse geographical areas and reflect the spread of sales. Stringent credit policies are applied and there is no major concentration of credit risk, the Group therefore evaluates the credit risk to be limited. At year-end 2021, trade receivables of 7 174 (6 045) were reported, net of impairment amounting to 586 (551). The expected credit loss amounted to 7.6% (8.4) of gross total customer receivables. For further information, see note 17.

The Group has an in-house customer finance operation (part of Epiroc Financial Solutions) as a means of supporting equipment sales. Credit risk in customer financing is typically mitigated by Epiroc Financial Solutions' maintaining collateral for its credit portfolio primarily through repossession rights in equipment. Entities may also partly transfer the commercial risk through insurance to external entities (normally to an export credit agency). At December 31, 2021, the credit portfolio of customer financial operations totaled approximately 1 526 (1 307), consisting of 13 (16) reported as trade receivables, 519 (378) reported as finance lease receivables, and 994 (913) reported as other financial receivables. In addition, Epiroc Financial Solutions also has non-cancelable operating lease contracts of 450 (423). Residual value risk on operating lease contracts is managed through monitoring of equipment with support from customer centers. The customer centers perform a continuous assessment of the value of the underlying asset. There were no significant concentrations of customer risks in these operations. No customer represented more than 5% (5) of the total outstanding receivables. The Covid-19 pandemic has not significantly affected the credit risk. For further information, see note 15 and 22.

28. Financial risk management, cont.

Financial credit risk

Credit risk on financial transactions is the risk that the Group incurs losses as a result of non-payment by counterparties related to the Group's investments, bank deposits or derivative transactions. The financial credit risk is measured differently depending on transaction type.

Policy

The Group's policy states that diversification of credit risk should be the norm and that maximum exposure limits shall be assigned for each financial counterparty (with a maximum of MSEK 3 000 per counterparty). Derivative transactions can only be undertaken with counterparties for which CSA (Credit Support Annex) agreements are established. Furthermore, financial transactions are only to be entered into with counterparties that have a certain rating (not below A3/A/A). An investment policy stipulating the framework for investments of the Group's excess cash shall consider the above points. The policy's demand for security shall always be prioritized over the aim of maximum return.

Comments for the year

When measuring credit risk on cash and cash equivalents, the Group applies the general approach on impairment. The maturities are well below 12 months and the counterparties are stable banks with a high rating. Calculations based on the banks' probabilities of default, yields an expected loss which is in all respects immaterial. At year-end 2021, the measured credit risk on derivatives, taking into account the mark--to-market value and collateral, amounted to 21 (60). The table below presents the reported value of the Group´s derivatives.

OUTSTANDING DERIVATIVE INSTRUMENTS, FAIR VALUE

	2021	2020
Foreign exchange forwards		
Assets	46	167
Liabilities	94	56

No financial assets or liabilities are offset in the balance sheet. Derivative instruments are subject to master netting agreements and the fair value of derivatives that are not offset in the balance sheet are 46 (167) for assets and 94 (56) for liabilities. The following table shows derivatives covered by master netting agreements.

OUTSTANDING NET POSITION FOR DERIVATIVE INSTRUMENTS

2021	Gross	Offset in Balance sheet	Net in Balance sheet	Master netting agreement	CSA	Net position
Assets						
Derivatives	46	–	46	-46	0	0
Liabilities						
Derivatives	94	–	94	-46	-58	11

Other market and price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is directly and indirectly exposed to raw material price fluctuations. Cost increases for raw materials and components frequently coincide with strong end-customer demand and are offset by increased sales to mining customers and compensated for by increased market prices. Therefore, the Group does not hedge commodity-price risks.

Fair value of financial instruments

In the Group's balance sheet, financial instruments are carried at fair value or at amortized cost. The fair value is established according to a fair value hierarchy. The hierarchy levels should reflect the extent to which fair value is based on observable market data or own assumptions.

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for assets or liabilities either directly or indirectly, for example, market interest rates or yield curves.
- Level 3: Based on a valuation model, whereby significant input is based on unobservable market data.

Valuation methods

- Forward exchange contracts: Fair value is calculated based on prevailing market rates and present value of future cash flows.
- Interest rate swaps: Fair value is based on market rates and present value of future cash flows.
- Interest-bearing liabilities: Fair values are calculated based on market rates and present value of future cash flows.
- Finance leases and other financial receivables: Fair values are calculated based on market rates and present value of future cash flows.

The Group's financial instruments by level

The fair value of bonds is based on level 1 and the fair values of other financial instruments 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 and no significant changes have been made to valuation techniques, inputs or assumptions.

The carrying value for the Group's financial instruments corresponds to fair value in all categories except for borrowings. See note 21 for additional information about the Group's borrowings.

CURRENCY RATES USED IN THE FINANCIAL STATEMENTS

			Year-end rate		Average rate	
	Value	Code	2021	2020	2021	2020
Australia	1	AUD	6.56	6.27	6.43	6.34
Canada	1	CAD	7.06	6.4	6.82	6.84
Chile	1 000	CLP	10.65	11.46	11.27	11.63
EU	1	EUR	10.23	10.04	10.14	10.48
Russia	1	RUB	0.12	0.11	0.12	0.13
South Africa	1	ZAR	0.57	0.56	0.58	0.56
USA	1	USD	9.04	8.19	8.57	9.18

29. Related parties

Related-party transactions
Related parties are defined as the subsidiaries in the Epiroc Group and companies over which related physical persons have a controlling, joint controlling or significant influence. The Company's largest shareholder, Investor AB, controls approximately 23% of the voting rights in Epiroc AB. Related parties also include transactions with associated companies and joint ventures. Related persons include board members, senior executives and close family members of the above.

No board member, senior officer or shareholder has:
(i) been a party to a transaction with the Company on unusual terms or of an unusual nature, or
(ii) that is of importance, or has been of importance, for operations as a whole in the present or immediately preceding fiscal year, or in any previous fiscal year, and in any way may be considered outstanding or incomplete.

Information about participation in Group companies can be found in note A19. The Group has transactions with related parties reported in note 4 where intercompany revenues account for a minor part of total revenues as presented in the note. The parent company's revenue of 170 (183) mainly entails allocation of centrally incurred administration costs. Information about remunerations and other benefits to key management personnel can be found in note 5 and in the Corporate governance report. All intra-group transactions take place on general and commercial terms and at market price.

Transactions with associated companies and joint ventures
The Group sold various products and purchased goods through certain associated companies and joint ventures on terms generally similar to those prevailing with unrelated parties.

The following table summarizes the Group's related-party transactions with its associates and joint ventures.

	2021	2020
Revenues	44	11
Goods purchased	-88	114
Services purchased	-2	0
At Dec. 31:		
Trade receivables	51	9
Trade payables	49	10

30. Events after the reporting period

No significant events have occurred after the balance sheet date.

Parent Company financial information

Income statement

January - December, MSEK	Note	2021	2020
Administrative expenses	A2	-258	-210
Marketing expenses		-26	-16
Other operating income	A3	173	183
Other operating expenses	A3	-25	-67
Operating profit		**-136**	**-110**
Financial income	A4	63	61
Financial expenses	A4	-87	-78
Profit after financial items		**-160**	**-127**
Appropriations	A5	4 837	3 463
Profit before tax		**4 677**	**3 336**
Income tax	A6	-914	-702
Profit for the year		**3 763**	**2 634**

Statement of comprehensive income

January - December, MSEK	Note	2021	2020
Profit for the year		3 763	2 634
Total comprehensive income for the year		**3 763**	**2 634**

Balance sheet

MSEK	Note	Dec. 31, 2021	Dec. 31, 2020
Assets			
Non-current assets			
Intangible assets		1	1
Tangible assets		6	7
Financial assets			
- Deferred tax assets	A7	29	11
- Shares in Group companies	A8, A18	46 255	46 021
- Other financial assets	A9	7 027	8 021
Total non-current assets		**53 318**	**54 061**
Current assets			
Other receivables	A10	2 272	5 239
Cash and cash equivalents		0	0
Total current assets		**2 272**	**5 239**
Total assets		**55 590**	**59 300**
Equity and liabilities			
Equity			
Share capital		500	500
Legal reserve		3	3
Total restricted equity		**503**	**503**
Retained earnings		43 726	47 763
Profit for the year		3 763	2 634
Total non-restricted equity		**47 489**	**50 397**
Total equity		**47 992**	**50 900**
Provisions			
Post-employment benefits	A12	35	23
Other provisions	A13	286	178
Total provisions		**321**	**201**
Liabilities			
Non-current liabilities			
Borrowings	A14	6 989	7 987
Total non-current liabilities		**6 989**	**7 987**
Current liabilities			
Tax liabilities		180	148
Other liabilities	A15	108	64
Total current liabilities		**288**	**212**
Total equity and liabilities		**55 590**	**59 300**

Statement of changes in equity

2021, MSEK	Number of shares outstanding	Share capital	Legal reserve	Retained earnings	Total Equity
Opening balance, Jan. 1	1 205 924 490	500	3	50 397	50 900
Total comprehensive income for the year	–	–	–	3 763	3 763
Dividends	–	–	–	-3 016	-3 016
Redemption of shares	–	–	–	-3 619	-3 619
Acquisition of series A shares	-1 421 649	–	–	-284	-284
Divestment of series A shares	1 759 929	–	–	348	348
Share-based payment, equity-settled					
- expense during the year	–	–	–	22	22
- exercise option	–	–	–	-122	-122
Closing balance, Dec. 31	**1 206 262 770**	**500**	**3**	**47 489**	**47 992**

2020, MSEK	Number of shares outstanding	Share capital	Legal reserve	Retained earnings	Total Equity
Opening balance, Jan. 1	1 202 952 024	500	3	50 277	50 780
Total comprehensive income for the year	–	–	–	2 634	2 634
Dividends	–	–	–	-2 892	-2 892
Acquisition of series A shares	–	–	–	–	–
Divestment of series A shares	2 972 466	–	–	370	370
Share-based payment, equity-settled					
- expense during the year	–	–	–	26	26
- exercise option	–	–	–	-18	-18
Closing balance, Dec. 31	**1 205 924 490**	**500**	**3**	**50 397**	**50 900**

See note A11 for additional information.

Statement of cash flows

January - December, MSEK	Note	2021	2020
Cash flow from operating activities			
Operating profit		-136	-110
Adjustments for:			
Depreciation, amortization and impairment		2	2
Capital gain/loss and other non-cash items		-220	-90
Operating cash flow surplus/deficit		**-354**	**-198**
Net financial items received/paid		-22	-17
Group contributions received		3 463	3 887
Taxes paid		-904	-517
Cash flow before change in working capital		**2 183**	**3 155**
Change in:			
Operating receivables		4 328	-666
Operating liabilities		57	39
Change in working capital		**4 385**	**-627**
Net cash flow from operating activities		**6 568**	**2 528**
Cash flow from investing activities			
Investments in tangible assets		0	0
Investments in intangible assets		0	0
Acquisition of subsidiaries		-	-5
Repayments/Investments in financial assets		1 004	-2 000
Net cash flow from investing activities		**1 004**	**-2 005**
Cash flow from financing activities			
Dividend		-3 016	-2 892
Redemption of shares		-3 619	-
Repurchase and divestment of own shares		64	370
Change in interest-bearing liabilities		-1 001	1 997
Net cash flow from financing activities		**-7 572**	**-525**
Net cash flow for the year		**0**	**-2**
Cash and cash equivalents, Jan. 1		0	2
Net cash flow for the year		0	-2
Cash and cash equivalents, Dec. 31		**0**	**0**

A1. Significant accounting policies

Epiroc AB is the ultimate Parent Company of the Epiroc Group and is headquartered in Nacka, Sweden. The 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", hereafter referred to as "RFR 2", issued by the Swedish Financial Reporting Board. In accordance with RFR 2, parent companies that issue consolidated financial statements according to International Financial Reporting Standards (IFRS), as endorsed by the European Union, shall present their financial statements in accordance with IFRS, to the extent these accounting policies comply with the Swedish Annual Accounts Act and may use exemptions from IFRS provided by RFR 2 due to Swedish accounting or tax legislation. The financial statements are presented in Swedish krona (SEK), which is the accounting currency for Epiroc AB and also the presentation currency. Unless otherwise stated, the amounts presented are in millions Swedish krona (MSEK).

The Parent Company's accounting policies have been consistently applied to all periods presented unless otherwise stated. The financial statements are prepared using the same accounting policies as described in note 1 in the Group's consolidated financial statements, except for those disclosed in the following sections. For information regarding accounting estimates and judgments, see note 2 in the Goup´s consolidated financial statements.

