Annual and Sustainability Report 2020

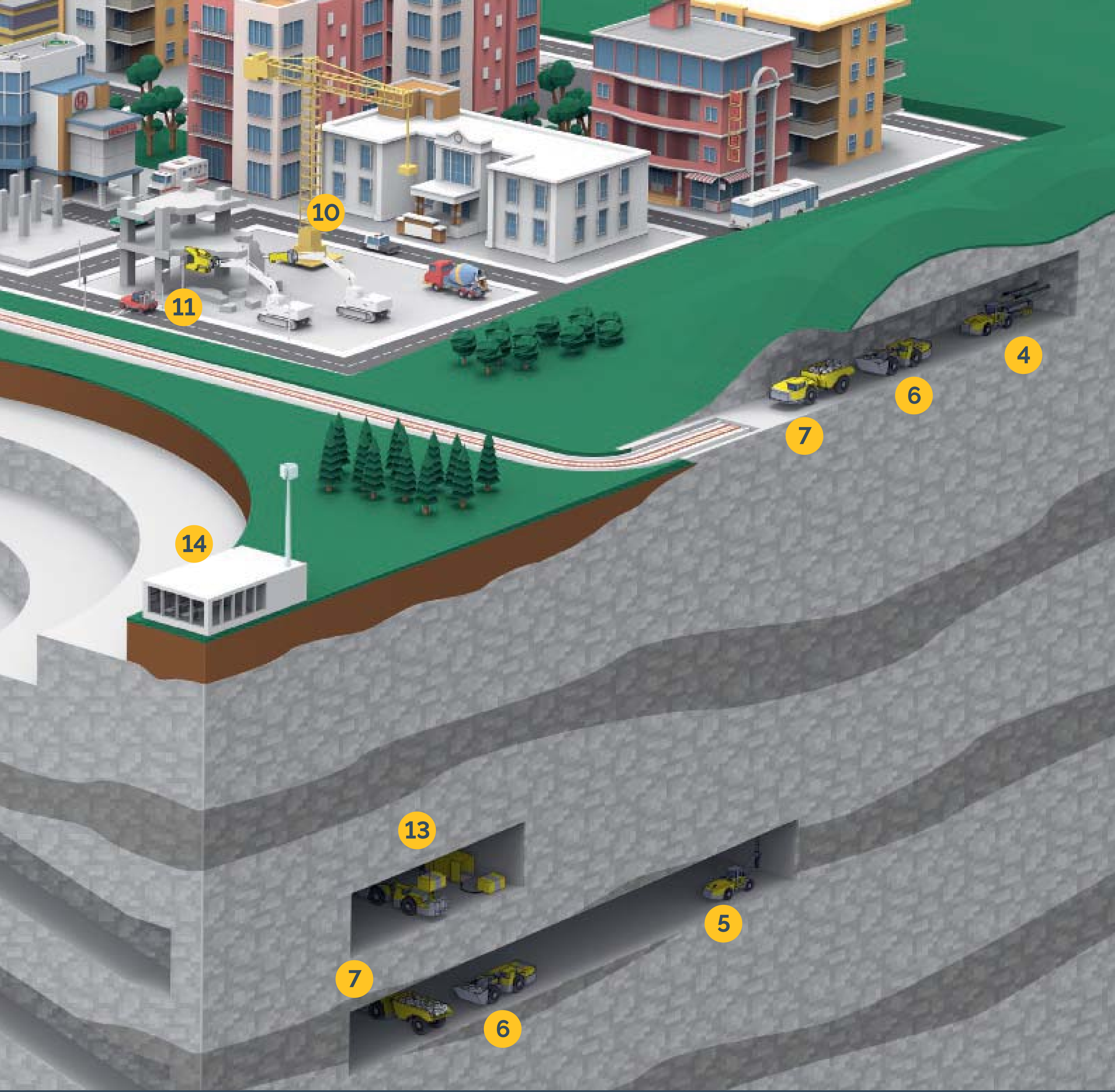
Epiroc

We are a leading productivity and sustainability partner for customers within mining and infrastructure. Our products are primarily used in hard rock applications.

Performance-critical solutions

Mining applications include production and development work for both underground and open-pit mines, as well as mineral exploration.

Infrastructure applications include blasthole drilling for tunneling, for road, railway and dam construction, aggregate production and other construction work, demolition of buildings, bridges and industrial plants as well as other drilling applications.



1. ROC – surface drill rig
2. PitViper – surface drill rig
3. Simba – underground production drill rig
4. Boomer – underground face drilling rig
5. Boltec – underground drill rig for rock reinforcement
6. Scooptram – underground loader
7. Minetruck – underground truck
8. Diamec – exploration drill rig
9. Water-well drill rig
10. Hydraulic breaker
11. Silent demolition tool
12. Mobile Miner – mechanical rock excavation machine
13. Service workshop with battery charging station
14. Control room

United in Performance. Inspired by Innovation.

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

Epiroc AB is a public company. Epiroc AB and its subsidiaries are sometimes referred to as the Epiroc Group, the Group, or Epiroc. Epiroc AB is also sometimes referred to as Epiroc. Any mention of the Board of Directors or the Board refers to the Board of Directors of Epiroc AB. Epiroc was part of the Atlas Copco Group, founded in 1873, until June 18, 2018, when Epiroc was distributed to the shareholders of Atlas Copco and listed on Nasdaq Stockholm.

About this report
The audited annual accounts and consolidated accounts can be found on pages 50–63 and 74–133. The corporate governance report examined by the auditors can be found on pages 64-73.

Epiroc reports its sustainability work for 2020 according to the Global Reporting Initiative (GRI) Standards version 2018, "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 138–145. The assurance report issued by the auditors can be found on page 145 and a detailed GRI Index can be found at www.epirocgroup.com.

Forward-looking statements
Some statements in this report are forward-looking, and the actual outcomes could be materially different. In addition to the factors explicitly discussed, other factors could have a material effect on the actual outcomes. Such factors include, but are not limited to, general business conditions, fluctuations in exchange rates and interest rates, political developments, the impact of competing products and their pricing, product development, commercialization and technological difficulties, interruptions in supply, and major customer credit losses. In 2020, the Covid-19 pandemic affected Epiroc's production and supply of equipment and aftermarket services, as well as customers and suppliers. Despite having continuity measures in place, the effect of any pandemic may have material adverse effects on Epiroc's business and financial position also in the future.

Cover: Epiroc MT42 Minetruck at the Agnico Eagle Kittilä mine in Finland.

Content

Sustainability report reviewed by the auditors

Annual report

2020 in brief

The Covid-19 pandemic affected Epiroc significantly in 2020, yet we managed to adapt our way of working, lower our costs, prioritize innovation, show resilience in our profitability, and deliver a solid result.

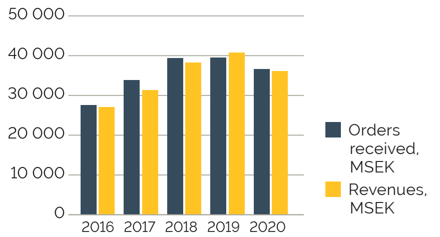
- Helena Hedblom new President and CEO as from March 1, 2020
- Orders received were unchanged organically, but decreased 7% due to currency
- Operating profit and margin was supported by efficiency initiatives. The operating margin improved to 20.4%
- The Board proposes a dividend of SEK 2.50 and a distribution of SEK 3.00 per share through mandatory redemption
- Reduction in lost-time injuries and lower CO_2 emissions from transport
- Revenues decreased 5% organically

Key figures

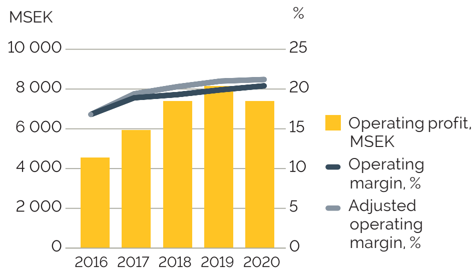
	2020	2019	Change
Orders received, MSEK	36 579	39 492	-7%
Revenues, MSEK	36 122	40 849	-12%
Operating profit, MSEK	7 382	8 136	-9%
Operating margin, %	*20.4*	*19.9*	
Profit before tax, MSEK	7 087	7 843	-10%
Profit margin, %	*19.6*	*19.2*	
Profit for the period, MSEK	5 410	5 884	-8%
Operating cash flow, MSEK	7 006	6 688	+5%
Basic earnings per share, SEK	4.48	4.89	-8%
Dividend per share, SEK	2.50*	2.40	+4%
Redemption per share, SEK	3.00*	-	
Return on capital employed, %	21.7	27.6	
Net debt/EBITDA ratio	-0.45	0.05	
Lost-time injury frequency rate (LTIFR)	2.0	2.7	-27%
Sick leave, %	2.1	2.1	0%
MWh energy from operations/ Cost of sales, MSEK	7.1	6.8	+4%
Transport CO_2, tonnes/ Cost of sales, MSEK	4.1	4.5	-8%

Note: Financial statements prior to 2018 are combined.
See note 1 in the Annual and Sustainability Report 2018.
*Proposed by the Board of Directors.

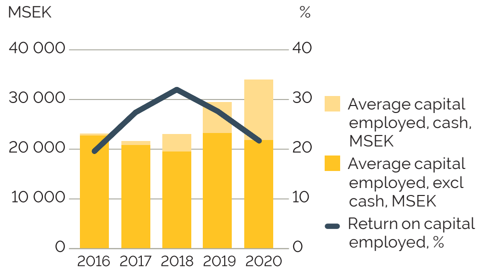
Orders received and revenues



Operating profit and margin

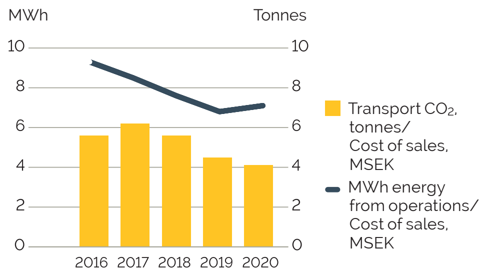


Return on capital employed

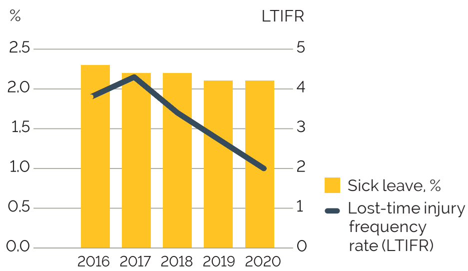


Numbers prior to 2019 are not restated for IFRS 16.

Energy consumption and CO_2 emissions



Lost-time injury frequency and sick leave



Highlights 2020

Sustainability goals for 2030

We have high ambitions when it comes to sustainability and in 2020, we established long-term sustainability goals that support the Paris Agreement and the UN 2030 Agenda for Sustainable Development. The goals further advance the Group's ambitions related to climate change, safety and diversity. The ambitious goals include halving CO2 emissions from operations, transport, as well as from customers' use of Epiroc equipment.