Subsidiaries

Participations in subsidiaries are accounted for by the Parent Company at historical cost. The carrying amounts of participations in subsidiaries are reviewed for impairment in accordance with IAS 36, Impairment of Assets. See the Group's accounting policies, Impairment of financial assets, for further details. Transaction costs incurred in connection with a business combination are accounted for by the Parent Company as part of the acquisition costs and are not expensed.

Lease contracts

The Parent Company recognizes leases in accordance with the exemption rule for IFRS 16 provided in RFR 2. All lease contracts entered into by the Parent Company are accounted for as operating leases.

Employee benefits

Defined benefit plans

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

Share-based payments

The share-based payments that the Parent Company has granted to employees in the Parent Company are accounted for using the same principle as described in note 1 in the Group's consolidated financial statements. The share-based payments that the Parent Company has granted to employees in subsidiaries are not accounted for as an employee expense in the Parent Company, but are recognized against Shares in Group companies. This vesting cost is accrued over the same period as in the Group and with a corresponding increase in equity for equity-settled programs and as a change in liabilities for cash-settled programs.

Financial guarantees

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

Financial instruments

The Parent Company applies the exemption rule for IFRS 9 "Financial instruments", in accordance with RFR 2, which means that all financial instruments are reported in accordance with a method based on cost, in accordance with the Swedish Annual Accounts Act, except for impairment of financial assets where the policies for expected credit losses are applied. The Parent Company does not apply hedge accounting.

Group and shareholders' contributions

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

A2. Employees and personnel expenses and remunerations to auditors

AVERAGE NUMBER OF EMPLOYEES

	2021			2020		
	Women	Men	Total	Women	Men	Total
Sweden	20	21	41	22	19	41

WOMEN ON EPIROC BOARD OF DIRECTORS AND GROUP MANAGEMENT, %

	Dec. 31, 2021	Dec. 31, 2020
Board of Directors excl. union representatives	44	44
Group Management	17	17

REMUNERATION AND OTHER BENEFITS

	2021		2020	
	Board members and Group Management[1)]	Other employees	Board members and Group Management[1)]	Other employees
Sweden	59	45	51	22
of which variable compensation[1)]	*14*	–	*4*	–

1) Includes 8 (8) board members who receive fees from Epiroc AB as well as the President and CEO and 5 (5) members of the Group Management who are employed by and receive salary from the Parent Company.

For information regarding remuneration and other fees for members of the Board, the President and CEO, and other members of Group Management, see note 5, of the consolidated financial statements.

PENSION BENEFITS AND OTHER SOCIAL COSTS

	2021	2020
Contractual pension benefits for Board Members and Group Management	8	8
Contractual pension benefits for other employees	9	9
Other social costs	35	29
Total	**52**	**46**

REMUNERATIONS TO AUDITORS

	2021	2020
Deloitte		
– audit fees	3	3
– audit activities other than audit assignment	1	1
– other services	0	0
Total	**4**	**4**

Audit fees refer to audit of the financial statements and accounting records. For the Parent Company the audit also includes the administration of the business by the Board of Directors, the President and CEO.

Audit activities other than the audit assignment refer, for example, to comfort letters and the limited assurance report on Epiroc´s Sustainability report.

Other services essentially comprise consulting services. At the Annual General Meeting 2021, Deloitte was elected as auditor for the Group until the Annual General Meeting 2022.

A3. Other operating income and expenses

OTHER OPERATING INCOME

	2021	2020
Management fees[1)]	170	183
Exchange-rate differences, net	2	–
Other operating income	1	–
Total	**173**	**183**

OTHER OPERATING EXPENSES

	2021	2020
Management fees[2)]	-25	-55
Exchange-rate differences, net	–	-4
Other operating expenses[3)]	–	-8
Total	**-25**	**-67**

1) Income related to services for common group functions recorded in Parent Company.
2) Expenses related to services for common group functions recorded in Epiroc Rock Drills AB.
3) Other operating expenses refer to one-time costs due to the split of Atlas Copco Group.

A4. Financial income and expenses

	2021	2020
Assets measured at amortized cost		
Interest income		
– receivables from Group companies	63	61
– other	–	0
Interest income at effective interest method	**63**	**61**
Net foreign exchange gain	0	0
Financial income	**63**	**61**
Liabilities measured at amortized cost		
Interest expenses		
– borrowings	-78	-78
– liabilities to Group companies	-9	0
– other	0	0
Interest expenses at effective interest method	**-87**	**-78**
Financial expenses	**-87**	**-78**
Financial expenses, net	**-24**	**-17**

A5. Appropriations

	2021	2020
Group contributions paid	-4	-17
Group contributions received	4 841	3 480
Total	**4 837**	**3 463**

A6. Income tax

	2021	2020
Current tax	-931	-700
Deferred tax	17	-2
Total	**-914**	**-702**

	2021	2020
Profit before tax	4 677	3 336
The Swedish corporate tax rate, %	20.6	21.4
National tax based on profit before taxes	-963	-714
Tax effect of:		
Non-deductible expenses	-7	-7
Tax-exempt income	52	20
Adjustments from prior years	4	-1
Change in tax rate, deferred tax	–	0
Total	**-914**	**-702**
Effective tax in %	19.5	21.0

A7. Deferred tax assets and liabilities

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following:

DEFERRED TAX ASSETS AND LIABILITIES

	2021			2020		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Post-employment benefits	9	–	9	7	–	7
Other provisions	20	–	20	4	–	4
Net deferred tax assets/liabilities	**29**	**–**	**29**	**11**	**–**	**11**

	2021	2020
Net balance, Jan. 1	11	13
Charges to profit for the year	18	-2
Net balance, Dec. 31	**29**	**11**

A8. Shares in Group companies

	2021	2020
Accumulated cost		
Opening balance, Jan. 1	46 021	45 941
Shareholder contributions	234	80
Closing balance, Dec. 31	**46 255**	**46 021**

For further information about Group companies, see note A18 and A19.

A9. Other financial assets

	2021	2020
Receivables from Group companies	7 000	8 004
Endowment insurance	27	17
Closing balance, Dec. 31	**7 027**	**8 021**

Endowment insurance relates to defined contribution pension plans and is pledged to the pension beneficiary (see notes A12 and A17).

A10. Other receivables

	2021	2020
Receivables from Group companies	2 243	5 209
Other receivables	0	2
Prepaid expenses and accrued income	29	28
Closing balance, Dec. 31	**2 272**	**5 239**

A11. Equity

For information on share transactions and mandates approved by the Annual General Meeting and proposed dividend for 2021, see note 20 in the consolidated financial statements.

The Parent Company's equity includes a legal reserve which is part of restricted equity and is not available for distribution.

A12. Post-employment benefits

	2021			2020		
	Defined contribution pension plan	Defined benefit pension plan	Total	Defined contribution pension plan	Defined benefit pension plan	Total
Opening balance, Jan. 1	17	6	23	11	4	15
Provision made	10	2	12	6	2	8
Closing balance, Dec. 31	**27**	**8**	**35**	**17**	**6**	**23**

The Parent Company has endowment insurance of 27 (17) relating to defined contribution pension plans. The insurance is recognized in other financial assets, and pledged to the pension beneficiary.

Description of defined benefit pension plans

The Parent Company has one defined benefit pension plan. The ITP plan is a final salary pension plan covering salaried employees in Epiroc AB and benefits are secured through the Epiroc pension trust.

	2021			2020		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	–	8	8	–	6	6
Fair value of plan assets	–	–	–	–	–	–
Present value of net obligations	**–**	**8**	**8**	**–**	**6**	**6**
Not recognized surplus	–	0	0	–	0	0
Net amount recognized in balance sheet	**–**	**8**	**8**	**–**	**6**	**6**

RECONCILLIATIONS OF DEFINED BENEFIT OBLIGATIONS

	2021			2020		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations at Jan. 1	–	6	6	–	4	4
Service cost	–	2	2	–	2	2
Interest expenses	–	0	0	–	0	0
Defined benefit obligations at Dec. 31	**–**	**8**	**8**	**–**	**6**	**6**

PENSION COMMITMENTS PROVIDED FOR IN THE BALANCE SHEET

	2021	2020
Costs excluding interest	2	2
Total	**2**	**2**
Pension commitments provided for through insurance contracts		
Service cost	10	7
Total	**10**	**7**
Net cost for pensions, excluding taxes	**12**	**9**
Special employer's contribution	5	4
Total	**17**	**13**

A13. Other provisions

	2021	2020
Opening balance, Jan. 1	178	201
During the year		
– provisions made	254	78
– provisions used	-146	-101
Closing balance, Dec. 31	**286**	**178**

Other provisions primarily include provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and UFR 7.

A14. Borrowings

		2021		2020	
	Maturity	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current					
Medium Term Note Program MSEK 1 250, Fixed	2023	1 247	1 282	1 246	1 307
Medium Term Note Program MSEK 750, Floating	2023	749	762	749	773
Medium Term Note Program MSEK 1 000, Fixed	2026	997	1 032	996	1 035
Medium Term Note Program MSEK 1 000, Floating	2026	999	1 061	998	1 048
Bilateral borrowings MEUR 100, Floating	2022	-	-	1 004	1 015
Bilateral borrowings MSEK 2 000, Floating	2025	1 998	1 999	1 996	2 030
Bilateral borrowings MSEK 1 000, Floating	2027	999	1 021	998	1 057
Total non-current borrowings		**6 989**	**7 157**	**7 987**	**8 265**
Closing balance, Dec. 31		**6 989**	**7 157**	**7 987**	**8 265**
Of which external borrowings		**6 989**	**7 157**	**7 987**	**8 265**

The difference between carrying value and fair value relates to the measurement method as certain liabilities are reported at amortized cost and not at fair value. Changes in interest rates and credit margins create the difference between fair value and amortized cost.

A15. Other liabilities

	2021	2020
Accounts payable	13	7
Liabilities to Group companies	13	4
Other financial liabilities	18	5
Accrued expenses and prepaid income	64	48
Closing balance, Dec. 31	**108**	**64**

Accrued expenses include items such as social costs, vacation pay liability and accrued interest.

A16. Financial risk management

FINANCIAL CREDIT RISK

	2021	2020
Cash and cash equivalents	0	0
Receivables from Group companies, current	2 243	5 209
Receivables from Group companies, long-term	7 000	8 004
Total	**9 243**	**13 213**

Financial credit risk
Credit risk on financial transactions is the risk that the Parent Company incurs losses as a result of non-payment by counterparties related to the Parent Company's investments and bank deposits. Cash, cash equivalents and receivables from Group companies are subject to impairment testing according to the expected credit loss model. During 2021 the impairment was insignificant and therefore not recognized. The table above shows the actual exposure of financial instruments as of December 31.

A17. Assets pledged and contingent liabilities

	2021	2020
Assets pledged for pension commitments		
Endowment insurance	27	17
Total assets pledged for pension commitments	**27**	**17**
Contingent liabilities		
Sureties and other contingent liabilities		
– for external parties	0	0
– for Group companies	957	117
Total contingent liabilities	**957**	**117**
Total	**984**	**134**

Sureties and other contingent liabilities include commercial and financial bank guarantees and parent company guarantees.

A18. Directly-owned subsidiaries

	2021			2020		
	Number of shares	Percent held (%)	Carrying value	Number of shares	Percent held (%)	Carrying value
Epiroc Rock Drills AB, 5560779018, Örebro	1 026 897	100	46 250	1 026 897	100	46 016
Certus Insurance Inc, 371238, Burlington, VT	100 000	100	5	100 000	100	5
Carrying amount, Dec. 31			**46 255**			**46 021**

A19. Related parties

Relationships

The Parent Company has related party relationships with its largest shareholders, its subsidiaries, its associates, its joint ventures and with its board members and Group Management. The Parent Company's largest shareholder, Investor AB, controls approximately 23% of the voting rights in Epiroc AB. The subsidiaries that are directly owned by the Parent Company are presented in note A18 and all directly and indirectly owned operating subsidiaries are listed on the following pages.

Information about board members and Group Management is presented on pages 68-71.

Transactions and outstanding balances

The Group has not had any transactions with Investor AB during the year and has no outstanding balances with Investor AB. Investor AB has controlling or significant influence in companies which Epiroc AB may have transactions with in the normal course of business. Any such transactions are made on commercial terms.