Achievements within automation, digitalization and electrification

- Epiroc and ASI Mining won a contract to convert Roy Hill's mixed-fleet of haul trucks from manned to autonomous use at its iron ore surface operation in Australia.

- Epiroc and the world-leading commercial explosives provider Orica jointly presented a prototype of Avatel™, the first-of-its-kind, semi-automated explosives delivery system that will enable safer and more productive blasting operations in underground mines.

- Epiroc is the first equipment supplier to provide a mixed-fleet automation solution for underground mining, for Newcrest Mining Limited at its Cadia Valley gold and copper operation in Australia.

- Epiroc took part in the European Union-funded SIMS project that took place during 2017–2020 in the Kittilä mine in Finland. In the project, Epiroc's battery-powered mining equipment was tested in a real mining environment. After successful testing, the mine has now purchased its first battery-powered rigs.

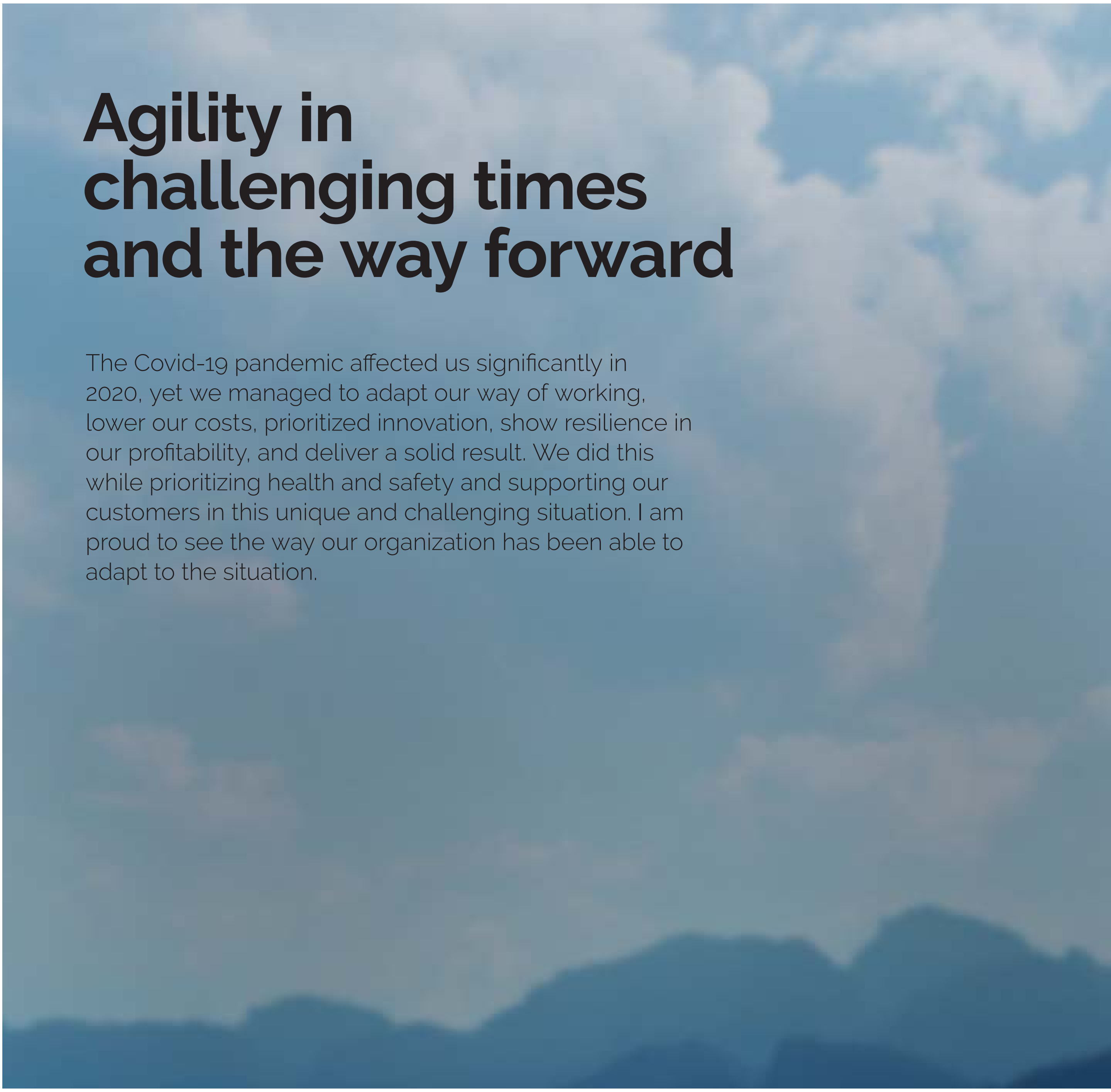
Safety and productivity in focus as Epiroc wins large equipment order in Russia

- Norilsk Nickel, one of the world's largest producers of nickel, palladium, platinum and copper, ordered underground reinforcement equipment for their Mayak and Komsomolskiy mines in Russia. The order value exceeds MSEK 100 (MUSD 11).

High demand for aftermarket solutions

- Codelco, the world's largest copper producer, opened the Chuquicamata underground mine in 2019. For this mine, Codelco has not only ordered equipment, but also several years of technical support and training. The order is valued at more than MUSD 20 (MSEK 190) and was booked in April 2020.

- Epiroc has successfully launched new value-added services, for example an extended offering of products, retrofit of batteries into existing fleet and battery as a service.



Agility in challenging times and the way forward

The Covid-19 pandemic affected us significantly in 2020, yet we managed to adapt our way of working, lower our costs, prioritized innovation, show resilience in our profitability, and deliver a solid result. We did this while prioritizing health and safety and supporting our customers in this unique and challenging situation. I am proud to see the way our organization has been able to adapt to the situation.

> Improved health and safety is something we always prioritize – not only in our own operations, but also for customers and partners.
>
> **Helena Hedblom, President and CEO**

At Epiroc, we put safety first – always

In 2020, the Covid-19 pandemic had a significant impact on Epiroc. We implemented new ways of working and took many preventive and protective measures. Improved health and safety is however something we always prioritize – not only in our own operations, but also for customers and partners. We have two larger initiatives ongoing to build an even stronger safety culture.

Let me start with the SafeStart® program, which helps to increase safety awareness and reduce human errors that lead to injuries. With SafeStart®, the typical short-term gains from safety training transform into permanent gains. It also contributes to a strengthening of a sustainable safety culture.

Another example is the Live Work Elimination program. By having safety in mind when designing the equipment, we create solutions that remove people from being exposed to the risk of hazardous energy.

We have a very good trend when it comes to lost-time injuries. Still, we will never be satisfied as long as we have injuries. We will do all that we can to avoid these altogether.

Challenging beginning of 2020

The Covid-19 pandemic significantly affected the world – and Epiroc – starting in the beginning of 2020. Our operations were impacted from around March, with some customers stopping or reducing their business activities.

In the second quarter, Epiroc was significantly impacted by restrictions related to the pandemic, yet we managed to adapt our way of working, lower our costs and show resilience in our profitability. We did this while prioritizing health and safety and supporting our customers in this unique and challenging situation.

Strong recovery in orders and revenues

Customer demand recovered in the second half of the year, as the level of restrictions eased off and more mining and infrastructure sites were operational.

For the full year, the order intake was unchanged organically, negatively impacted by lower orders for equipment as well as for Tools & Attachments. Our service business developed strongly and orders received increased 7% organically.

Our customers' willingness to invest in equipment has increased. In the year, we had some larger equipment orders, but small- and medium-sized orders were dominating, which indicates a good level of underlying demand.

Following a challenging year, revenues decreased 5% organically and 12% in total, including a negative impact from currency, to MSEK 36 122.

Pandemic strengthens interest in new technology

It is clear that the pandemic – or rather the restrictions that forced customers to either stop or reduce activities – has increased the interest for our automation and digital solutions.

Our customers have shown growing interest in these solutions for several years and this trend has accelerated. This is the case not only in the developed markets that have been early adopters in the past, but in all markets.

Our decision to establish regional-application centers around the world has contributed to make this happen. By bringing innovations and solutions closer to the customers, we make it easier for them to embrace new technologies.

Resilient operating margin and savings from efficiency actions

Epiroc has an agile business model where we continuously adapt to the market situation. Already in the first quarter, we initiated contingency actions in response to lower demand.

The actions with short-term effects included reduction of temporary workforce and consultants, work-time reduction, and lowering discretionary spending. Worth noting is that we did not utilize governmental support for short-time work in Sweden.

Efficiency actions to strengthen Epiroc in the long run were implemented throughout the organization, with the largest one aiming to save more than MSEK 500 annually as from Q3 2020. In addition, the supply-chain improvement program has yielded positive results, even if at a slower pace than initially anticipated due to the pandemic.

All in all, the implementation of the efficiency actions has been successful and the operating margin for the full year improved to 20.4%, implying a resilient and industry-leading margin, which is also our goal.

Translating earnings into cash flow

In challenging times, cash flow is more important than ever. Despite experiencing the largest crisis in many years, we generated a strong operating cash flow of MSEK 7 006, higher than in 2019. The efficiency actions, the solid profit and an increased cash flow from reduction of working capital contributed. The organization has done well to collect receivables.

> Coming from the R&D area myself, innovation is close to my heart and one of my strategic priorities. Innovation is in our DNA and we are investing more than we have ever done in R&D to stay ahead.
>
> **Helena Hedblom, President and CEO**

A strong cash flow has many benefits. First, it allows us to continue to prioritize investments in innovation and further develop our technology leadership. It also enables us to be ready when and if acquisition opportunities arise.

Managing the crisis and building for the future

On June 18, we celebrated our two-year anniversary as a listed company. The celebration was of course held online due to the pandemic. We have the speed and agility of a young and hungry company but with significant experience and deep roots dating back to 1873. As we build for the future, we remain focused on our strategic priorities: innovation, aftermarket, operational excellence and sustainability.

Innovation and powerful partnerships

Coming from the R&D area myself, innovation is close to my heart. Innovation is in our DNA and we are investing more than we have ever done in R&D to stay ahead. In addition, our relentless focus on innovation extends beyond what we do ourselves. We also leverage the R&D from customers, suppliers and other partners. Examples of powerful partnerships:

- With Mobilaris, we innovate on positioning systems underground.
- With ASI Mining and Combitech, we develop solutions for autonomous operations and information management.
- With Orica, we develop solutions for semi-automated explosives charging.
- With Northvolt and ABB, we collaborate on battery-electric vehicles, batteries and electric drive trains.
- And with Ericsson, we work on 5G connectivity.

Three major technology shifts

There are three major technology shifts ongoing that are making the mining and infrastructure industries more productive and sustainable: automation, digitalization and electrification. We are in the driver's seat for these shifts, which are benefiting our customers in many ways. To remain in the forefront, we will continue to enter strategic partnerships and foster an innovative culture.

Automation boosts safety and productivity

We have a market-leading position in automation with proven solutions throughout the world.

For example, in 2020 we began implementing the world's largest mixed–fleet automation project for Roy Hill's iron ore surface mining operation in Australia together with ASI Mining. We also made progress on the world's largest mixed-fleet automation initiative for underground mining, for Newcrest Mining in Australia.

Automation is key for several reasons. First of all, it is about protecting people, keeping them away from dangerous situations. The customers also benefit from increased productivity, lower fuel consumption and reduced total cost of ownership.

Digitalization unleashes hidden aftermarket potential

Digitalization offers much potential both for our customers and for us. We offer a wide variety of digital solutions. For example, connectivity to locate machines and people in a mine, teleremote steering of equipment, and fully autonomous solutions.

Digitalization also improves our own operations. Our increased adoption and use of Robotic Process Automation make our processes more efficient and reduce the need for mundane data entry. In addition, the more machine data we have, the better we can develop our equipment. It also makes us more efficient on how we work with the aftermarket. The more information, the better value proposition we can offer our customers, strengthening their productivity and safety. In sum, connectivity is positive in many ways.

Battery-electric machines for zero-emission operations

Epiroc has a long history of electrification. Already in the 1970s, we offered electric powered drill rigs, using cables. Today, we offer the largest range of battery-electric vehicles for underground applications, with customers on every continent.

In 2020, we worked hard to extend the offering further and to help customers take the step into electric. Our batteries as a service concept lowers the bar to entry, as the customer does not have to do the capital investment. Instead, the customer pays an ongoing fee when using the service.

We will offer all our equipment in battery electric versions by 2025 for underground and by 2030 for surface.

The technology is now well established, and more and more customers are realizing the advantages that come with using electric machines instead of diesel. The benefits include improved health and safety due to less emissions in use, noise and heat, as well as lower total cost of operation and higher productivity. The advantage is especially significant for underground operations where customers traditionally invest heavily in ventilation to dilute or remove diesel fumes and other emissions.

We are proud to spearhead the industry's drive toward a fossil-free future.

Acquisitions to enhance our leadership further

We always look to acquire businesses that can enhance our technology leadership, our presence in the market and/or our offer to the market. In 2020, we announced a couple of acquisitions. In December for example, we announced the acquisition of MineRP with around 200 employees. The company, which has offices in South Africa, Canada, Australia and Chile, supports large and medium-sized mines in optimizing their efficiency by providing a leading software platform solution that integrates technical mining data. The combination of MineRP's platform with Epiroc's digital solutions, partners and global presence has the potential to transform the way that mines operate.

High sustainability ambition

Epiroc is a vital part of a sustainable society and sustainability is integrated in everything we do. In fact, our innovation agenda goes hand in hand with our customers' sustainability agenda. It is a competitive advantage and a driver of long-term growth.

We are a signatory to the UN Global Compact and fully support the 10 principles in the areas of human rights, labor, environment and anti-corruption.

In 2020, we set our long-term sustainability goals for 2030 that support the Paris Agreement and the UN 2030 Agenda for Sustainable Development. The goals include no work-related injuries and halving CO_2 emissions from operations, transport as well as from machines sold. The use phase of our equipment represents the majority of our CO_2 impact, so that aspect is especially crucial. In addition, we also have put strong focus on adherence to our Code of Conduct. Last, but not least, we have the ambition to significantly increase gender diversity and we have set an ambitious goal to double the number of women in operational roles.

Committed people who dare to think new

The year was challenging with quick changes in demand. However, we found new ways of working, took necessary actions and focused on being the best possible partner for our customers. Committed employees made it happen.

> To offer best-in-class solutions – with automation, digitalization and electrification – and always being close to our customers, we will further strengthen the relationships with our customers and make Epiroc even stronger. We dare to think new.
>
> **Helena Hedblom, President and CEO**

In Epiroc, we foster an innovation culture, and our new vision, which was launched in January 2021, is Dare to think new. The world and the industry are changing rapidly and to continue to be a true productivity and sustainability partner for our customers we need to dare to think new.

The way forward

For 2021, we have many exciting products and solutions coming to the market. To mention just a couple:

The new generation Boomer designed for mining contractors will launch at the beginning of the year. It is a true development rig, fully equipped for multi-task operation and automation. Of course, we will also provide a battery-electric driveline option in due course.

Another revolutionary innovation is our coming offering of fully mechanized charging through our collaboration with Orica, the leading explosives manufacturer, to improve the safety and work environment for operators. In 2021, the field-testing of the prototype starts.

If I then take a longer view. Where is Epiroc in ten years? We know that our customers have many challenges. Epiroc will be "the enabler" in providing solutions to overcome these challenges and lead the transition towards sustainable mining and infrastructure. To offer best-in-class solutions – with automation, digitalization and electrification – and always being close to our customers, we will further strengthen the relationships with our customers and make Epiroc even stronger. We dare to think new.

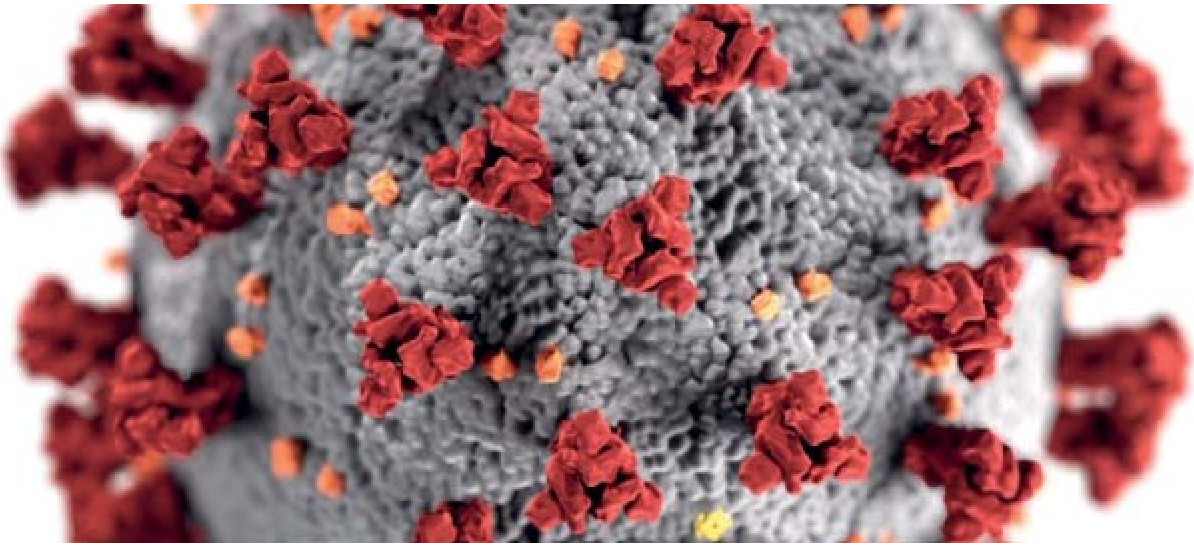
Helena Hedblom
President and CEO

Stockholm, January 26, 2021

Covid-19

When the first alarming news about Covid-19 emerged in the beginning of 2020, Epiroc immediately took a proactive approach with the focus on health and safety. The illustration below provides an overview on how Covid-19 affected us and what we did to minimize the negative effects.

Covid-19	Q1	Q2
The Covid-19 pandemic development	First news on Covid-19 cases with local "break-outs" in some countries. On March 11, it was declared a pandemic.	Rapidly increasing new cases and fatalities led to significant restrictions and lockdowns.
Epiroc actions	Already in January, the organization took action in countries where needed. Globally, Epiroc encouraged employees to prioritize safety, reduce face-to-face meetings and work from home when possible. Digital information meetings on Covid-19 with CEO Helena Hedblom started and all non-critical travelling was stopped. The Board of Directors has continuously been informed about the situation and the actions taken.	Epiroc increased the efforts in minimizing risk with quick adaptation to new, virtual ways of working as a result. Service personnel at remote sites showed commitment by staying on site longer than planned to limit the amount of crew changes, even sacrificing planned breaks. A pulse-survey was done, which showed an increased engagement level throughout the organization.
Customer demand development	Customer activity was impacted by restrictions and supply chains and transports were disrupted, primarily at the end of the quarter. Epiroc prioritized supporting customers with spare parts, rock-drilling tools, and other essential services to keep customers' operations running.	In April and May, a large number of customers had to temporarily stop operations or work with reduced capacity due to Covid-19 restrictions. At the end of the quarter, fewer customers were impacted by the restrictions.
Impact on Epiroc operations	In January, Epiroc had its first case of Covid-19. Throughout the quarter, the situation changed rapidly and by the end of the quarter, some critical suppliers and some Epiroc facilities were closed temporarily. Among others in Canada, South Africa, India and Italy.	In production, short-time work was implemented and contingency plans were initiated. In the supply chain however, changed freight lanes, shutdowns, and border closures resulted in a higher activity level than ever before.
Financial impact on Epiroc's results	As most of the impact from Covid-19 was towards the end of the quarter, the financial impact in Q1 was limited.	The Covid-19 pandemic affected Epiroc's orders, revenues and profit significantly in the quarter. Revenues were down 15% organically compared to the previous year. Cost savings however, contributed to a resilient operating margin.



Q3	Q4	In the future
The number of cases slowed down as a result of actions and restrictions, but the risk remained high.	The pandemic increased in strength again, resulting in more restrictions. Vaccinations started.	Collaboration between suppliers and customers is more important than ever in a world where restrictions can change the conditions of doing business overnight. To be able to prioritize and to continuously improve presence and supply chain is key to remain the supplier of choice. It is clear that Epiroc's decentralized organization adapts quickly when demand and/or the working environment changes. The actions taken in 2020 will make Epiroc even more efficient for the future. We have new digital ways of working that support customer interactions and improve collaboration further. As the customer demand for automation and digitalization solutions accelerated during the pandemic, we continue to emphasize and innovate in these areas.
Besides encouraging employees to remain careful, Epiroc stressed the importance of social interaction. Anniversaries and other celebrations were mentioned as good reasons to interact - virtually of course. In the Epiroc University, several classes were launched on "working digitally". The classes cover technical aspects, how to improve IT-security and increase social interaction when working online.	Epiroc continuously highlighted the importance of safety and psychological well-being. In the annual employee survey, questions were added to follow up on the previous Covid-19 pulse survey. The employees appear to remain positive and feel that Epiroc is taking a genuine interest in their health. The engagement score increased compared to last year, despite the pandemic.	
The customer demand improved compared to Q2, as the effects from Covid-19 restrictions were more moderate. The lower activity in some markets still impacted the aftermarket demand.	The customer activity and demand was stable compared to Q3 and improved compared to the previous year, despite the rising number of infected people and increased restrictions.	
The distribution centers and manufacturing facilities were operational and the capacity was adapted to the demand. Deliveries and commissioning of equipment were largely carried out as planned - many times virtually.	At the end of the year, Epiroc's facilities were operational. The restrictions had some negative impact on transport and supply chain, while focus remained on prioritizing deliveries of components and parts to keep customers up and running.	
Covid-19 restrictions impacted revenues negatively in the quarter, but less than in Q2. Revenues decreased 3% organically. The efficiency actions were executed according to plan and supported the profit and the cash-flow generation.	The stable demand impacted revenues, which improved compared to Q3. The long-term efficiency actions that were initiated earlier in the year started to yield results, which led to an improved profitability.	