The following table summarizes the Parent Company's transactions with Group companies:

	2021	2020
Revenues		
Group contribution	4 841	3 480
Interest income	63	61
Expenses		
Group contribution	-4	-17
Interest expenses	-9	0
Receivables	**2 243**	**5 209**
Liabilities	**13**	**4**
Guarantees	**957**	**117**

The following table directly and indirectly owned holding and operational subsidiaries (excluding branches), presented by country of incorporation:

Country	Company	Location (City)
Argentina	Epiroc Argentina S.A.C.I	Buenos Aires
Australia	3D-P Australia Pty Ltd.	Southbank
	Epiroc Australia Pty Ltd	Blacktown
	Epiroc Financial Solutions Australia Pty Ltd	Blacktown
	Epiroc ProReman Pty Ltd	Blacktown
	Epiroc South Pacific Holdings Pty Ltd	Blacktown
	Fordia South East Asia Pty Ltd	Geebung
	Kinetic Logging Services Pty Ltd	Perth
	MineRP Australia Pty Ltd	South Brisbane
	MineRP Holdings (Australia) Pty Ltd	South Brisbane
Austria	Epiroc Österreich GmbH	Vienna
Bolivia	Epiroc Bolivia Equipos y Servicios S.A.	La Paz
Bosnia and Herzegovina	Epiroc B-H d.o.o.	Sarajevo
Botswana	Epiroc Botswana (Pty) Ltd	Gaborone
Brazil	Epiroc Brasil Comercializacao De Produtos E Servicos Para Mineracao E Construcao Ltda	Sao Paulo
Bulgaria	Epiroc Bulgaria EOOD	Sofia
Burkina Faso	Epiroc Burkina Faso SARL	Ouagadougou
Canada	Epiroc Canada Holding Inc.	Toronto
	Epiroc Canada Inc.	Toronto
	Epiroc FVT Inc.	Toronto
	Evtech Solutions Ltd.	Calgary
	Fordia Group Inc.	Montreal
	Gestion Meglab Inc	Val D`Or
	Inovatrole Inc.	Laval
	Les Controles D`Avant-Garde S.C.C	Laval
	Meglab Construction Inc.	Ange Gardien
	Meglab Electronique Inc	Val D`Or
	MineRP Canada Limited	Sudbury

A19. Related parties, cont.

Country	Company	Location (City)
Chile	Asesorías e Inversiones Minerp Latinoamerica S.P.A.	Santiago
	Epiroc Chile S.A.C.	Santiago
	Epiroc Financial Solutions Chile Ltda	Santiago
	Fordia Sudamerica Ltd	Santiago
	Mining Tag S.A.	Santiago
China	Epiroc (Nanjing) Construction and Mining Equipment Co., Ltd	Nanjing
	Epiroc (Shenyang) Trading Co., Ltd	Shenyang
	Epiroc (Zhangjiakou) Construction & Mining Equipment Co., Ltd	Zhangjiakou
	Epiroc Trading Co., Ltd	Nanjing
	Fordia (Changzhou) Mining Equipment Co., Ltd	Changzhou
	GIA (Shanghai) Mining Equipment Co., Ltd	Shanghai
Colombia	Epiroc Colombia S.A.S	Bogota
	Fordia Colombia S.A.S	La Estrella
Croatia	Epiroc Croatia d.o.o.	Zagreb
Czech Republic	Epiroc Czech Republic s.r.o.	Prague
Democratic Repuplic of the Congo	Epiroc DRC SARL	Lubumbashi
Ecuador	Epiroc Ecuador S.A.	Guayaquil
Estonia	Sautec AS	Tallinn
Finland	Epiroc Finland Oy Ab	Vantaa
France	Epiroc France S.A.S	Cergy Pontoise
	Fordia Europe Sarl	Le Perray-en-Yvelines
Germany	Anbaufräsen PC GmbH [1]	Tiefenort
	Construction Tools Distribution GmbH [1]	Essen
	Construction Tools GmbH [1]	Essen
	Epiroc Deutschland GmbH [1]	Essen
Ghana	Secoroc Ghana Ltd	Accra
Greece	Epiroc Hellas S.A.	Athens
Hong Kong	Epiroc Hong Kong Ltd	Hong Kong
India	Epiroc Mining India Ltd	Pune
Indonesia	PT Epiroc Southern Asia	Jakarta
Italy	Epiroc Italia S.r.l.	Milan
	Italparts Italia S.r.l.	Camporosso
Japan	Epiroc Japan KK	Kanagawa
Kazakhstan	Epiroc Central Asia LLP	Astana
Kenya	Epiroc Eastern Africa Ltd	Nairobi
Laos	Epiroc (Lao) Sole Co. Ltd.	Ban Phiavat
Mali	Epiroc Mali SARL	Bamako
Mexico	Epiroc México, S.A. de C. V.	Tlalnepantla
Mongolia	Epiroc Mongolia LLC	Ulaanbaatar
Morocco	Epiroc Maroc SARL	Casablanca
Mozambique	Epiroc Moçambique Limitada	Maputo
Namibia	Epiroc Mining (Namibia) (Pty) Ltd	Windhoek
North Macedonia	Epiroc North Macedonia DOOEL	Skopje
Norway	Epiroc Norge AS	Langhus
Panama	Epiroc Central América S.A.	Panama

Country	Company	Location (City)
Peru	Epiroc Perú S.A.	Lima
	Fordia Andina S.A.C.	Lima
	Mining Tag Peru S.A.C.	Lima
Philippines	Epiroc Philippines Inc.	Laguna
Poland	Epiroc Polska Sp. z o.o.	Warsaw
Portugal	Epiroc Portugal Unipessoal Lda	Porto Salvo
Russia	Epiroc RUS LLC	Moscow
Serbia	Epiroc Srbija a.d.	Belgrade
Singapore	Epiroc Singapore Distribution Pte. Ltd.	Singapore
South Africa	CHT Beleggings (Pty) Ltd	Aeroton
	Epiroc Holdings South Africa (Pty) Ltd	Boksburg
	Epiroc South Africa (Pty) Ltd	Boksburg
	Fordia South Africa (Pty) Ltd	Alberton
	Innovative Mining Products (Pty) Ltd	Aeroton
	Keep Investments (Pty) Ltd	Aeroton
	MineRP South Africa (Pty) Ltd	Centurion
	New Concept Mining (Pty) Ltd	Aeroton
	Nicaud Companies 22 (Pty) Ltd	Aeroton
	Retfin 211 (Pty) Ltd	Aeroton
South Korea	DandA Heavy Industries Co.,Ltd.	Seoul
	Epiroc Korea Co., Ltd	Seongnam
Spain	Epiroc Mineria e Ingeniería Civil España, S.L	Coslada
Sweden	Construction Tools PC AB	Kalmar
	Epiroc Drilling Tools AB	Fagersta
	Epiroc Financial Solutions AB	Nacka
	Epiroc Gällersta Gryt 4:9 HB	Örebro
	Epiroc Rock Drills AB	Örebro
	Epiroc Sweden AB	Norsborg
	Epiroc Treasury AB	Nacka
	Mobilaris MCE AB	Luleå
Switzerland	Epiroc Meyco AG	Studen
Tajikistan	Epiroc Tajikistan LLC	Rogun
Tanzania	Epiroc Tanzania Ltd	Dar es Salaam
Thailand	Epiroc (Thailand) Ltd	Bangna
Turkey	Epiroc Makina AS	Istanbul
Ukraine	Epiroc Ukraine LLC	Kiev
United Arab Emirates	Epiroc Middle East FZE	Dubai
United Kingdom	Epiroc UK and Ireland Ltd	Hemel Hempstead
USA	Certus Insurance Inc	Burlington, VT
	Epiroc Drilling Solutions LLC	Garland, TX
	Epiroc Drilling Tools LLC	Fort Loudon, PA
	Epiroc Financial Solutions USA LLC	Garland, TX
	Epiroc North America Corp	Garland, TX
	Epiroc USA LLC	Commerce City, CO
	EPRC Export Corp.	Garland, TX
	Italparts USA LLC	Garland, TX
	JCAC Technologies Inc.	Payson, AZ
Uzbekistan	Epiroc Tashkent LLC	Tashkent
Zambia	Epiroc Zambia Ltd	Chingola
Zimbabwe	Epiroc Zimbabwe (Private) Ltd	Harare

[1] These companies have made use of the exemption rights under Sec. 264 para. 3 of the German Commercial Code (HGB) since 2018.

A20. Events after the reporting period

No significant events have occurred after the balance sheet date.

Signatures of the Board of Directors

The financial statements have been prepared in accordance with generally accepted accounting policies in Sweden and the consolidated financial statements have been prepared in accordance with International Accounting Standards as prescribed by the European Parliament and the Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards.

The audited Annual Report for the Group and Parent Company provides a true and 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 face.

Nacka, March 3, 2022

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

Our audit report was submitted on March 3, 2022

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Epiroc AB (publ) corporate identity number 556041-2149

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Epiroc AB (publ) for the financial year January 1 - December 31, 2021, except for the corporate governance statement on pages 64-73. The annual accounts and consolidated accounts of the company are included on pages 52-61 and 74-133 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Recognition of revenue in the appropriate period
The group generates revenues from product and product related offerings of equipment, tools, service and rental to customers in multiple geographies. The time of delivery of the different offerings ranges from a specific point in time to over several years, and the sales agreements may include complex terms such as buy-back commitments, return rights, and a single transaction may contain separate revenue components such as product delivery, installation and servicing of equipment sold. These complexities, managed by many subsidiaries, require policies and procedures as well as management's judgment to determine the appropriate method and period to properly recognize revenues.

In note 1 the group's revenue recognition policy together with critical accounting estimates and judgments are described, and note 4 provides disclosures of revenues separated on different product offerings and geographies.

Our audit procedures
Our audit procedures included, but were not limited to:

- assessing the group's accounting policy for revenue recognition and its compliance with IFRS,
- analytical review of revenues disaggregated on different product offerings and geographies, and
- on a sample basis testing of sales transactions for revenue recognition in the appropriate period.

Valuation of trade receivables
The group has significant amounts of trade receivables from its sales to customers in more than 150 countries. There is a risk that parts of the receivables will not be paid. The risk may be higher in some geographies due to weaker economic conditions or geopolitical uncertainties. Procedures for collecting payments and assessing customers' ability to pay together with appropriate accounting policies to recognize provisions for doubtful receivables are important factors to ensure a fair valuation of trade receivables.

In note 1 the group's accounting policy for recognizing impairment of trade receivables is described, and notes 17 and 28 describe the provisions for bad debts and discloses the ageing of trade receivables.

Our audit procedures
Our audit procedures included, but were not limited to:

- assessing the group's accounting policy for recognizing bad debt for compliance with IFRS,
- evaluating processes and controls for credit assessments and approval of credit limits,
- on a sample basis confirming trade receivables against customer statements alternatively against subsequent cash receipts, and
- evaluating management's estimates of the provision for doubtful receivables.

Valuation of inventory
The group carries significant inventories of goods and spare parts manufactured and held by production companies and customer centres in many countries. Valuation of inventory requires clear policies and is subject to management's estimates for determining its cost, judgment about its saleability and its net realizable value as well as procedures for safeguarding and keeping track of the inventory.

In note 1 the group's inventory accounting policy and critical accounting estimates and judgments are described, and note 16 provides disclosures of the group's inventory obsolescence provisions.

Our audit procedures

Our audit procedures included, but were not limited to:

- assessing the group's accounting policy and the individual entities' accounting for inventory in compliance with IFRS,
- observations of physical inventory counts,
- on a sample basis testing of the valuation of inventory,
- evaluating management's estimates of the obsolescence reserves, and
- review of eliminations of intragroup profits in inventory.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-33, 62-63 and 150-153. The Board of Directors and the Managing Director are responsible for this other information. We expect to receive the remuneration report after the date of this audit report.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Epiroc AB (publ) for the financial year January 1 - December 31 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Dire ctor

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Epiroic AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 766d03f95eb491f1812f025 facf269fcfa8ba268a6d241f0aaebf8458c74a9d8 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion
We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Epiroc AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also includes an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Deloitte AB, was appointed auditor of Epiroc AB by the general meeting of the shareholders on the April 28, 2021 and has been the company's auditor since June 17, 2010.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 64-73 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 3, 2022
Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Notes on sustainability performance

Notes overview*

A full view of our sustainability performance, see page 148

* Additional information can be found on pages 34-51

1. Our approach to reporting

This is Epiroc´s fourth sustainability report written in accordance to the Global Reporting Initiative (GRI) Standards, Core level.