For further information, see page 45 (sustainability) and pages 72-79 (risks).

This is Epiroc

Epiroc is a vital part of a sustainable society and a global productivity partner for mining and infrastructure customers. With ground-breaking technology, we develop and provide 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.

Sales in

>150 countries

Revenues

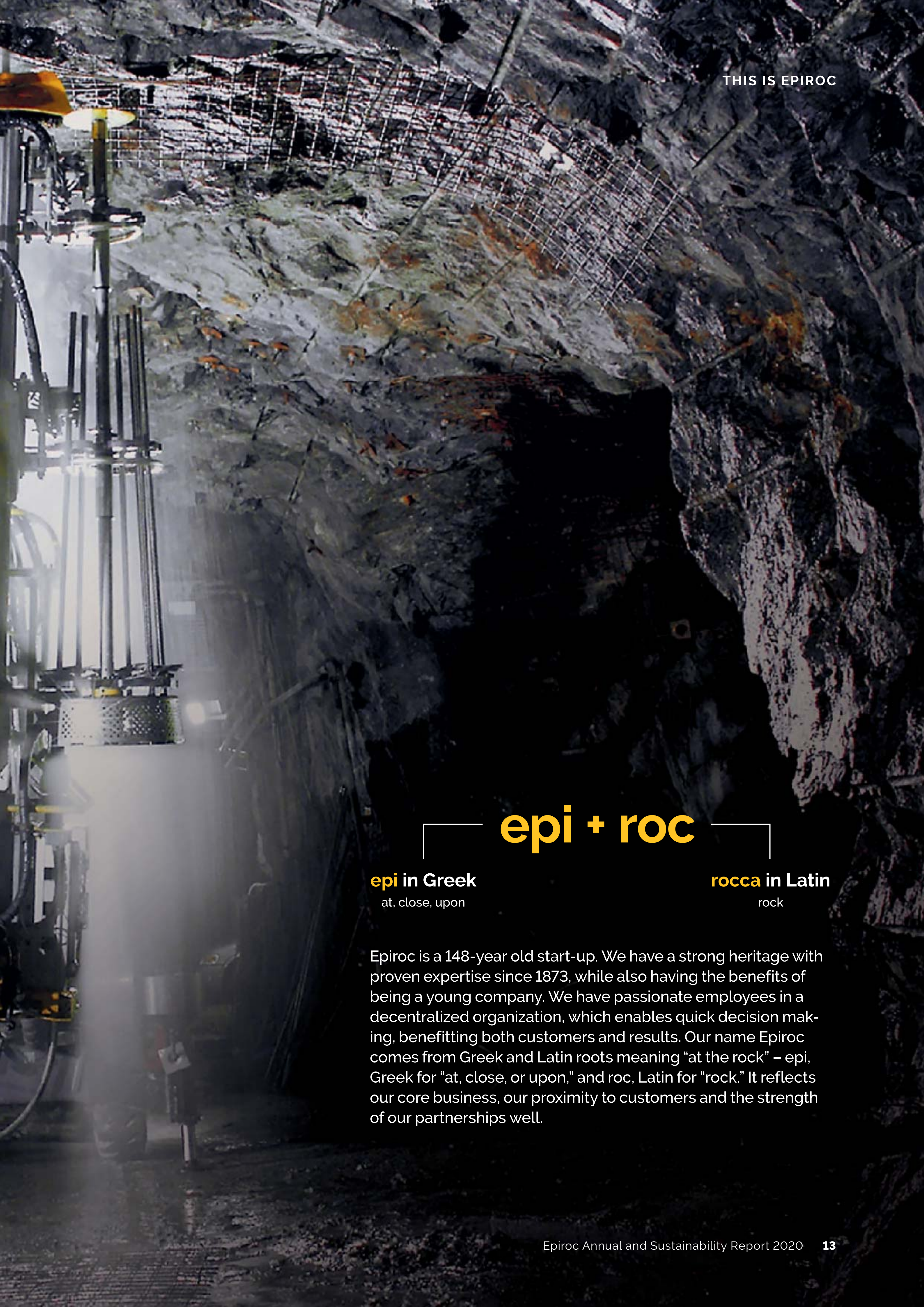
MSEK 36 122

Operating margin

20.4%

Employees, Dec. 31

13 840



epi + roc

epi in Greek
at, close, upon

rocca in Latin
rock

Epiroc is a 148-year old start-up. We have a strong heritage with proven expertise since 1873, while also having the benefits of being a young company. We have passionate employees in a decentralized organization, which enables quick decision making, benefitting both customers and results. Our name Epiroc comes from Greek and Latin roots meaning “at the rock” – epi, Greek for “at, close, or upon,” and roc, Latin for “rock.” It reflects our core business, our proximity to customers and the strength of our partnerships well.

Innovative, safe and sustainable solutions for increased productivity

We take pride in leading the mining and infrastructure industries in becoming more intelligent, efficient and sustainable. When our customers evaluate suppliers, they strive to improve productivity and lower the total cost of ownership while also improving sustainability performance. Our innovation leadership in areas such as automation, digitalization and electrification in combination with a strong track record of quality and reliability is highly valued.

Equipment

Mining

76%
of orders received in 2020

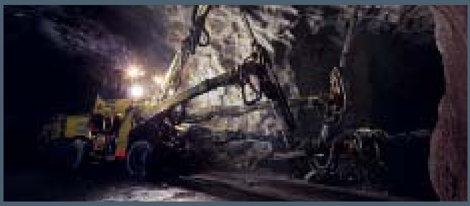
Underground mining
- Underground drill rigs
- Loaders and trucks
- Mechanical rock excavation
- Rock reinforcement equipment
- Ventilation systems

Surface mining
- Surface drill rigs

Exploration
- Core drill rigs
- Reverse circulation drill rigs
- Oil and gas drill rigs

Infrastructure

24%
of orders received in 2020



Underground civil engineering
- Underground drill rigs
- Loaders and trucks
- Rock reinforcement equipment
- Ventilation systems

Surface civil engineering
- Surface drill rigs
- Water well drill rigs
- Dimensional stone drill rigs

32%
of orders received in 2020

Robust electric loader

The Scooptram EST1030 is a fast, electrically powered loader with a 10 tonne capacity for unparal-leled productivity in mining oper-ations. With its durable, easy-fill bucket, this loader is designed to work hard and last over the long haul. Even in the toughest under-ground environments, the opera-tor enjoys a quiet, ergonomically designed cabin with safe, easy access to all service points.

Aftermarket

Service

- Service agreements and audits
- Supply of spare parts and components
- Midlife services, training, and other service products

Tools

- Rock drilling tools
- Exploration drilling tools
- Ground support tools

Attachments

- Products and working tools for demolition, rock excavation and recycling, such as breakers, cutters, pulverizers, grapples, magnets, compactors, bucket crushers.

68%

of orders received in 2020

Our value-creating strategy and the way forward

We aim to be the clear market leader in selected attractive niches within mining and infrastructure

Focus on attractive niches
Attractive niches are those in which our technically advanced equipment and aftermarket solutions are mission critical for the customers. Safety, reliability and productivity have a significant impact on success when drilling and excavating hard rock. If we can help our customers to be successful, we will be successful too.

Sustainability and a strong company culture are our foundation
Epiroc has a strong company culture. With passionate employees and leaders, we secure a high-performing organization and remain the employer of choice. Sustainability is embedded in everything we do and our innovation agenda is aligned with our customers' sustainability agenda. We see sustainability as a competitive advantage and a driver of long-term growth.

Innovation
We continue to invest heavily into Innovation, securing that Epiroc remains the technology leader.

Aftermarket
We put a high focus on growing our aftermarket as it provides us resilience over the cycle. With the aftermarket, we can make a difference for our customers and remain the true productivity and sustainability partner.

Operational Excellence
We relentlessly strive for operational excellence – to continuously improve performance, efficiency and effectiveness. We want to be the industry benchmark.

Outperformance
To grow faster than the market with an industry-best margin is what we mean by outperformance. We can achieve this with our exposure to attractive niches, a strong foundation, and a strategy focusing on innovation, aftermarket and operational excellence.

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 number 1 or 2 in the market. Acquisitions will primarily be made in, or close to, our core businesses. We look to acquire businesses that can enhance our technology leadership, our presence in the market and/or our offer to the market.

Our vision

Dare to think new

Our mission

Drive the productivity and sustainability transformation in our industry

Our core values

Innovation

We are creative, courageous and open minded, with the imagination to develop new ideas and the initiative to bring them to market

Commitment

We are committed to meet and exceed expectations by staying connected to our customers, technology and the environment

Collaboration

We believe in close collaboration with customers, colleagues, partners and other stakeholders

Our strengths and goals

For 148 years, we have relentlessly focused on helping our customers to achieve improved safety and higher productivity. This has made us one of the leading global suppliers within our niches.

We are a leading productivity and sustainability partner in attractive niches

Read more on pages 20-23.

We have a high proportion of recurring business

Read more on pages 24-25.

We drive the future in intelligent mining and infrastructure

Read more on pages 26-29.

We have a strong and proven operating model

Read more on pages 30-31.

We create value for our stakeholders

Read more on pages 32-33.

Financial goals

Goals	2015–2020	2020
Epiroc's goal is 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.	**5%** Compound annual growth rate	**-12%** Revenue growth
Epiroc's goal is to have an **industry-best operating margin, with strong resilience over the cycle**.	**18.9%** Average operating margin	**20.4%** Operating margin
Epiroc's goal is to **improve capital efficiency and resilience. Investments and acquisitions shall create value.**	**25.4%** Average ROCE	**21.7%** ROCE
Epiroc is to have an efficient capital structure and the flexibility to make selective acquisitions. The goal is to maintain an **investment grade rating.**		**BBB+** Epiroc is assigned a BBB+ long-term issuer credit rating with a stable outlook
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.**	**50%***	The proposed dividend corresponds to **56%** of net profit**

* Average of dividend paid in the period 2019-2020 and the Board's proposal for dividend for the fiscal year 2020.
** As proposed by the Board; A dividend of SEK 2.50. In addition, the Board proposes a distribution of SEK 3.00 per share through mandatory redemption.

Sustainability goals and KPIs

Epiroc has set a number of sustainability goals and key performance indicators (KPIs) to ensure that our business stays competitive and ethically sound – both in the short and in the long run. The full range of sustainability goals can be found on pages 34-49 and 138-145.

We use resources responsibly and efficiently

Read more on pages 38-41.

We invest in safety and health

Read more on pages 42-43.

We grow together with passionate people and courageous leaders

Read more on pages 44-45.

We live by the highest ethical standards

Read more on pages 46-49.

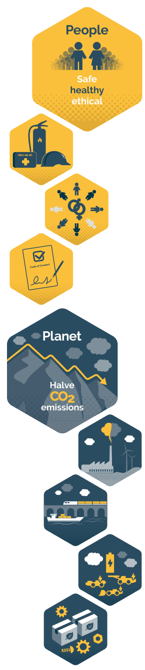
Epiroc 2030 goals for people and planet

Health and safety
- Substantially reduce work-related injuries

Balanced workforce
- Double the number of women in operational roles

Ethical: Walk the talk
- Have all employees and business partners comply with Epiroc Code of Conduct
- Responsible Sales Assessment Process implemented

Halve CO_2 emissions
- Halve CO_2 emissions in operations
- 90% renewable energy in own operations
- Halve CO_2 emissions from transport
- Offer a full range of emission-free products
- Halve CO_2 emissions from machines sold
- Require 50% reduction of CO_2 emissions from relevant suppliers

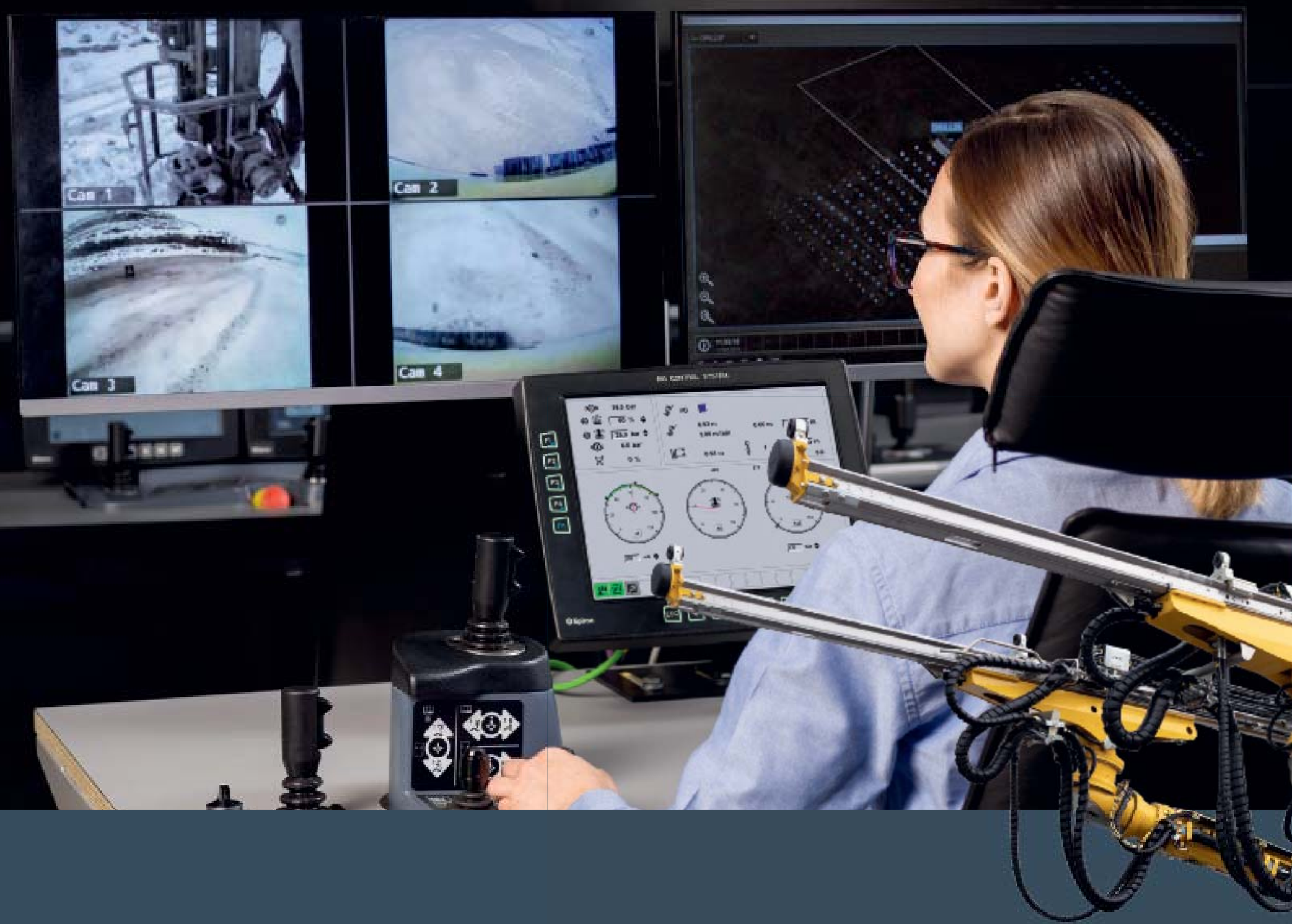


Examples of sustainability KPIs

Focus areas	KPIs	2016–2020, average	2020
We use resources responsibly and efficiently	Renewable energy from operations incl. renewable mix, % of total energy	59%	64%
We invest in safety and health	Lost-time injury frequency rate (LTIFR)	3.2	2.0
We live by the highest ethical standards	Significant suppliers that confirmed compliance with the Epiroc Code of Conduct, %	98%	99%
We grow together with passionate people and courageous leaders	Leadership Index	70*	71
	Women employees in the Group, %	15.6%	15.7%

* 2019-2020.

We are a leading productivity and sustainability partner in attractive niches



Boomer E2

The Boomer is one of our most sold face-drilling rigs. It is equipped with the award-winning RCS and delivers precision and productivity. It is also available with battery-electric drive train. A new generation, fully equipped for autonomous operations, will be launched in March.

We provide equipment, services and consumables to customers in attractive selected niches in the mining and infrastructure market. Our equipment is primarily used in hard-rock applications. In such an environment, customers require reliable high-performance equipment as well as service and maintenance.

Leading productivity and sustainability partner

Our customers prefer working with suppliers that have a track record of high quality and reliability. The customer's cost for our equipment and services is a relatively small proportion of their total cost of operations, yet these are critical for the customer's overall performance and productivity. As equipment often is utilized on a 24/7 basis, it can be very costly if the equipment is not available. A stoppage can decrease the customer's production volumes.

To ensure that we remain the supplier of choice, we innovate and develop, together with our customers, solutions that improve their operations. Other important aspects are to be present, be quick in responding to customer needs and to have qualified employees. We believe in close collaboration with customers to create strong and long-lasting partnerships.

Sustainability is another important aspect. It is a competitive advantage and a driver of long-term growth. We want to enable a sustainable transition of the industry. Therefore, we always keep safety and reduced environmental footprint in mind when innovating. For example, our goal is to offer a complete fleet of emission-free equipment by 2030 and by 2025, we plan to have all our underground equipment with a battery-electric option.

Besides close collaboration with customers and partners, we also have our Sustainability Policy to guide us. Aligned with our Code of Conduct, we adhere to high standards across the entire value chain. It includes respecting human rights and taking a clear stance against corruption.

Strong customer relationships

We go to market primarily through a direct sales and service network, which creates significant customer closeness and contributes to our strong customer relationships. Approximately 85% of our revenues are generated by direct sales interaction.

Mining customers are often large with several production sites around the world, but there are also customers with only one worksite. Sometimes mining companies use contractors for mine development, production and/or exploration. Mining customers extracting gold and copper represent a large portion of our revenue exposure.

Within infrastructure, we have a more diverse customer base, with both large global players and small customers, for example, contractors that own only one machine or hydraulic attachment. Rental companies are also customers.

Our top 10 largest customers accounted for 20% of revenues in 2020. None of the 10 largest customers dominates our revenues.

Customers include Anglo American, Astaldi, Boliden, BHP, Dragados, Freeport-McMoRan, Glencore, Goldcorp, Heidelberg Cement, Hochtief, LKAB, Rio Tinto, Vale and Votorantim.

Our customers are increasingly focused on driving synergies by narrowing the number of equipment providers, which benefits larger and more stable players, such as Epiroc.

Meeting our customers' key challenges

Our customers' key challenges include increasing productivity and equipment utilization while lowering costs. In addition, our customers put great emphasis on enhancing health and safety conditions and improving environmental performance in their operations. Our offering helps our customers to increase productivity in a sustainable way. We put great efforts into automation, digitalization and electrification, which enable disruptive and successful solutions.

Collaborate with the best

We collaborate with several equipment and service providers, technology companies and universities to drive further innovation in the industry. Examples of collaborations are with Ericsson for 5G technology, Orica for a semi-automated explosives delivery system, ABB for electric drive trains, Northvolt for batteries, and Saab Combitech for information management systems. We are also engaged in the projects European Sustainable Intelligent Mining Systems (SIMS) and Sustainable Underground Mining (SUM).

We grow together with committed people and courageous leaders

Being a relatively young company, creating a unique identity is an exciting task with rich possibilities. We see ourselves as a dynamic company with a vast experience and our values - innovation, commitment and collaboration - clearly define the way we work. Our employee survey that was conducted at the end of 2020 showed that Epiroc is an appreciated employer with engaged employees. Despite the pandemic, the engagement level rose and remained above external benchmark levels.

Attractive global niches

Epiroc has a wide range of customers, most of which are found within mining and infrastructure. On a global scale, both markets are large; however, Epiroc focuses on, performance-critical niches in hard rock excavation. The equipment and services we provide represent a rather small part of the customers´ total cost of operations, yet they play a vital role in customers' production. The value of having productive equipment running or, conversely, the cost of standstill is much higher than the marginal extra cost of premium quality equipment and knowledgeable and efficient service people. To put it simply, we want to be in niches where we can make a positive difference for our customers.

Mining market

In the coming years, the expected increase in production of commodities such as gold, copper, platinum and nickel is expected to support the demand for Epiroc's products and services.

The increased extraction of ore should increase demand for new equipment as well as for consumables, maintenance, refurbishment and overhaul; collectively known as the "mining aftermarket".

The aftermarket potential depends on total fleet of equipment in operation as well as on equipment utilization levels. The equipment is frequently used in harsh environments, which drives the need for maintenance, and replacement of parts and consumables. Higher utilization also drives the need for maintenance and replacement of equipment to safeguard productivity.

The aftermarket needs tends to be recurring and relatively stable through the business cycle, and generally less discretionary than capital expenditure on equipment.