The scope

This sustainability report is part of the Annual and Sustainability Report 2021. The report includes information covering material topics, where Epiroc has significant economic, environmental and social impacts and that has substantial influence over key stakeholder priorities and how these impacts are managed. This report also contains information about sustainability topics necessary for understanding Epiroc's development and performance, as well as impacts from our operations. Included are also our indirect impacts along the value chain, among suppliers and when products are in use. The process for defining topic boundaries is based on where Epiroc has full control over data collection and information quality. For operations performed outside of Epiroc's control, e.g. performed by customers or business partners, activities are performed in order to be able to measure Epiroc's indirect impact.

Epiroc regards sustainability as an integral part of its business. To provide a more complete picture of its business, environmental and social information have been included in sections throughout the Annual Report whenever relevant. In addition, information is provided about material topics, risks, relevant policies, activities and results. The ambition is that these disclosures provide investors and stakeholders with a comprehensive and easily accessible overview of Epiroc's most important activities. The report covers Epiroc's operations for the 2021 fiscal year, unless otherwise stated. The entities in the scope are companies where Epiroc has operational control, which are those companies that Epiroc AB, as the ultimate parent company, indirectly or directly owns. By year-end 2021, the number of subsidiaries was 123 (104), as well as 5 (4) associated companies.

The report comprises pages 34-51 and 138-149. A GRI Index is available at www.epirocgroup.com/en/sustainability. Reporting meets requirements of Sweden's legislation on sustainability reporting as per Chapter 6, Section 11 of the Annual Accounts Act.

Epiroc is a signatory to the UN Global Compact, This report serves as our Communication on Progress (COP) and discloses performance in relation to the UN Global Compact's ten principles. The information is also made available at the above link and on UN Global Compact's website, see www.unglobalcompact.org/participation/report/cop.

Epiroc reports for the second time in accordance with the Sustainability Accounting Standards Board (SASB) framework for the Industrial Machinery & Goods Standards and the report is included in the Sustainability Reporting Standards Disclosure 2021, www.epirocgroup.com/en/sustainability/annual-and-sustainability-reports. Epiroc also reports according to the Task Force on Climate-related Financial Disclosures (TCFD) and relevant information can be found in the same document.

Between 2001 and 2017, sustainability impacts and performance were reported in accordance with the Global Reporting Initiative (GRI) as part of Atlas Copco's Annual Report.

Changes to reporting

Significant changes from the previous reporting period are as follows:

- 22 customer centers have been included in the reporting of Energy (MWh) and CO_2e emissions from Scope 1 and Scope 2 along with production units and distribution centers that were previously included. This is to comply with SBTi requirements to have a minimum 95% coverage of Scope 1 and Scope 2 emissions.
- New reporting of digital supplier audits.
- New reporting of CO_2e emissions from Scope 3: Use phase of sold products (category 11).
- New reporting on base year emissions (2019) for Scope 1, Scope 2 and Scope 3.
- Reporting of Scope 1 and Scope 2 emissions is in unit CO_2e instead of previous CO_2e. Carbon dioxide equivalent (CO_2e) is an unit that standardizes the climate effects of various greenhouse gases.

Target audience

The report's primary target audience is investors and shareholders. We also strive to meet information needs of other stakeholders such as customers, suppliers, employees and society.

Review

The Annual and Sustainability Report has been reviewed and approved by Epiroc's Group Management and the Epiroc Board of Directors. The sustainability information in the 2021 Annual and Sustainability Report has been subject to limited assurance by Deloitte AB, see the auditors' report on page 149.

Data collection, calculation and reporting

The Sustainability and Corporate Governance Reports are parts of the 2021 Annual and Sustainability Report. Quantified and other disclosures have been verified in accordance with Epiroc's procedures for internal control. Data collection is integrated into our reporting consolidation system and collected on a quarterly basis. When a restatement of data is carried out, it is either due to a change of calculation method or scope. Values are not typically corrected retroactively.

Environmental data covers production units and distribution centers, where responsibility for reporting rests with the SHEQ Manager/coordinator of each company. Energy data (MWh) and CO_2e emissions for Scope 1 and Scope 2 also includes data from 22 customer centers. Business partner data covers production units and distribution centers. Responsibility for reporting business partner data rests with the Sourcing manager of each company.

Employee data covers all operations, responsibility for reporting employee data rests with the HR manager of each company. Safety data covers all operations, responsibility for reporting employee data rests with the SHEQ manager/coordinator of each company.

Data is reported at local operating unit level, aggregated to division and Group level. Data is verified at each level prior to submitting it to external auditors for verification. Greenhouse gas emissions are reported in accordance with the GHG Protocol (ghgprotocol.org).

Disclosure on management approach

Sustainability management as per each topic is described in greater detail on the following pages as well as pages 34-51.

2. Materiality

We use a materiality process to identify the topics that are most relevant for Epiroc to work on. The process, first conducted in 2017, help us identify the sustainability areas where we can make the greatest difference and where impacts are the greatest.

With this clarity, we are able to more effectively manage, monitor and communicate our approach to sustainability. Based on the outcome in 2017, we clustered our most material topics into four focus areas and identified key performance indicators (KPIs) for each of the topics to help us measure their relevance and impact. Our KPIs help monitor and address risks, opportunities and impacts of our businesses in the parts of the value chain where they have been identified to be most important. The formulation of these KPIs was guided by GRI Standards indicators.

During the process of developing our 2030 goals in 2019 and 2020, we consulted with stakeholder groups through surveys and dialogue to validate the outcome, revising our materiality analysis as needed. Feedback from the process indicates increasing focus on both tackling climate change and the importance of responsible business practices, safety as well as product safety. In addition, the Covid-19 pandemic has highlighted the importance of employee care.

Materiality Matrix

Note: No KPIs at Group level established for the areas lifecycle perspective, crisis management, employee care and empowerment but management approach, activities and information provided within this report.

3. Stakeholder dialogue and networks

We define our most important stakeholders as those groups that we aim to create value for, or that Epiroc is dependent on for the long-term value creation of the company. Epiroc has identified customers, employees, shareholders, business partners and society as key stakeholder groups. As part of normal business operations, Epiroc continually dialogues with stakeholders, addressing a range of topics.

External networks
Epiroc is a member—or is represented on the boards—of a range of networks. Here, we learn, contribute to and influence specific agendas material to our business. Networks include, for example:

- Swemin
- Swedish Leadership for Sustainable Development (SLSD)
- International Council of Swedish Industry (NIR)
- Responsible Mining Initiative (RMI)
- UN Global Compact Network Sweden
- EU Battery Alliance
- EIT RawMaterials
- Committee for European Construction Equipment, HLTPG Advisory Board
- Global Mining Guidelines Group
- Swedish Electromobility Centre (SEC)
- EIT Innoenergy
- Transparency International

	Customers	Employees	Shareholders	Business partners	Society
Definition	Current and potential	Current and potential	Current and potential shareholders, investors and analysts	Suppliers, sub-suppliers, joint-ventures partners, agents, distributors and resellers	Governments, local communities, non-governmental organizations, industry partners, academia, society
Dialogue form	Meetings, interaction via customer centers, joint projects, exhibitions, customer surveys, materiality assessment	Workplace meetings, management meetings, internal councils, employee surveys, performance review, trade unions and other cooperation councils, employee engagements, materiality assessment	Investors and analysts' meetings, Capital Market Days, website, annual and sustainability report, questionnaires and surveys, materiality assessment	Business partners evaluations and audits, procurements, meetings, materiality assessment, joint projects, development projects	Meetings, stakeholder dialogues, participation in industry groups, research projects, materiality assessment, collaboration with academia and governments, interaction with industry peers
Key topics of interest	Product safety, safety, lifecycle perspective and circularity, CO_2e emissions products, diversity, crisis management, human rights, business ethics incl. corruption, community engagement, supply-chain management	Product safety, safety, human rights, lifecycle perspective and circularity, CO_2e emissions operations, CO_2e emissions products, diversity, employee care, leadership, crisis management, business ethics including corruption, supply-chain management, CO_2e emissions transport, community engagement, waste, water	Product safety, safety, human rights, lifecycle perspective and circularity, CO_2e emissions products, CO_2e emissions operations, crisis management, business ethics including corruption, supply-chain management, CO_2e emissions transport, water, leadership	Product safety, safety, human rights, CO_2e emissions products, diversity, employee care, leadership, crisis management, business ethics including corruption, supply-chain management, CO_2e emissions transport, CO_2e emissions operations, community engagement, waste	Human rights, diversity, CO_2e emissions operations, CO_2e emissions products, business ethics including corruption, supply-chain management, CO_2e emissions transport, community engagement, taxes, biodiversity, waste, water, lifecycle perspective and circularity

4. Management approach/integrating sustainability

Governance system
Epiroc's governance system is the foundation for how we work. Embedded in our management system, the Epiroc Way, our Code of Conduct (CoC) summarizes our vision and values as well as the Group policies that apply to all companies in the Epiroc Group. It is designed to guide us, including everyone acting on behalf of Epiroc, on how we should act in our business relationships with one another and with stakeholders. The CoC reflects our commitments to international standards and guidelines. The Epiroc Board of Directors has approved the CoC. All employees and managers in Epiroc, as well as business partners, are expected to adhere to the CoC.

Targets and KPIs reflect our materiality assessment. They help us keep track of our performance year on year and ensure that we stay competitive, innovative and ethically sound. Our most material sustainability topics are informed by stakeholder input and integrated into the Group's strategy and planning process to ensure that the Group can capture opportunities while reducing risks to business.

Our Sustainability Policy guides our work. The policy is applicable to all units within the Epiroc Group. Operational responsibility of each Divisional President, General Manager and managers in the Group includes all sustainability aspects as well as communication and implementation of the policy and its spirit.

Sustainability and corporate responsibility issues are anchored at the highest levels of Epiroc, including the Board of Directors. The CEO has ultimate responsibility for delivering on our sustainability agenda. Group Management is responsible for formulating and integrating our priority topics, targets and activities. The Vice President Corporate Responsibility is responsible for coordinating and driving sustainability and corporate responsibility work at Group level, and reports to the Senior Vice President Corporate Communication, a member of Group Management. Sustainability is integrated into the daily work within the Group. Epiroc has a Group Safety, Health, Environment and Quality (SHEQ) Council to support integration of safety, health, environment and quality priorities. It includes representatives from each division and relevant Group functions. Similarly, with respect to responsible sourcing issues, a Sourcing Council is in place. Management of material topics is described below and pages 34-51.

Epiroc's management system
The Epiroc Way is our single most important management tool, available to employees via our intranet. It includes policies, guidelines, processes and instructions within all main areas, covering a number of different compliance, sustainability and corporate responsibility topics, such as: purchasing, safety, health, the environment, quality, trade compliance, tax, anti-corruption, data privacy, anti-money laundering and human rights. This ensures that our management system helps integrate compliance, sustainability and corporate responsibility commitments into every aspect of how we conduct business. The management system is certified according to relevant standards. In addition, local policies, instructions, guidelines, tools and management systems correspond to specific risks and local laws and regulations.

With a global presence also comes a global responsibility. In a decentralized organization, good business ethics and governance are therefore central to success. Responsibility is clearly delegated within Epiroc's organization. The strategy, including issues related to compliance, sustainability and responsible business, is rooted at the highest management level, i.e., at the board. In addition, sustainability topics are reported to the Board twice a year. The CEO has the ultimate responsibility for delivering results in accordance with set goals and Group Management is responsible for formulating and integrating compliance, sustainability and corporate responsibility strategies, three-year targets, our 2030 sustainability goals and activities into its operations. Group Management also follows up and monitors progress. Divisions are responsible for implementation. Divisions are the highest operational units, responsible for delivering results in line with Group strategies and objectives set for financial and non-financial targets. Each division has global responsibility for its own product range and its management leads and develops the business through its product units, distribution centers and customer centers. Each division has administrative responsibility for its operational entities, such as customer centers or production units. Administrative responsibility ensures compliance and understanding of Group policies and procedures as per Epiroc Way, and all legal requirements.

We work with a global certified management system that ensures that operations review and address the most material topics, set targets, measure performance, follow-up on progress and continuously improved performance. Certification programs also require documented delegation of responsibilities at each site and that relevant competences are in place. The following standards apply:

- ISO 14001:2015 (Environment)
- ISO 45001:2018 (Occupational health and safety)
- ISO 9001:2015 (Quality management)

For all major operating units, we seek triple-certification for ISO 9001 for quality management, ISO 14001 for environmental management and ISO 45001 for health and safety. The Parent company, all divisions, production units, distribution centers, and customer centers with more than 70 employees are to be triple certified. Acquired units are normally certified within a two-year period.