Infrastructure market

Population growth, urbanization and sustainability are only a few of the long-term drivers for growth in the infrastructure market. In addition, low interest rates encourage further growth in infrastructure investments. There is a significant pipeline of large infrastructure projects globally, such as new railways, bridges and roads. Another positive trend within infrastructure is demolishing and recycling, which benefit the demand for Epiroc's hydraulic attachments tools.

Strong position in a competitive environment

With our innovative, safe and sustainable solutions, we have established a strong value position to our customers. Our niches in the value chain tend to be characterized by relatively higher scale and technological capabilities. This means that barriers of entry are quite high due to complexity of products and service. In general, our markets are relatively consolidated with a limited number of large competitors on a global scale.

A main equipment competitor is Sandvik, which we meet within drilling, loading and hauling in hard-rock environments. 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.

In general, the competitive landscape for consumables, i.e. rock drilling tools as well as for hydraulic attachments is more fragmented than the market for equipment, with several smaller or local players focused on individual products.

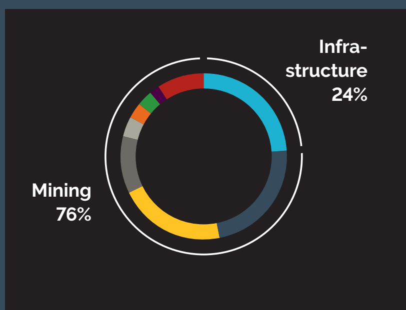
For service and maintenance, the customers often have own resources, but we also compete with third-party suppliers.

Well-positioned in attractive niches

Mining

- Large customers
- High expenditure per customer
- Equipment remains in the mine only moving within the site
- Continuous operations

Hard-rock exposure (Orders)



- Gold, 23%
- Iron, 11%
- Zinc, 3%
- Platinum, 2%
- Copper, 21%
- Nickel, 4%
- Coal, 3%
- Others, 9%

Infrastructure

- Large number of customers
- Lower expenditure per customer
- Equipment moving from worksite to worksite
- Project-based business

Attractive market trends

The long-term trends within our niches are characterized by structural growth. A growing global population, urbanization trends and strong focus on electrification create underlying demand for increased rock excavation and extraction of minerals. Our customers meet several challenges in excavating, such as declining ore grades and trends towards underground mining – with lower productivity as a result – and an increasing focus on safety and sustainability.

A growing world

Our markets are structurally underpinned by a growing population and economic expansion. Population growth implies higher consumption of capital goods and services while urbanization will drive investments in, for example housing, hospitals and infrastructure.

Together, population growth and urbanization will drive demand for metals and minerals and infrastructure investments, such as railways, bridges and roads. This, in turn, is expected to support demand for our products, services and solutions.

In addition, the strong electrification trend drives the metal demand further, particularly for copper and nickel.

Increasing challenges to meet demand

While demand is growing structurally, the complexity and costs of excavating hard rock are increasing. As a starting point, the utilization rates of equipment in mining is low compared to other industries. In an underground mine for example, utilization rates can be below 30%. Customers therefore seek higher productivity and lower cost of operations. This leads to an increased demand for more advanced equipment and solutions. Examples of requested solutions are automation, increased connectivity and monitoring, including data-driven service.

Declining ore grades

Ore grades, which measure the percentage of the mineral content in ore, have steadily declined historically. For copper, as an example, the decline in ore grades has ranged between 1-3% during the last 30 years. The decline in ore grades requires more rock to be excavated for any given quantity of a mineral, which increases the demand for our equipment, services and solutions.

Shift towards underground mining

Underground mining is growing and increasing its share, especially in commodities such as gold and copper. Declining ore grades, deeper deposits and (in some geographies) a regulatory push for underground over open pit, contribute to the growth of underground mines. In addition, underground mines are going deeper, on average 30 meters every year, which increases the demand for underground mining equipment further. Deeper mines also increases the demand for improved safety solutions, automation and battery-powered equipment.

Strong focus on safety and sustainability

There is a strong focus on improving safety conditions for employees within mining and infrastructure. For underground extraction, this becomes even more evident. In addition, society, as well as our customers, have a strong focus on environmental responsibility and have high ambitions on reducing environmental impact. Customers seek to reduce emissions, noise, waste and other negative impacts on the environment and society. Another strong trend is demolition, recycling and life-cycle solutions.

We provide the right solutions!

We provide safe and sustainable solutions, increased productivity and we lower total cost of ownership for our customers. Read more on how we lead the shift in our industry towards intelligent mining and infrastructure on page 26-29.

Attractive market trends

A growing world...
Increases the underlying need for infrastructure and minerals

...with increasing challenges to meet demand...
Driving cost of hard rock excavation

...and strong focus on safety and sustainability

We have a strong position and the right solutions to meet the customers' challenges
Safe and sustainable solutions, increased productivity and lower total cost of ownership

We have a high proportion of recurring business

Our aftermarket offering safeguards safety and productivity for our customers. We supply spare parts, consumables, maintenance, training and more. In 2020, the aftermarket revenues represented 68% of our revenues. It is a growing and recurring business over time.

A broad aftermarket offering

Given that our equipment often is mission critical to customers, a rapid response time and highly skilled and dedicated service technicians are key to success. As much of the operations performed by the equipment are demanding, the consumption of spare parts is high and some tools can even be changed at daily intervals. Availability and trust are important success factors. Our customers need to know that we are there for them and that we can provide the aftermarket solutions they need, when they need it.

Our aftermarket business employs more than 70% of the total Epiroc workforce. To have experienced employees with technical know-how who work in a safe way is important to us and we prioritize investments in the aftermarket to safeguard an excellent service organization.

Installed base and potential for further growth

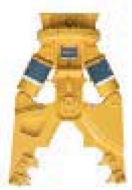
Customers' spending on consumables and services tends to be recurring and relatively stable over the cycle. In periods when capital expenditure is reduced, maintenance and overhaul of equipment is even more important to safeguard productivity.

We have a large installed base of equipment in harsh environments with significant maintenance requirements as a result. The average equipment age in our installed base is about seven years and approximately 25% of the equipment is older than 10 years. As the equipment gets older, the demand for maintenance and service increases, as does the demand for solutions such as mid-life upgrades.

In 2020, Epiroc catered to about half of the installed base of equipment. By having an increased number of connected

Examples of premium products in Tools & Attachments

Hydraulic breakers for demolition



Combi cutters for demolition

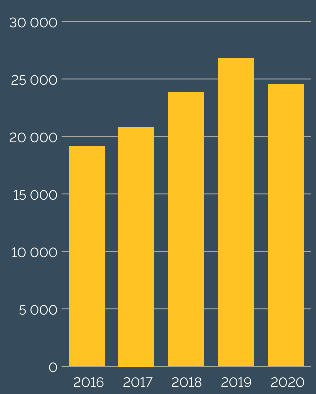
Drum cutters for hard material profiling

Magnets for picking up scrap metal

Broad aftermarket offering

Spare parts and components	Service agreements and audits	Midlife services, training, and other service products	Rock drilling tools	Hydraulic attachments
Service			**Tools & Attachments**	
43% of revenues in 2020			**25%** of revenues in 2020	
Reported in Equipment & Service				

Aftermarket revenues



Aftermarket revenues, MSEK

machines, working more systematic with servicing the customers, as well as continuing with our supply-chain improvement program, we can service a higher share of the installed base in the future.

Service

Service and spare parts are an essential part of our offering. Our service organization focuses on spare parts supply, service, support solutions and training. The spare parts are often proprietary.

Service is available for the complete range – from customers that require Epiroc staff constantly on site - to those that take care of the equipment themselves, and only need technical advice or training support.

We offer a wide range of service agreements and service products, e.g. remanufacturing and midlife services, solutions that extend the life of a component or a complete machine. In addition, we offer upgrades and conversion kits that add additional features or improvements to specific equipment, such as connectivity and batteries.

We collaborate closely with our customers to safeguard that we deliver the service and the solutions that match their maintenance strategy and vision.

Rock drilling tools

We provide an extensive range of high-end consumables for rock drilling, exploration drilling and rock reinforcement. The rock drilling tools are primarily attached to rock drilling equipment and can be used on both Epiroc and other manufacturers' equipment.

Rock drilling tools include, for example, drill bits and drill rods for drilling in underground and surface applications.

Exploration drilling tools are used for exploration.

Rock-reinforcement systems are used for efficient rock support in mining and infrastructure applications.

Hydraulic attachments

Applications in hydraulic attachments include rock breaking and excavation, demolition of buildings, asphalt, concrete and steel structures, separation of material, recycling and waste handling. The hydraulic attachment tools are used for excavators and other carriers by customers active in construction, demolition, recycling and mining.

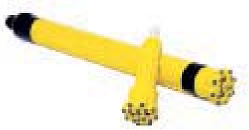
Sustainable aftermarket

Our aftermarket solutions provide sustainability gains for our customers. The maintenance and spare parts aim to increase productivity to our customers and can also prolong the life of the equipment. A mid-life upgrade can for example both prolong the useful life and increase efficiency.

Our rock drilling tools are durable and efficient, which means that they last long and drill fast. This leads to more meters drilled per hour and lower costs for production.

In addition, our hydraulic attachments are important for a more sustainable society as they many times are used in recycling.

Tophammer rock drilling tools



Down-the-hole hammers and drill bits

Rotary drilling tools

Rock-reinforcement systems

Exploration consumables

Keys to aftermarket success

Presence

Presence is vital and a competitive advantage. We have a global presence, supporting our customers in more than 150 countries.

Efficient supply chain

Our supply-chain improvement program for parts and consumables will improve availability, reduce costs and inventories.

Technical know-how

Our service technicians are specialized and have deep knowledge about the equipment, its applications, data, and digital solutions.

Focus

In line with our decentralized operating model, we have dedicated and focused organizations for the different areas of the aftermarket.

People and leadership

Highly skilled and dedicated service personnel supporting our customers.

We drive the future in intelligent mining and infrastructure

Our committed employees drive continuous innovation to provide safe and sustainable solutions that lead to higher productivity and lower total cost of ownership for our customers. We believe that technologies such as automation, digitalization, and electrification play a vital role in achieving this.

Battery-electric vehicles improve workplace health, reduce emissions and lower ventilation cost

We offer a broad range of battery-powered equipment for underground applications. There are clear benefits for the customer to go with electric equipment. They save cost on ventilation; reduce their greenhouse emission gases and improve the health of their employees.

Electric motors also offer high efficiency and lower temperatures and require less maintenance compared to their diesel equivalents. This means increased productivity and lower costs for our customers.

High ambitions

Electrification is however nothing new for us. Most of our underground drill rigs have been electrified for many years through cables, and in 2016 we launched our first fully battery-electric machines.

Looking forward; by 2025, we plan to offer a complete range of battery-powered underground equipment and by 2030, we have a goal of providing a full range of equipment with a battery option.

Epiroc batteries

Our batteries are designed with modularity and safety in mind, ensuring that each individual part of the battery can be monitored and controlled separately. This allows for tailor-made setups and easy maintenance. The rugged and robust design makes it perfectly suited for any operation; underground or on the surface.

By utilizing technology first intended for the on-road industry, we can guarantee optimal performance. We are proud to offer the world's first battery intended for the mining industry with CE Certification, Low Voltage Directive, Electromagnetic Compatibility (EMC) directive and the Radio Equipment directive.

Another positive thing with our battery solution is that the batteries are easily swappable. This enables continuous operations and reduces the need for costly investments in electric cables and grid network for the customer, as the existing installation is sufficient.

Batteries as a Service

We have launched a solution that provides all the benefits of electrical power, but eliminates the risks of owning batteries. We call it "Batteries as a Service".

We take full responsibility for the batteries, from certification to maintenance plus technology upgrades, using a truly circular business model. We make sure that the battery has the required capacity for the application, we keep track of the battery performance and we replace batteries when needed.

The customers do not need to buy the batteries, or even lease them, but instead purchase the battery operation service for the electric vehicle. The batteries can be used in both Epiroc and other manufacturers' equipment.

Battery retrofit

We also offer battery retrofit for existing equipment, in which the diesel engine is replaced with an electric equivalent. The retrofit offering starts in 2021 with the ST1030 loader and will gradually be rolled-out to more models.

Customer example

Battery-electric: Standing the test

Epiroc and mining company Agnico Eagle have had battery-powered machines in the Kittilä mine in Finland since April 2019 – and things are looking good for the future of emission-free equipment.

The Epiroc equipment in Kittilä plays an important role in the testing of battery-powered equipment in an operational mining facility. Focus has been on productivity, operational performance and energy consumption, as customers demand that battery-electric vehicles works as well as vehicles with diesel engines.

And the outcome? The feedback from operators who have participated in the testing is very positive; no one misses the old diesel machines and the equipment works well. The charging of the equipment has worked well, too, and the existing electrical installation is enough to support the charging stations.

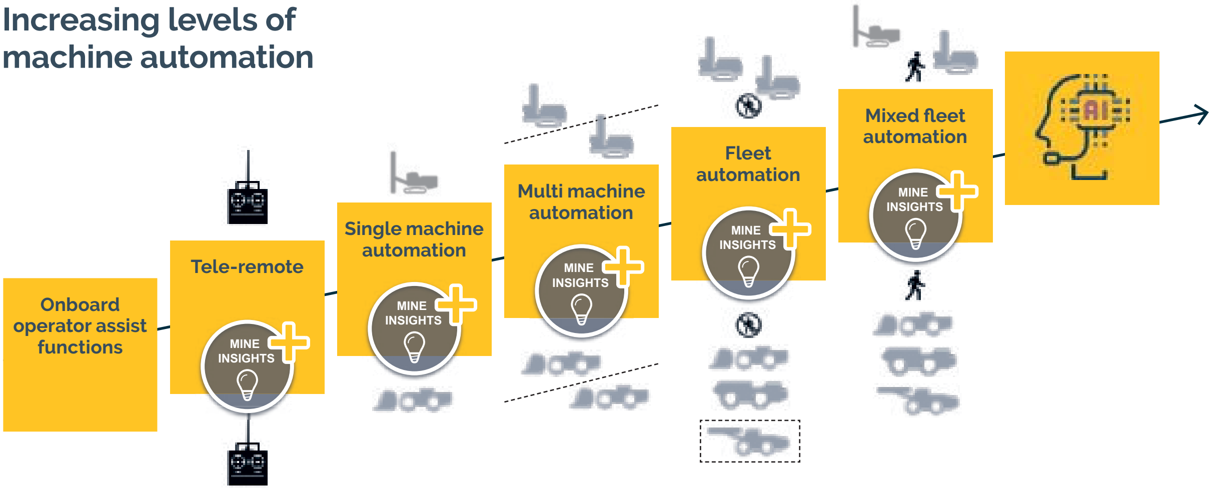
Automation strengthens safety, increases productivity and lowers cost

We offer solutions for automation covering a broad spectrum of equipment and applications including drilling, loading and haulage. Automated machines are connected to a traffic management system, with the operators monitoring the entire fleet of equipment and giving instructions to the machines on what tasks to perform. We have an OEM-agnostic approach and our system has proven successful in connecting other equipment suppliers' vehicles at several mines.

The automation journey

To capture the potential of automation, one has to take one step back and see it as a customer journey. Some customers want to start their journey with less sophisticated, yet productivity-enhancing solutions. We lower the hurdle and bring our customers on the "journey" by providing a wide range of solutions. See the illustration "Increasing levels of machine automation" below.

Increasing levels of machine automation



Customer examples

Going beyond automating own equipment

Epiroc and ASI Mining have delivered a safe and interoperable solution for Roy Hill's mixed truck fleet in Australia, with an ability to expand to other vehicle types and manufacturers. In the next phase, as much as 300 assets can be connected to the autonomous system. This will be one of the largest deployments of mixed-fleet automation globally. A very strong example of how Epiroc's automation solutions take a customer's operation to the next level, with increased safety and productivity as a result.

Examples of solutions within automation, information management and digitalization

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 already resulted in significant market attention and multiple orders.

Epiroc rig control system

The Epiroc rig control system (RCS) provides the machine operator full control over the machines. With RCS, drilling, loading and haulage can be controlled and monitored from the cabin or a safe place, such as in a remote location. Today, all of our most advanced equipment for mining and infrastructure applications is equipped with RCS.

Information-management solutions

We lead the development of mining information management solutions. These solutions are developed based on customer insights and data-driven analysis from customers all over the world. We continuously develop our offering in close collaboration with our customers. Certiq and Mobilaris are examples of our information-management solutions.

Certiq – a telematics solution

Certiq collects, compares and communicates vital equipment information and is an important building block towards increased productivity and automation. Via a user-friendly web portal, Certiq provides real time production data, both for individual units and entire fleets. The system provides a total overview and can also handle maintenance planning.

Mobilaris – situational awareness

Our Mobilaris solution enhances safety, productivity and smooth traffic flow underground. It provides drivers and operators with 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.

ASI Mining – Autonomous solutions

Epiroc and ASI Mining offer on-board hardware and software that convert vehicles to autonomous operation, as well as a software platform for command and control of autonomous fleets across various mining applications. The solutions can be integrated with various mobile equipment, regardless manufacturer or model. The ASI Mining solutions enable higher productivity and improved safety.

My Epiroc – track everything, act anywhere

With MyEpiroc, which is 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 MyEpiroc.

Automation for mixed fleet underground

In Australia, Epiroc and Newcrest Mining have successfully managed to deploy one of the first underground autonomous mixed-fleet solutions in the world at a major block-caving mine. Not only the Epiroc ST18 loaders are autonomous, but also the machines from another equipment supplier. The underground conditions are demanding. The fully autonomous and unmanned loaders are targeted to run 25–26 km/h speed underground, while having only 30 cm margin to the sharp hard-rock tunnel walls on each side.

Technology boosts mucking rate

Hudbay Minerals in Canada needed to lower the number of hours spent moving ore, while reducing variability in the number of buckets mucked per stope per shift in their 777 zinc-copper mine. Therefore, they launched a three-month pilot project in partnership with Epiroc to determine whether Mobilaris Mining Intelligence could make a difference. And it did. Tracking equipment from 25 access points at increased the mucking rate by 7%. Hudbay is now also planning to install Mobilaris at Lalor, its gold-zinc mine.

We have a strong and proven operating model

We have a focused and decentralized organization with the ability to adapt quickly and effectively to changes in demand. Our resilience builds on a high degree of direct sales, a large aftermarket business, a flexible and asset-light manufacturing philosophy and a sharp focus on innovation.

Focus and decentralization

Our organization is based on the principle of decentralized responsibility and authority, which is a facilitator for quick decision-making. We have two reporting segments and five divisions. Each division is responsible for the global operations within their offering.

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

High degree of direct sales

We generate sales in more than 150 countries and we go to market primarily through a direct sales and service network, which contributes to strong customer relationships.

Approximately 85% of our revenues are defined as "direct" and we have customer centers in more than 60 countries

Local presence is important as demand can vary greatly between markets and different equipment usage.

Our equipment is sold by sales engineers with strong application knowledge and our service technicians support our customers – all over the globe – in achieving improved productivity and increased sustainability.

We are a leading global supplier in our niches and that comes with a responsibility. One of our focus areas within sustainability is to "live by the highest ethical standards", which we also aim for when it comes to our sales generation. Therefore, we continuously improve our Responsible Sales Assessment process.

Strong aftermarket business

We have a substantial installed base of equipment in harsh environments, which requires frequent maintenance, as well as replacement of tools and attachments.

Customers' spending on consumables and services tends to be recurring and relatively stable over the cycle. As an example, when capital expenditure is reduced during an economic downturn, maintenance, refurbishment and overhaul of equipment is even more important to extend equipment life.

Strong and proven operating model

Focus and decentralization	High degree of direct sales	Strong services business	Flexible manufacturing	Sharp focus on innovation
Quick and efficient decision-making	85% direct sales	Aftermarket represents ~2/3 of revenues	75% of product cost for equipment is purchased	Leadership in automation, digitalization and electrification

Flexible manufacturing

Our asset-light manufacturing and logistics setup has been organized to enable fast and effective 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, assembly cost and overheads.

Our in-house production consists mainly of producing critical core components and assembly. As the majority of the production is conducted by suppliers, the production of equipment is flexible and can quickly be adjusted to volume changes.

Sharp focus on innovation

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

A major advantage with working with partners is that we can leverage their innovations and continuous improvement in the material and components they provide to us. Of course, we have the same high ethical standards when it comes to our suppliers as we have on our own operations.

Beyond suppliers, we also collaborate with a number of service providers, technology companies and universities to drive further innovation. Some examples are Ericsson, ABB, Saab Combitech and Orica.

To save time to market and ensure that we have the best technologies available, we also invest in technology companies, for example Mobilaris (real-time positioning) and ASI Mining (autonomous solutions).

Minetruck MT65

Minetruck MT65 is a high-capacity underground truck, engineered with smart features to ensure high productivity in larger underground mining and construction operations.

Focused and decentralized businesses

Equipment & Service				Tools & Attachments
Surface	Underground	Technology & Digital	Parts & Services	Tools & Attachments
Develops, manufactures and markets a wide range of rock drilling equipment for use in surface mining, exploration, construction, quarries, as well as water well and oil and gas applications worldwide.	Develops, manufactures and markets a wide range of tunneling and mining equipment, including drill rigs, loaders, mine trucks and ventilation systems, for underground applications worldwide. Focuses on innovative product design and aftermarket support systems for added customer value.	Coordinates and develops technology solutions, and provides specialist consulting and engineering services. The division drives the automation, digitalization and interoperability expansions for Epiroc.	Provides a complete range of services with the aim of maximizing customers' productivity. The division focuses on spare parts supply, professional service, support solutions and training	Develops, manufactures and markets rock drilling tools and hydraulic attachment tools. The products are used for rock excavation, mining, construction, demolition and recycling. The division also provides related service.