64% of the major operating units have triple certification in place by the end of the year. The same measure for each individual certification is 73% for ISO 9001, 66% for ISO 14001 and 64% for ISO 45001. The major operating units that have not yet been triple-certified are in the process of doing so. Those lacking certification are mainly acquisitions still within the recommended two-year compliance time framework or represent units that are newly restructured. For more information, see pages 34-51. See also the Corporate Governance Report pages 64-73.

Crisis and risk management
Epiroc's ability to prevent, detect and manage risks relating to the business is crucial for effective governance and control. Effectively managing risk helps us both reduce risks and capture business opportunities. Risk management reflects the decentralized way of working within Epiroc. Local companies are responsible for managing, monitoring and regularly following up their own risk management. Group functions are responsible for compliance, legal, insurance, treasury, tax, controlling, accounting, and providing policies, guidelines and instructions. Implementation is regularly audited by internal and external audits.

For an overview, see the Corporate Governance report pages 64-73. For more information on Epiroc's risk management and processes to deal with disruptive and unexpected events that could harm the organization, the environment or our stakeholders, see pages 74-79.

5. Governance policies and guidelines

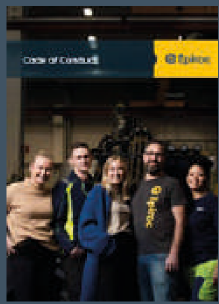
Epiroc is a signatory of:
- UN Global Compact (UNGC)

Epiroc is committed to conducting its business in accordance with:
- UN Guiding Principles on Business and Human Rights (UNGP)
- United Nations International Bill of Human Rights
- International Labor Organization Declaration on Fundamental Principles and Rights at Work (ILO)
- OECD's Guidelines for Multinational Enterprises
- UN Sustainable Development Goals (SDG)
- UN Convention against Corruption
- The Rio Declaration on Environment and Development

These commitments are reflected in Group policies, procedures and public policy work.

Relevant policies and guidelines
We have internal policies and guidelines that cover ethical, quality, environmental, labor, health and safety issues.

Some examples:
- Sustainability Policy (including Health and Safety, Quality and Environmental issues)
- Speak Up Policy
- Anti-Corruption Policy
- Anti-Money Laundering Policy
- Conflict of Interest Policy
- Gift and Hospitality Policy
- Anti-trust and Competition Policy
- Global Trade Compliance Policy
- Data Privacy Governance Policy
- Alcohol and Drug Policy
- Purchasing Policy
- Guidelines for Diversity
- Tax Policy
- Responsible Sales Assessment Policy
- Sponsoring and Community Engagement Policy



Epiroc Code of Conduct
The Code of Conduct (CoC) is our guide on how to do business ethically, and how to optimize social and environmental impacts of our operations and support a speak up culture. It is approved by the Epiroc Board of Directors. Laws, environmental standards and social conditions vary in the countries where we operate. The CoC is designed to make sure that we always act with the highest ethical standards and integrity. The CoC can be found on www.epirocgroup.com/en/sustainability

The Compliance Board
A Compliance Board is in place with its mission to safeguard that Epiroc's CoC is implemented and complied with. The Compliance Board guides, supports and follows up on the process. It provides training material as appropriate.

It consists of the Senior Vice President General Counsel (Chair), Senior Vice President Corporate Communications, Senior Vice President Human Resource, Vice President Corporate Responsibility, Vice President Compliance and the Head of Internal Control and Assurance.

6. EU Taxonomy

Reporting in line with Article 8 of the EU Taxonomy Regulation
The purpose is to present disclosures in line with the requirements set out in the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation. Due to the uncertainty regarding several aspects of the Taxonomy Regulation, a conservative approach to the disclosure has been adopted.

	Absolute revenues, MSEK	Proportion of revenues, %	Absolute capex, MSEK	Proportion of capex, %	Absolute opex, MSEK	Proportion of opex, %
A. Taxonomy-Eligible activities		0.6		7.6		10.1
B. Taxonomy-Non-Eligible activities		99.4		92.4		89.9
Total (A + B)	39 644	100	3 650	100	1 193	100

Notes: Eligible revenues do not include revenues from aftermarket, Service and Tools & Attachments. All included activities are "enabling" as stated in the Climate Delegated act.

Assessment of compliance with the regulation
The description of EUST activity 3.6 Manufacture of other low carbon technologies contains the following: "Manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered in Sections 3.1 to 3.5 of this Annex." Epiroc has chosen to define this as products that have zero tailpipe emissions, and that are a direct alternative to a fossil-fuel-powered product. Based on that, specific products have been identified as eligible. Eligible equipment includes battery-electric underground machines, cable-electric underground loaders and surface drill rigs.

In addition to activities related to EUST activity 3.6, Epiroc is to a small extent involved in assembly of batteries, and thus also covered by the activity 3.4 Manufacture of batteries.

Accounting policy
The revenues, capital expenditure (capex) and operating expenditure (opex) denominator and numerator are based on the definitions 1.1.1, 1.1.2 and 1.1.3 as specified in Annex I in the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation.

A clear audit trail from reported figures in enterprise resource planning systems to the Group accounting consolidation system has been kept to prevent double counting in revenues, capex and opex.

Calculation of eligible revenues
The denominator includes total revenues in the consolidated income statement, page 82. The numerator includes revenues from the sale of products, batteries and accessories that fulfill the eligibility criteria for EUST activities 3.6 and 3.4.

6. EU taxonomy, cont.

Revenues from aftermarket, Service and Tools & Attachments are excluded, due to the uncertainty in definition. In the table provided at the end of this note, additional calculations are provided, which include revenues that are excluded from the formal disclosure, but still contribute to reducing CO_2e emissions.

Calculation of eligible capital expenditure (capex)
The denominator includes the total additions and acquisition of business as reported in Note 12 Intangible assets and Note 13 Property, plant and equipment on pages 104-106.

The numerator includes the capex that relates to an asset or process that is associated with the eligible equipment under EUST activity 3.6 and the manufacturing of batteries under EUST activity 3.4. This includes, for example, investments in production facilities, production equipment, and research and development. For assets or processes that are also associated with non-eligible products, an allocated share of the capex based on the expected use/output of the asset or process, has been applied. Capex related to EUST activity 7.3 to 7.6 from the Climate Delegated Act has also been included, based on point c in the definitions in 1.1.2. These are property, plant and equipment investments related to energy efficiency and renewable energy.

The following four categories of capex were not included due to the uncertainties in scopes, definitions and available reporting guidance: 1) Capex related to assets or processes that are associated with the overall functioning of the company 2) Capex related to the purchase of output from taxonomy-eligible activities (except 7.3-7.6) 3) Capex related to research and development into GHG reductions of non-eligible products. 4) Capex related to climate change adaptation measures.

Calculation of eligible operational expenditure (opex)
The denominator includes operating expenditures associated with maintaining the value of the asset: a) Research and development expenses, b) Building renovation measures, c) Maintenance and repair. Excluded from a) are amortization, impairment and capitalized costs. Short-term leases and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment have been excluded due to the uncertainties in scopes, definitions and available reporting guidance. The scope of categories b) and c) has been limited to only include the reporting entities representing the largest share of these type of expenses, balancing the cost against the value of the data collection.

The numerator includes operating expenditures that relate to an asset or process that is associated with the eligible equipment under EUST activity 3.6 or the EUST activity 3.4. This includes, for example, operating expenditures in production facilities, production equipment, and research and development. For assets or processes that are also associated with non-eligible products, an allocated share of the opex based on the expected use/output of the asset or process, has been included.

Operating expenditures related to EUST activities 7.3 to 7.6 from the Climate Delegated Act have also been included, based on point c in the definitions in 1.1.3. These are operating expenditures related to energy efficiency and renewable energy.

Contextual information
As described above, a conservative approach to the disclosure has been adopted due to uncertainty regarding several aspects of the EU taxonomy. This section provides additional disclosure of revenues that are excluded from the formal disclosure, but still contribute to reducing CO_2e emissions.

In the table below, the following additional revenues are included: Revenues from all underground drilling equipment which uses electricity via cable while drilling and a range of surface drill rigs with significantly lower fuel consumption compared to other surface drill rigs.

	Absolute revenues MSEK	Proportion of revenues, %
A. Taxonomy-Eligible activities and additional revenues		11.2
B. Taxonomy-Non-Eligible activities and additional revenues		88.8
Total (A + B)	39 644	100

Notes: Eligible revenues and additional revenues include equipment revenues only and do not include revenues from aftermarket. Aftermarket represents around 2/3 of total revenues.

7. Task Force on Climate-related Financial Disclosures (TCFD)

Epiroc is aligning its approach with the TCFD guidelines. It is a structured approach for identifying and managing climate risks and opportunities. The TCFD requires companies to report on their short, medium and long-term climate-change risks and increase transparency on related actions to tackle them. Through the implementation of the recommendations of the TCFD, Epiroc is bringing clarity, transparency and comparability in ways that are relevant to stakeholders.

Governance
Climate-related risks and opportunities are included in the company's total risk management and business development work. The Board of Directors is responsible for the overall strategy and organization of Epiroc. This also includes climate related risks and opportunities. At an operational level, risks and opportunities are governed by Group Management. Moreover, risks and opportunities are also addressed on a continuous basis in the organization and in cross-functional networks. Group Management approves Group targets, which include climate-related targets. Read more about Corporate Governance, pages 64-73.

Strategy
Epiroc assesses climate-related risks and opportunities with an actual and potential impact on the company's business and strategy. The process for identification of risks and opportunities is centered in the divisions. Epiroc has performed a comprehensive risk mapping of its exposure to climate risks which identified exposure against both physical- and transitional climate risks. At the same time, the transition to a net-zero economy brings significant climate-related business opportunities for Epiroc as the mining and infrastructure industries are needed for the transformation to a low carbon society. Climate-related risks and opportunities are integrated into and a central component of the business strategy. Epiroc is well positioned to benefit from hard rock mining as well as within electrification and automation, and will continue to develop low emissions products and services, helping clients to lower their emissions. The validated Science Based Target Initiative (SBTi) goals demonstrate Epiroc´s business ambition to limit the global temperature rise to 1.5°C above pre-industrial levels.

Risk Management
Climate-related risks, such as physical risks for operational entities or in relation to suppliers or transition risks connected to products, are assessed at the divisional level and are, if deemed relevant, included in the annual Enterprise Risk Management process. An aggregated analysis of the identified risks is presented to Group Management annually.

Physical climate risks arise from physical events, such as an increased amount and frequency of precipitation, flooding, drought, heat stress and increase in sea levels. Transition risks stem from changes arising from society adapting to a net-zero economy. Read more about the risk management process on pages 74-79.

During 2021 a qualitative scenario assessment for physical and transition climate-related risks and opportunities was performed. It is described below.

Targets and Metrics
Epiroc has a number of targets in place related to climate impact. Epiroc´s validated Science Based Target Initiative goals cover Scope 1, Scope 2 and Scope 3 - use of products, and Epiroc is to halve CO_2e emissions by 2030 with 2019 as the base year. Targets to halve CO_2e

7. Task Force on Climate-related Financial Disclosures (TCFD), cont.

emissions from transport and relevant suppliers in absolute numbers by 2030 are also in place.

In addition, Epiroc has targets to increase the share of renewable energy in own operations, offer a full range of emissions free products, increase share of reused or recycled waste as well as lower the water consumption in water risk areas. Read more on targets and progress on pages 34-41.

Scenario analysis

The TCFD recommendations also encourage companies to use scenario analysis to help ensure that their strategies are resilient to climate change in a range of possible future states.

Qualitative scenario assessment

During 2021, the work focused on a qualitative scenario assessment for physical and transition climate-related risks and opportunities. The climate risk mapping included both physical climate risks and transition risks in short (5-10 years), medium (10-30 years) and long term (30-50 years).

A physical risks mapping was performed of Epiroc´s production units, distribution centers and key suppliers. A climate risk tool from an external risk data provider, categorizing the risks linked to the specific geographical locations was used. Epiroc used the so-called physical risk factors-acute risks (coastal flood hazard, drought hazard, extra-tropical cyclone hazard, flood hazard, landslide hazard, severe storm hazard, tropical storm and cyclone hazard and wildfire hazard) as well as the so-called chronic risks (climate change exposure, cooling degree days, heating degrees days, heat stress, sea level rise, climate model uncertainty, water stress) from the risk tool to identify areas where Epiroc operates, that might be exposed to physical risks. All three main categories of operations listed above have been linked to the specific physical risks, and further identified and analyzed how and if it will affect Epiroc. Epiroc used the data and risk mapping above to analyze how this might affect Epiroc´s end market and aftermarket services to fully understand how Epiroc can be impacted by the physical effects of climate change.

Epiroc also used indices for so called transition risks (CO_2 emissions from energy use, CO_2 emissions from land use change and forestry, carbon policy, GHG targets, low carbon economy and total GHG emissions) from the risk tool to identify these risks.

Physical and transition risks

With the physical risk mapping described above as a basis, a prioritization was carried out of the risks identified, partly by using climate scenarios. Epiroc used a combination of a physical risk scenario from the International Panel for Climate Change (IPCC) to understand physical risks, and input from several transition scenarios to determine and predict the development of transition risks for short, medium and long term.

Physical risks such as heat stress, extreme weather, and water scarcity affecting suppliers or Epirocs´s own operations were all identified as risks in a Business-As-Usual scenario by the IPCC (RCP 8.5 scenario) that would deliver a temperature increase of 4–5 degrees. The scenario includes severe physical impacts and increased frequency if the measures to prevent further climate change remain ineffective.

However, the impact for Epiroc was considered low due to possible mitigation measures, such as reducing single supplier dependency, strategic location of production units, distribution centers and suppliers as well as altered working hours.

For transitional risks, for example, the IPCC (RCP 2.6 scenario): Global warming of 1.5 degrees, Greenpeace Advanced Energy Revolutions and IEA World Energy Outlook scenarios to 2040 were used. Reputational risks due to Epiroc´s ties to the mining industry which is often categorized as a high-risk industry for climate and environmental issues were identified as one risk. While at the same time recognizing that the mining industry and access to minerals such as copper will play a key role in the green transition.

A stress test was made of the scenario analysis based on a 1.5-degree transition risk scenario where several regulatory requirements are implemented to reduce emissions and to reach net-zero objectives. In such a scenario, coal mining is expected to be affected, either by higher CO_2 taxes or restrictions in license to operate. Epiroc´s exposure to coal is 4.6% of orders received during 2021. The product portfolio is designed for hard-rock excavation, and Epiroc does not have nor develop any equipment that is exclusively dedicated to coal extraction, even if some of the drill rigs can be used in coal applications. In 2020, Epiroc made the decision to no longer develop products or solutions exclusively dedicated to coal extraction.

Climate-related opportunities

The transition for all sectors to a net-zero economy provides significant business opportunities for Epiroc. During the climate risk analysis, it became clear that Epiroc is well equipped to meet the effects of climate change and that our business model and product range also provide Epiroc with a range of climate opportunities within the mining and infrastructure industries. Customer demand for products and solutions with lower environmental impact is increasing, e.g., for battery-electric equipment and electrification solutions as well as for automation solutions. Epiroc has a leading position in electrification and automation and is well positioned for growth in this area. Epiroc continues to invest significantly in R&D and, also makes acquisitions and develops partnerships to safeguard Epiroc´s position and to support customers' efforts to lower their emissions.

Another area that represents a significant opportunity for Epiroc is minerals critical for the transition to a net-zero economy. Increased demand for sustainable infrastructure and electrification means that the demand for certain minerals such as copper, zinc and nickel, which a large part of Epiroc´s revenues relate to, is increasing. Epiroc is expected to benefit from this increasing demand and this is a business opportunity.

As a company that seeks to be a positive driver for sustainable growth, it is crucial for Epiroc to fully realize these opportunities. Both to transform our own business but also enable clients to operate more sustainably.

In 2022, Epiroc will continue to analyze climate risks and opportunities as part of the annual risk assessment. For more information on TCFD, see the Sustainability Reporting Standards Disclosure 2021, www.epirocgroup.com/en/sustainability.

8. We use resources responsibly and efficiently

Environmental performance

Epiroc has integrated its most material environmental KPIs into its planning process. The KPIs help monitor and drive improvements and efficiency so that the Group can reduce its environmental impact. It is mandatory to report incidents or fines for non-compliance with environmental legislation, as well as incidents involving chemical, oil or fuel spillages. There were 9 (10) accidents resulting in adverse environmental effects. All accidents were addressed fully and with corrective actions. Clean-up costs amounted to KSEK 54 (40).

Permits in compliance with Swedish environmental regulations

Three production units require permits in accordance with Swedish environmental regulations. Permits relate to areas such as emissions to water and air, as well as noise pollution. None of these permits was under review in 2021.

Environmental management

To help minimize environmental impacts and to ensure that the precautionary approach is applied, we have implemented environmental management systems (ISO 14001:2015) in 66% of our major operating units through our global triple certification.

Product responsibility

Starting in 2021, we register products sold in EU containing substances of very high concern (SVHC) in the EU waste database SCIP (Substances of Concern In articles as such or in complex objects (Products)). Information on which parts in products that contain SVHC is also included in the technical file of the product and provided to customers in line with EU Reach requirements.

8. We use resources responsibly and efficiently, cont.

Conflict minerals and cobalt

Responsible sourcing of the minerals included in our products is important to us. Suppliers of products containing tin, tungsten, tantalum or gold (3TG) are required to identify and declare the origin of such minerals present in the products and components sold to us. This ensures that the minerals do not directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo, i.e. that the products are conflict free.

We have had a dedicated conflict minerals program for several years, focusing on the origin of tin, tungsten, tantalum, gold (3TG) and cobalt in our products to ensure responsible sourcing within our supply chain. The program and tools developed are built on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, as well as on the tools of the Responsible Minerals Initiative (RMI) that Epiroc is a member of. Information on the presence and origin of 3TG in Epiroc products is consolidated and shared with interested parties.

	3TG	Cobalt
Supplier asked	227	27
Suppliers responded	202	21
Smelters identified in supply chain	496	54

In 2021, 227 (250) suppliers were requested to declare the origin of 3TG present in their products. 89% (85) of the suppliers of products containing 3TG responded. 496 (370) smelters of tin, tungsten, tantalum and gold were identified by our suppliers, none of which finance armed groups in Democratic Republic of the Congo.

The fact that our products do not contain conflict minerals is important not only for Epiroc, but it also supports our customers and their obligations to report the origins of tin, tungsten, tantalum and gold in a transparent way.

Although it is not yet a regulated metal, cobalt is a concern for Epiroc. In 2021, 27 (40) suppliers of products including cobalt metal were asked to declare the origin of the cobalt included in the products to get an understanding of supplier awareness. About 78% (50) of the suppliers asked responded.

The EU Conflict minerals regulation came into effect in January 2021 and applies to EU importers of tin, tungsten, tantalum or gold under certain TARIC codes and above certain threshold limits. One Epiroc company falls under the regulation. Having conducted due-diligence for several years on all suppliers of products containing 3TG, including metal imported to the EU, has helped to ensure we are fulfilling the new EU regulation.

In 2022, we will continue to follow up with and educate our suppliers to ensure a deeper knowledge and an increased response rate.

Hazardous substances in products and processes

The Epiroc Prohibited and Declarable Lists, are lists of hazardous substances, which are either prohibited or which must be declared due to their potential negative impact on health or the environment. Substances included in the Prohibited List may not be included in any products, components or used in processes. Products containing substances included in the Epiroc Declarable List must be identified and communicated to customers to facilitate safe use and from January this year registered in the EU new waste database SCIP.

Suppliers' use of listed substances is regularly checked, and if prohibited substances are found, they must immediately be replaced by appropriate alternatives. When declarable substances are present in any product, such information is added into applicable business system to be forwarded to customers and the SCIP database. Compliance with the Prohibited and Declarable lists is included in the Epiroc Business Partner Code of Conduct, which Epiroc suppliers shall adhere to.

Both lists are continuously revised according to applicable legislation, including REACH, RoHS, TSCA and global conventions. The Lists on Prohibited and Declarable Substances are published on the Epiroc website together with Epiroc's Substance of Concern Policy, which explains actions required by suppliers and the internal organization for substances included in either of the lists.

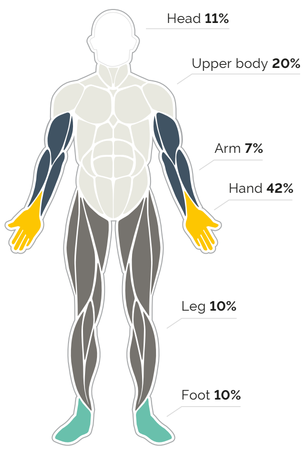
9. We invest in safety and health

GEOGRAPHICAL SPREAD OF INJURIES AMONG EPIROC'S TOTAL WORKFORCE

	Average number in Epiroc's workforce, 2021	Number of work-related injuries, 2021	Total recordable injury frequency rate (TRIFR), 2021
North America	2 255	35	8.1
South America	1 404	10	3.7
Europe	5 127	57	5.8
Africa/Middle East	2 578	14	2.8
Asia/Australia	4 550	39	4.5
Total	**15 914**	**155**	**5.1**

The majority of injuries reported have been in Europe and Asia/Australia (62% of total injuries). Compared to 2020 the number of injuries in Europe and Asia/Australia has increased by 25%, which is mainly explained by the additional new types of injuries that were introduced in the reporting for 2021. There is a continued focus on training and activities to further reduce the number of injuries. The total recordable injury frequency rate (TRIFR) for external workforce has increased to 8.0 compared to 3.1 in 2020, also here mainly explained by the additional types of new injury types introduced 2021. As Epiroc has started to report a wider scope of injury codes, we are now moving towards a greater focus on TRIFR as our primary safety performance indicator. TRI are reflecting all recordable injuries at Epiroc.

Injury by bodypart



Hazard identification, risk assessment, and incident investigation

In Epiroc, we have procedures for risk assessments, incident reporting, and safety inspections. Risk assessment is a requirement of the Epiroc management system and ISO 45001. Epiroc companies are encouraged to use a reporting tool for incident reporting, e.g., risk observations, near-misses and injuries.

Our priority is to highlight all risks, report, investigate and act to mitigate them to secure a safe work environment. Work-related injuries are reported and followed up at the entity level, divisional level and Group level. All injuries and safety incidents results in investigation and corrective action. Injuries and their descriptions and lessons learned are shared within the company as safety shares. Consolidated safety data based on reporting of injuries and risks is analyzed and used as a basis for local and global safety measures.

Occupational health services, worker participation, and promotion of worker health

Occupational health services are provided to employees at most units and vary from one country to another depending on the specific needs of the unit, the level of health service available and local legislation. Health services are provided by the company and supported by company doctors and nurses, psychologists, physiotherapists and ergonomists.

9. We invest in safety and health, cont.

In Epiroc, workers or worker representatives participate in risk analysis and finding solutions to mitigate risks as part of the requirements in ISO 45001. Any employee at any time has the freedom to come up with suggestion on how to perform tasks in a safer way. Safety committees are organized in many places and coordinated locally. Escalation procedures are in place. Promotion of workers health is mainly carried out in the local entities. In some locations, employees are allowed to exercise during working hours. All health promotion services and programs are voluntary within Epiroc.

Contractor safety
Contractors working on behalf of Epiroc are required to follow the Epiroc Business Partner Code of Conduct as all business partners. Contractors working on Epiroc premises are obligated to follow the same safety procedures and routines as employees.

Product safety
Safety for our customers is a top priority for Epiroc. Therefore Epiroc has a well-defined product safety procedure in place at the group level as well as local procedures at the entity level. Our approach for product safety follows the complete lifecycle perspective from development of new products to reactive action on already sold products. All our products fulfill and often exceed local regulations in the market where they are sold. Products are always delivered with comprehensive safety instructions and warnings. Customer training is included when relevant, to ensure the safe handling of products. To further enhance the safety of our customers Epiroc runs a Live Work Elimination program.

Any safety issues on already delivered products are tracked through safety campaigns consisting of appropriate actions and information. 10 (39) incidents for non-compliance with voluntary codes concerning the health and safety impacts of products and services were reported for 2021. Incidents of non-compliance of voluntary codes are situations where a part needs to be replaced or a program modified to enhance the safety of the product.

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
Suppliers are required to follow the Epiroc Business Partner Code of Conduct and Epiroc performs regular audits at significant suppliers´ sites to ensure compliance. When working in the field at a customer site or similar, Epiroc employees are trained to perform their own risk assessments, like Last Minute Risk Assessment, and are required to follow local regulations and procedures. If they still face a risk situation they are told not put themselves in a hazardous situation.

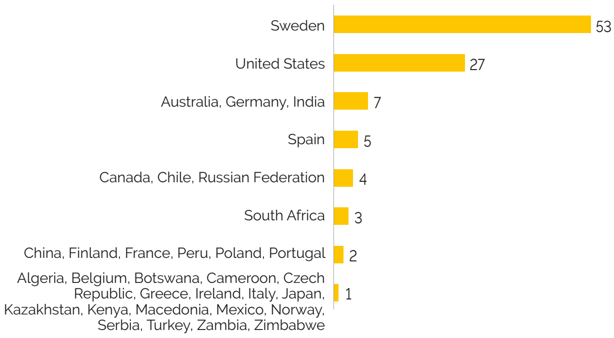
10. We grow together with passionate people and courageous leaders

Number of employees, December 31, 2021	15 529
- permanent contract employees	15 313
- temporary contract employees	216
- full-time employees	14 972
- part-time employees	557
The average number of training hours per employee	35
The average number of training hours among	
- blue-collar employees	40
- white-collar employees	30

Employee turnover and new hires 2021
In 2021, voluntary employee turnover was 6.9%. Employee turnover increased compared to the 12-month period ending in December 2020 by 32%. 34% of total turnover in 2021 was in Asia/Australia, 23% in North America, 21% in Europe, 10% in South America and 12% in Africa/Middle East.

Number of new employee hires in 2021 was 2 109. New employee hires increased in 2021 compared to the 12-month period ending in December 2020 by 54 %. 29% of new hires in 2021 were represented in Asia/Australia, 22% in Europe, 16% in Africa/Middle East, 22% in North America and 11% in South America.

Number per nationality* among the most senior management



* Limited to only current, single nationality per manager, not reflecting dual nationalities.

Freedom of association and the right to collective bargaining
Employees have the right to choose whether they wish to be represented by a trade union or not. In 2021 a total of 40% (44) of our employees were covered by collective bargaining agreements.

11. We live by the highest ethical standards

SUPPLIERS' COMMITMENT

	2021	2020
Significant suppliers, number	1 422	1 532
Safety, health, social and environmental audited suppliers, %	4	3
Approved suppliers, %	95	98
Conditionally approved suppliers (monitored), %	5	2
Rejected suppliers, %	-	-
Significant suppliers asked for commitment to the Epiroc Business Partner CoC, number	1 422	1 518
Significant suppliers that confirmed compliance to the Epiroc Business Partner CoC, %	100	99

The scope of significant suppliers includes all suppliers of goods and services, direct and indirect, with a purchasing value above EUR 100 000, based on 12-month values from October 2019 to September 2020. Suppliers are also deemed significant when they are located in high-risk countries and have a purchasing value above EUR 12 500, based on 12-month values from October 2019 to September 2020.

Epiroc's significant suppliers in 2021 amounted to 1 422 (1 532). Evaluations of their performance and impacts are conducted by Epiroc teams at the suppliers' site every fifth year. In 2021, 135 (123) quality and safety, health, social and environmental audits were performed. Several audits were cancelled because of travel restrictions as a result of the Covid-19 pandemic. Due to this new situation, performance of digital or self-assessed audits is used as an alternative. In 2021, a total of 37% safety, health, social and environmental digital audits were performed.

11. We live by the highest ethical standards, cont.

1 422 (1 518) suppliers were requested to commit to the Epiroc Business Partner Code of Conduct. If a supplier after negotiations refuses to accept our CoC, but can show that their own CoC is equivalent to ours, they may be exempted. However, each case is to be closely evaluated and decisions are made based on the specific supplier's situation.

If a business partner uses subcontractors or sub-suppliers for the production of products or the provision of services for the Epiroc Group, it is the responsibility of the business partner to use the principles in the Epiroc Business Partner Code of Conduct to evaluate and select their subcontractors. If requested, the business partner must inform Epiroc which subcontractors they use. Epiroc requires cooperative management and free access to the business partner's premises, including the manufacturing facilities.

The supplier evaluation process examines:

- Business partners' record of governance, ethics and stance against corruption
- Labor issues: Rejection of forced, compulsory or child labor, elimination of discrimination, safeguarding employee health and safety, collective bargaining rights
- Environmental performance: Managing waste, minimizing emissions, and reducing consumption of natural resources
- Human rights issues: Respect for human rights in operations

In 2021, it was necessary in 1 (0) instances to withdraw from supplier agreements due to cases of non-compliance that were not adequately addressed.

Speak Up cases

REPORTED POTENTIAL VIOLATIONS, NUMBER

	2021	2020
Fraud and corruption	17	10
Labor-related matters	48	28
Safety	7	8
Discrimination	1	0
Harassment	17	11
Conflict of interest	7	2
Other	3	5
Total	**100**	**64**

In 2021, in total 100 cases were reported. 16 of these cases are still under investigation. Out of the total number, 48 cases concern labor relations, 17 fraud and corruption and 17 harassment. Eight cases during the year were deemed material. In four confirmed incidents, employees were dismissed or disciplined for corruption and in four confirmed incidents, for harassment. The company appreciates the increasing involvement of our employees alerting the company to areas that need improvements in different parts of the organization, be it managers' behavior towards their teams or processes or controls in relation to hiring, promotions, etc. No fines related to non-compliances reported through our Speak Up line have been paid during the year. There have been no instances of anti-competitive behavior brought to the attention of Epiroc Group management. No significant fines or non-monetary sanctions related to non-compliance with laws and/or regulations in the social and economic area have been paid during the year.

The Speak Up line can be used to report all perceived violations of laws, regulations, Epiroc Code of Conduct and Group policies, for example, fraud and corruption, conflict of interest situations, non-compliance with environmental laws, health and safety issues, violations of human and labor rights, harassment and diversity issues. It is also open for business partners, including suppliers. The Speak Up system is managed by Group Compliance.

Implementing the UN Guiding Principles on Business and Human Rights (UNGP)

The UNGP requires companies to have a human rights due diligence process in place to identify, prevent, mitigate and account for how they address human rights impacts. We are committed to addressing and integrating human rights across our business operations in accordance with the UNGP. The Compliance Board monitors the implementation of the CoC, including human rights issues. Our commitment and how we conduct human rights due diligence is described on pages 47-49.

Knowledge about human rights is key to understanding risks

A key priority is to raise employees' awareness about human rights and at the same time create an understanding in the organization of the different challenges that may need to be addressed along the value chain – in relation to both suppliers and customers.

How to address human rights issues are therefore part of the CoC and CoC e-learning training. It contains sessions on business and human rights, non-discrimination, labor standards, modern slavery and other human rights issues.

Another example is the internal training for the sourcing organization in the Business Partner CoC. It includes special attention to labor standards, such as working hours, modern slavery and forced labor, conflict minerals, non-discrimination and other human rights issues. The e-learning on Responsible Sales Assessment includes sessions on how Epiroc should implement the UNGP. It covers different human rights issues and aims to build a greater awareness of specific human rights challenges.

Stakeholder consultation

Epiroc's ability to influence in order to effect change in possible wrongful practices along the value chain, is an important way to take action in accordance with the UNGP. Therefore, human rights issues are on the agenda for dialogues with Epiroc´s identified stakeholders. Feedback from these consultations is implemented into operations as a way to build a better understanding, as well as assessing and mitigating human rights risks in complex markets. We are fully committed to continuously addressing and monitoring human rights challenges.

Leverage

Leverage is important for the implementation of the UNGP. It exists where we can effect change in the wrongful practices of an entity that causes harm (principle 19, UNGP). We are exploring this aspect through dialogue with business partners and non-governmental organizations such as the International Council of Swedish Industry (NIR), finding examples of how we can better understand and assess human rights risks in complex markets. One example is a partnership with NIR and local stakeholders in Peru for a dialogue on human rights due diligence (HRDD) and on implementation of the new National Action Plan (NAP) on business and human rights.

Remediation

Both states and companies have roles to play in ensuring that victims of business-related human rights abuses have access to an effective remedy. Remedy means taking action to repair any harm done to people. Behavior or actions that are, or for good reasons may be perceived as, violations of laws or of the Epiroc CoC should be reported. The Speak Up line may be used by employees or external stakeholders to report concerns.

Management of taxes

Epiroc is a global company with a presence in many countries and through compliance with the Arm's Length principle, we aim to pay the fair amount of taxes in each country. We strive to be a good and reliable corporate citizen through prudent and sustainable management of taxes.

We also recognize the importance of taxes in the area of advancing economic development and contributing to society by paying corporate income taxes as well as other taxes, levies and social security contributions. Our action is in accordance with IFRS, all applicable tax laws and regulations as well as international standards from the OECD and the UN. The Epiroc Tax Policy is available at www.epirocgroup.com/en/investors/tax-policy.

Sustainability performance[1)]

ECONOMIC VALUE, MSEK	Note	2017	2018	2019	2020	2021	Targets 2021	Targets 2022*
Direct economic value								
Revenues[2)]		31 675	38 500	41 096	36 431	40 172		
Economic value distributed								
Operating costs[2)]		18 651	23 399	24 326	21 024	22 278		
Employee wages and benefits, including other social costs		6 862	7 535	8 454	7 881	8 733		
Costs for providers of capital[2)]		5 547	365	2 926	3 340	3 220		
Costs for direct taxes to governments		1 590	1 921	1 992	1 848	2 144		
Economic value retained		–975	5 280	3 398	2 338	3 797		
WE USE RESOURCES RESPONSIBLY AND EFFICIENTLY								
Renewable energy for operations, % of total energy[3) 4)]		45	49	53	57	53		
Renewable energy for operations incl. renewable of mix, % of total energy[3) 4)]		55	60	63	64	62	67	66
Direct energy use in GWh[4)]		27	30	29	24	33		
Indirect energy use in GWh[4)]		129	142	132	122	144		
Total energy use in GWh[4)]		155	172	161	146	177		
Total energy use in MWh/COS[4)]		8.5	7.6	6.8	7.1	7.8	7.1	–
CO_2e emissions '000 tonnes (direct energy) – Scope 1[5)]		6	6	6	5	6		
CO_2e emissions '000 tonnes (indirect energy) – Scope 2[5)]		28	29	22	22	27		
CO_2e emissions '000 tonnes (total energy) – Scope 1+2[5)]		34	35	28	27	33		31
Location-based CO_2e emissions '000 tonnes (indirect energy) - Scope 2[5) 6)]		31	33	28	27	36		
CO_2e emissions '000 tonnes (transports) –Scope 3[5)]		114	128	105	83	82		85
CO_2e emissions tonnes (transports)/COS[5)]		6.2	5.6	4.5	4.1	3.6	4.1	–
CO_2e emissions '000 tonnes (use phase products sold) – Scope 3[5)]				5 326	3 815	4 825		5 030
Proportion of reused, recycled and recovered waste, %		97	97	95	94	96		
Water consumption in water risk areas ('000 m^3)[7)]		67	65	55	82	95		
Water consumption in water risk areas (in m^3)/COS[7)]		3.7	2.9	2.4	4.0	4.2	4.4	4.0
WE INVEST IN SAFETY AND HEALTH								
Work-related Lost-time injuries, number		113	99	82	58	65		
Work-related injuries, number[8)]	9	113	257	184	141	155		
Lost-time injury frequency rate (LTIFR)		4.3	3.4	2.7	2.0	2.1	1.7	–
Lost days due to Lost-time injuries, number per one million working hours		93	97	70	55	62		
Total recordable injury frequency rate (TRIFR)[8)]	9	–	8.9	6.0	4.8	5.1	4.0	4.5
Fatalities		1	0	1	0	0	0	0
High-consequence injuries[8)]		–	–	–	–	6		
Sick leave due to illness, %		2.1	2.1	2.1	2.1	2.4		
Sick leave due to illness and Lost-time injuries, %		2.2	2.2	2.1	2.1	2.4	<2.5	<2.5
WE GROW TOGETHER WITH PASSIONATE PEOPLE AND COURAGEOUS LEADERS								
White-collar employees, %		51	51	49	49	48		
Blue-collar employees, %		49	49	51	51	52		
Employee turnover white-collar employees, %	10	5.7	7.4	7.5	5.3	6.7		
Employee turnover blue-collar employees, %	10	4.7	7.4	7.3	5.6	7.1		
Total turnover, voluntary leave %	10	5.2	7.4	7.4	5.5	6.9		
Yearly performance and development discussion, %		87	88	88	87	87		
Women employees, period end, %		15.7	16.0	15.5	15.7	17.1	17.7	18.3
Women managers, period end, %		18.2	20.0	19.3	21.0	22.5	23.1	23.5
New hires of women in the Group, share of total external recruitments, %		18.4	17.4	16.2	19.5	24.0		
Nationalities among senior managers, number		–	30	32	33	34		
Average number of training hours per employee		35	39	39	30	35		
Leadership Index		–	–	69	71	72	73	-
WE LIVE BY THE HIGHEST ETHICAL STANDARDS								
Managers signed a Code Compliance Commitment, %		–	91	95	99	100		100
Managers trained in Epiroc Code of Conduct, %		–	91	95	99	100		100
Safety, health, social and environment audited suppliers, %	11	10	11	11	3	4		
Significant suppliers that confirmed compliance with the Epiroc Business Partner Code of Conduct, %	11	97	98	99	99	100	100	100

* Epiroc's key performance indicators for sustainability

Auditor's Limited Assurance Report on Epiroc AB's Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.
To Epiroc AB, corporate identity number 556041-2149

Introduction
We have been engaged by the Board of Directors of Epiroc AB to undertake a limited assurance engagement of the Epiroc AB Sustainability Report for the year 2021. The Company has defined the scope of the Sustainability Report and the Statutory Sustainability Report on page 138.

Responsibilities of the Board of Directors and the Executive Management
The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 138 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Epiroc AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, March 3, 2022

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Lennart Nordqvist
Expert Member of FAR

Footnotes to page 148

1) Calculations according to GRI Standards Guidelines, www.globalreporting.org.
2) Revenues include revenues, other operating income, financial income, profit from divested companies and share of profit in associated companies. Operating costs include cost of sales, marketing expenses, administration expenses, research and development expenses, other operating expenses, deducted for employee wages and benefits. Costs for providers of capital include financial costs and dividends, but exclude redemption of shares and repurchase of own shares. COS when presented in relation to sustainability information refers to cost of sales at standard cost in MSEK.
3) Renewable of mix does not have any certificate or similar statement from the energy provider that assures only renewable energy sources are used for the electricity or district heating provided according to the contract.
4) The total energy includes both indirect and direct energy used. The calculation of indirect energy, i.e., energy purchased externally by the company, includes electricity and district heating used at the sites. The calculation of direct energy, i.e., energy generated by the company for its own production or operation, comprises all fuels used on the sites, including diesel, gasoline, coal, biofuel, propane and natural gas. The increase in 2021 is mainly explained by the additional main CO_2e emitting customer centers included in the reporting to ensure a 95% coverage of the Scope 1 and Scope 2 emissions for the Group.
5) Greenhouse gas emission reporting is carried out in accordance with the GHG Protocol, www.ghgprotocol.org. Standardized conversion factors published by DEFRA (UK) are used to calculate CO_2e emissions for Scope 1 and International Energy Agency (IEA) for Scope 2. When emissions data is not provided by transport companies, factors from Network for Transport measures (NTM) are used, see www.transportmeasures.org. Recalculation of base year (2019) emissions is performed for significant structural changes, improvements in calculation methodology or data accuracy. See recalculated base year emissions on page 39. Emissions on page 148 are not restated. For an explanation on increases in Scope 1 and Scope 2 emissions 2021, see footnote 4. Direct (Scope 1), indirect (Scope 2) and Use phase of products sold (Scope 3) CO_2e emissions include the main greenhouse gases carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Transport (Scope 3) represents production units and distribution centers only and in CO_2, but will be reported in CO_2e in 2022.
6) A location-based method reflects the average GHG emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data. A market-based method reflects emissions from electricity that an organization has purposefully chosen (or its lack of choice).
7) Water risk mapping was carried out using the water risk maps generated by a third-party risk analytics firm.
8) New types of injuries were included in reporting in 2021. Injuries with lost time but no medical treatment, injuries that resulted in restricted work or transfer to another job and significant injuries diagnosed by a physician or other licensed healthcare professional. Besides the total recordable work-related injuries, high-consequence injuries were reported, which are injuries where the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

Multi-year summary

	2015	2016	2017	2018	2019	2020	2021
Growth							
*Orders received, MSEK	27 551	27 634	33 831	39 400	39 492	36 579	45 648
*Total order growth, %	+0	+0	+22	+16	+0	-7	+25
*Organic order growth. %	-7	+3	+20	+13	-5	+0	+26
Revenues, MSEK	28 663	27 102	31 364	38 285	40 849	36 122	39 645
Total revenue growth, %	+4	-5	+16	+22	+7	-12	+10
*Organic revenue growth, %	-3	-3	+14	+18	+1	-5	+12
*Book-to-bill, %	96	102	108	103	97	99	115
Costs							
Cost of sales, MSEK	-18 463	-18 003	-20 101	-24 317	-25 547	-22 418	-24 192
Administrative expenses, MSEK	-1 848	-1 879	-2 121	-2 589	-3 261	-2 817	-3 166
Marketing expenses, MSEK	-2 346	-2 164	-2 280	-2 574	-2 797	-2 225	-2 313
Research and development expenses, MSEK	-861	-662	-795	-977	-1 035	-1 032	-1 172
Research and development expenses, % of revenue	3.0	2.4	2.5	2.6	2.5	2.9	3.0
Profitability							
Gross profit, MSEK	10 200	9 099	11 263	13 968	15 302	13 704	15 453
*Gross margin, %	35.6	33.6	35.9	36.5	37.5	37.9	39.0
* EBITDA, MSEK	6 570	5 765	7 183	8 753	10 114	9 128	10 740
* EBITDA margin, %	22.9	21.3	22.9	22.9	24.8	25.3	27.1
* Adjusted operating profit, MSEK				7 779	8 582	7 669	9 098
* Adjusted operating margin, %				20.3	21.0	21.2	22.9
Operating profit, MSEK		4 548	5 930	7 385	8 136	7 382	8 995
* Operating margin, %		16.8	18.9	19.3	19.9	20.4	22.7
Profit before tax, MSEK	4 955	4 411	5 793	7 201	7 843	7 087	8 964
* Profit margin, %	17.3	16.3	18.5	18.8	19.2	19.6	22.6
Profit for the period, MSEK	3 571	3 231	4 298	5 437	5 884	5 410	7 069
Capital efficiency							
Capital employed, MSEK, period end	22 400	23 933	19 286	25 927	31 838	35 306	35 329
Average capital employed, MSEK	21 727	23 167	21 674	23 086	29 518	34 033	34 485
Average capital employed, excl. cash, MSEK		22 696	20 812	19 469	23 221	21 818	21 543
* Return on capital employed, %	23.8	19.6	27.4	32	27.6	21.7	26.1
* Capital employed turnover ratio			1.4	1.7	1.4	1.1	1.1
Net debt (+)/Net cash (-), MSEK			5 424	1 208	483	-4 137	-1 304
* Net debt/EBITDA ratio			0.75	0.14	0.05	-0.45	-0.12
* Net Debt/equity ratio, period end			45.0	6.4	2.1	-17.4	-5.1
* Equity/assets ratio, period end			43.7	52.1	55.6	54.1	53.1
Net working capital, MSEK, average			9 991	12 158	14 062	12 217	11 495
* Net working capital, MSEK, period end			10 173	12 897	13 153	10 571	12 186
Average net working capital, % of revenue			31.9	31.8	34.4	33.8	29.0
Credit rating S&P, period end				BBB+	BBB+	BBB+	BBB+
Cash generation							
* Operating cash flow, MSEK	5 630	4 880	4 610	3 884	6 688	7 006	6867
Cash conversion rate, %, 12 months	158	151	107	71	114	130	97
Equity information							
Basic number of shares outstanding, millions	1 212	1 212	1 212	1 206	1 201	1 204	1 206
Dilluted number of shares outstanding, millions	-	-	-	1 206	1 202	1 205	1 208
Equity per share, period end, SEK	12.3	12.7	9.94	15.63	19.02	19.71	21.38
Basic earnings per share, SEK	2.95	2.66	3.55	4.50	4.89	4.48	5.85
Diluted earnings per share, SEK	-	-	-	4.49	4.89	4.48	5.84
* Return on equity, %			29.1	33.2	28.3	22.7	29.5
* Operating cash flow per share, SEK	4.60	4.00	3.80	3.20	5.57	5.82	5.69
Dividend per share, SEK				2.10	2.40	2.50	3.00**
Payout ratio, %				47	49	56	51**
Redemption per share, SEK						3.00	

* Several key figures 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 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, see next page.

** Proposed by the Board of Directors.

Financial definitions

Alternative performance measures

Key figure	Description	Reason for use
Adjusted operating margin	Adjusted operating profit in % of revenues.	A measurement of the operational profit which enables comparisons over time by excluding items that are irregular in frequency or size.
Adjusted operating profit	Operating profit adjusted for items affecting comparability.	It enables comparisons over time - and between companies - by excluding items that are irregular in frequency or size.
Book-to-bill	Orders received divided by revenues.	An indicator of demand trends.
Capital employed	Average total assets[1] less average non-interest-bearing liabilities/provisions. Capital employed for the segments excludes cash, tax liabilities and tax receivables.	It shows how much of total capital is tied to operations.
Capital employed turnover ratio	Revenues[2] divided by the average capital employed[1].	It shows how efficiently Epiroc generates revenues from the capital utilized to run operations.
Capital turnover ratio	Revenues[2] divided by average total assets[1].	It shows how effectively total assets are used.
EBITDA	Earnings before interest, taxes, depreciation and amortization. Alternatively; the operating profit plus depreciation, impairment and amortization.	An indicator of cash generating ability.
EBITDA margin	EBITDA as % of revenues.	An indicator of cash generating ability.
Equity/assets ratio	Equity including non-controlling interests, as % of total assets.	A measure of financial risk showing how much of Epiroc's total assets that have been financed with equity.
Gross margin	Gross profit as % of revenues.	It measures how much of Epiroc's revenues are left after paying the costs of goods sold.
Items affecting comparability	Items such as operating profit/loss from acquisitions and divestments, one-time items (restructuring) and change in provision for share-based long-term incentive programs.	It shows how non-recurring items have affected the result.
Net debt	Interest-bearing liabilities and post-employment benefits, adjusted for the fair value of interest rate swaps, less cash and cash equivalents and certain other financial receivables.	A measurement of the financial position.
Net debt/EBITDA ratio	Net debt in relation to EBITDA.[2]	A measurement of financial risk.
Net debt/equity ratio	Net debt in relation to equity, including non-controlling interests.	A measurement of financial risk.
Net working capital	Working capital net of inventories, trade receivables, trade payables, other operating assets and liabilities.	It measures Epiroc's liquidity and capital efficiency.
Operating cash flow	Cash flow from operations and cash flow from investing activities, excluding company acquisitions/divestments, as well as other adjustments.	It indicates Epiroc's ability to generate sufficient positive cash flow to maintain and grow operations.
Operating cash flow per share	Operating cash flow divided by basic number of shares outstanding.	It improves the ability to make comparisons over time.
Operating margin	Operating profit as % of revenues.	It helps monitor Epiroc's fulfillment of the financial goal of having market leading profitability.
Orders received and order growth	Orders received in MSEK in a period. The total order growth includes the contribution from organic growth, currency and structure.	It is a good indicator of demand for Epiroc's equipment and aftermarket.
Organic growth	Organic growth is total growth excluding the contribution from currency and structure. Alternatively, the growth that is based on volume and price.	It explains how volume, price and product/service mix changes drive the growth.
Pay-out ratio	Dividend per share as % of basic earnings per share.	The rate facilitates following up Epiroc's financial target of a payout ratio of 50%.
Profit margin	Profit before tax as % of revenues.	An indicator of profitability.
Return on capital employed	Operating profit[2] as % of average capital employed[1].	It measures how efficiently Epiroc generates profits from the capital utilized to run operations.
Return on equity	Profit for the period[2] divided by average equity, excluding non-controlling interest[1].	It shows Epiroc's ability to generate a return on the investments made by shareholders.

1) Calculated as an average of five quarters. In 2016 and 2015, however, it was calculated as an average of two periods.
2) 12 months' value.

Nowhere to be seen
On the cover: Epiroc is a main supplier for the construction of Förbifart (bypass) Stockholm, Sweden's largest infrastructure project. A total tunnel volume of almost six million m3 is being excavated and the tunnels go beneath the beautiful archipelago of Lake Mälaren.

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Investment case

- We focus on attractive niches with structural growth
- We drive the productivity and sustainability transformation in our industry
- We have a high proportion of recurring business
- We have a well-proven business model
- We create value for our stakeholders
- Our success is based on sustainability and a strong corporate culture

Epiroc

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