We create value for our stakeholders

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

Attractive market trends

A growing world increases the need for infrastructure and minerals

- Growing population
- Urbanization
- Electrification

Increasing challenges to meet demand driving cost of hard rock excavation

- Declining ore grades
- Shift towards underground mining

Strong focus on safety and sustainability

Resources and input

Natural

- 146 GWh total energy use

Financial

- MSEK 43 886 in assets
- MSEK 1 032 in R&D expenses

Intellectual

- 7% of employees working with Research & Development
- 70% of employees involved in aftermarket solutions

Human (average)

- 14 012 employees
- 1 194 additional workforce

Strategy, foundation and operating model

Strategy for value creation

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. We will also create options for the future.

Focus on attractive niches

Innovation

Aftermarket

Operational excellence

Out-performance

Sustainability and a strong company culture being our foundation

Strong and proven operating model

- Focus and decentralization
- High degree of direct sales
- Strong service business
- Flexible manufacturing
- Sharp focus on innovation

Created value

Customers

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

Shareholders

- 33.6% total shareholder return (A share)
- 22.7% return on equity
- Proposed distribution to share-holders of MSEK 6 633, or SEK 5.50 per share

Employees

- Salaries and remuneration to employees of MSEK 7 881
- Reduced lost-time injury fre-quency rate

Society

- Commitment to long-term targets 2030
- Contributing to a low-carbon society
- Payments of income tax
- Local purchasing in communities where Epiroc operates

Business partners

- Long-term relations and business opportunities for a large number of suppliers and distributors

Our approach to sustainability and corporate responsibility

We see sustainability as a long-term growth driver. In 2020, we further strengthened our sustainability agenda. We defined long-term goals for 2030 to equip us for a fast-evolving business landscape. This ambition will set the tone of our approach for years to come and we want to drive the future in intelligent mining and infrastructure.

The Covid-19 pandemic reinforced for us the importance of sustainability integration into our sector and business. In 2020, Group Management continued to set Epiroc's sustainability agenda and the level of ambition for our 2030 goals. As a top management imperative, Group Management will continue to formulate and integrate sustainability and corporate responsibility strategies, targets and activities. Our 2030 goals not only reflect our contribution to the UN's 17 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.

Innovative, safe and sustainable solutions are key for us

Innovative, safe and sustainable solutions for increased productivity are crucial to our long-term growth. Through innovation, automation, digitalization and electrification, we are achieving measurable environmental and safety gains. Most important, we continue to reduce the CO_2 impact from product use. Sales of low-carbon alternatives, digitalization and automation have grown, especially through our 6th Sense range of automated and connected products. By 2030, we intend to halve CO_2 emissions generated from machines sold compared to machines sold in 2019.

Our underground drill rigs are powered by electricity during drilling. Our battery-electric equipment also uses electricity for tramming. We offer a range of battery-electric underground loaders and trucks, all of which enable zero-emission operations, provided renewable energy is available for charging. For surface operations, our electric and energy efficient drill rigs features significantly reduce CO_2 emissions and fuel consumption.

Innovation leadership in intelligent mining and infrastructure requires a collaborative approach with customers and other industry leaders. Through our extensive offering, we provide safe, efficient and low-carbon solutions that reduce the environmental footprint and meet customer demands for safe and sustainable solutions, which also contribute to reduce the negative impact on biodiversity.

We believe sustainability creates a competitive advantage. For this reason, we are investing heavily in R&D and are industry leading in battery-driven solutions. Although these still represent a small share of sales, they are a growing part of our business. Remote machine operation is also a core competency for Epiroc. Acceleration of automated and digitalized solutions helps us create low-carbon and safer workplaces.

Capturing opportunities and managing risks

Achieving strategic sustainability in traditionally conservative industries is a challenge. However, customer priorities in sustainability, efficiency and productivity help drive our agenda. The more energy efficient the equipment is, the lower the operating costs. To meet customer expectations, we track our equipment's energy performance. Our products also improve employee health and safety conditions thanks to solutions that enable more autonomous operations as well as remote control functionality, mechanization and battery technologies.

We 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. Business disruption caused by the Covid-19 pandemic has made the task of face-to-face interactions with customers and suppliers even more challenging. Another challenge for our customers is that they need to have access to renewable electricity if they are to reduce their climate impact.

Beyond CO_2 reductions, our range of water-well drill rigs exemplifies how our product offering can help tackle other sustainability challenges, such as access to water. During the year, we received a significant order for drill rigs in Eastern Africa.

We also provide essential tools for urban mining and "batteries as a service" as part of delivering on our role in the circular economy. 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.

Task Force on Climate-Related Financial Disclosures (TCFD)

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. We address the TCFD as part of our risk management process, see p. 144. Further information on how we work and measure impacts in energy, CO_2 emissions, materials, waste and water consumption in water-scarce regions is included. As a next step, we will develop targets and metrics aligned with TCFD guidelines.

We are also monitoring and working towards implementing the EU Taxonomy regulation. We will continue to communicate our role in the shift to a low-carbon economy, including progress on our CO_2 reduction targets and growing customer engagement in our circular economy offering. This means that our investors will be able to place our ambitions within the spirit of the EU Taxonomy as it evolves.

Guided by a strong corporate culture

Safety is deeply embedded into our culture. During the year, we continued with the three-year behavior-led SafeStart® program to improve all employees' awareness of what is leading to accidents and injuries to be able to change their behavior both at work and in their spare time. We see proof of accident reduction in those entities where SafeStart® has been implemented.

We aim to inspire all employees and dialogue with customers, employees and relevant stakeholders informs our strategy and way of working. The Epiroc culture is characterized by our decentralized approach, based on freedom

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_2 emissions products • Life cycle perspective • CO_2 emissions operations • CO_2 emissions transport	• Product safety • Occupational health and safety	• Leadership • Diversity • Employee care and empowerment • Crisis management	• Business ethics & anti-corruption • Supply-chain management • Human rights
KPI targets and performance 2020	• Total energy use in MWh/Cost of sales, MSEK 7.1 (target 6.5) • Renewable energy for operations, incl. renewable of mix, % of total energy 64% (target 64%) • CO_2 emissions from transport (tonnes)/Cost of sales, MSEK 4.1 (target 4.4)	• Lost-time injury frequency rate 2.0 (target 2.3) • Total recordable injury frequency rate 4.8 (target 5.3) • Sick leave, % 2.1% (target below 2.5%)	• Women managers, % 21.0% (target 22.4%) • Women employees, % 15.7% (target 17.5%) • Leadership Index 71% (target 73%)	• Significant suppliers, % that confirmed compliance with the Epiroc Code of Conduct 99% (target 100%) • Significant agents, resellers and distributors, %, that confirmed compliance with the Epiroc Code of Conduct 72% (target 97%)

Note: No KPIs on Group level established for the areas life cycle perspective, crisis management, employee care and empowerment but management approach, activities and information provided within this report.

with accountability, and how we integrate sustainability throughout the organization. Innovation and close collaboration with our customers attracts the right people and builds a respected brand and reputation. The leadership Index from our employee survey improved to 71 (69) in the year.

We aim to recruit from a diverse pool of talent. Attracting more women to our company and industry is imperative. In 2020, 21.0% (19.3) of managers were women. We also defined a 2030 goal to double the number of women in operational roles. We need to dramatically change our approach, and the 2030 target will help us get there.

Many initiatives are in place, both locally and globally, that include dedicated actions to attract more women to operational roles and to increase our inclusivity. They will be further strengthened going forward and include creating our Diversity & Inclusion Board, chaired by Epiroc's CEO, in the beginning of 2020, as well as cooperation with customers and external partners.

Guiding our approach

The Epiroc Code of Conduct (CoC), Sustainability Policy and core values continue to guide our approach to responsible business and employee actions. Epiroc is a signatory to the UN Global Compact, and we incorporate its 10 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 Speak Up policy and processes support a culture where issues and concerns are voiced, accountability promoted and trust built. Cases reported in the Speak Up system launched in 2019 grew and totaled 64 (44). As a learning organization, we embrace the lessons that can be learned from the issues and concerns raised with us.

We have global ISO 9001, ISO 14001 and OHSAS 18001 certifications that includes 58 of our entities. A strong focus on developing our global management system helps us align on our priorities and to ensure we all work to improve performance.

Progress on our journey

The year saw us take our ambitions to the next level, including setting 2030 goals and adopting a roadmap for achieving them. We focused on integrating sustainability deeper into business operations and we established the Live Work Elimination program, merging the expertise of our service organization and innovation team to fast-track safety improvements in electrical equipment and machinery operation.

During the year, we established a dedicated compliance function on Group level to strengthen our compliance program and we continued to raise awareness on compliance throughout the organization.

As in the past, we continue to measure progress through short-term goals. These help us ensure that performance improves year-on-year. Each target is defined to improve performance on our most relevant impacts. The Group's consolidated targets on selected KPIs are presented throughout this report.

In 2021, we will continue to follow the roadmap to achieve our 2030 goals and start reporting progress on them.

From 2021, progress in relation to targets set in these areas is part of the variable compensation for the Group Management as well as other employees.

We will also look into the Science-Based Target (SBT) initiative and the possible alignment of our 2030 sustainability goals.

For more information and sustainability performance metrics, see pages 138-145.

Materiality

We use a materiality process to identify the topics that are most relevant for Epiroc to work on. The process, conducted in 2017, helped 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 Standard 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 analysis as needed. Feedback from the process indicates increasing focus on both tackling climate change – particularly among investors – 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

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 goals through our 2030 goals. Here is how:

5 GENDER EQUALITY

1. We aim to contribute to ending all forms of discrimination of 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 Diversity & Inclusion 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 is 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 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, we have the best opportunity to be a thriving company that contributes to sustainable growth.

Epiroc sustainability 2030 goals

Ambitious targets help align our organization to tackle important challenges head on and leverage our positive impacts together. In 2020, we set 2030 sustainability goals that reflect scientific imperatives and that challenge us to adopt an outside-in perspective, in support of our commitments to the Paris Agreement and the UN Sustainable Development Goals.

Through these absolute targets, we are also changing Epiroc for the better. We set goals of halving CO2 emissions from operations, transport and relevant suppliers. Since the majority of our CO2 emissions occur in the use phase of our products, we decided to take on the challenge of reducing by 50% the CO2 emissions generated by Epiroc machines sold in 2030. We are thereby preparing Epiroc and our customers for a low-carbon economy.

By working to reach zero work-related injuries, we are taking safety from a vision to a tangible goal. In addition, we are transforming the company by doubling the number of women in operational roles. All employees and business partners must comply with our Code of Conduct (CoC) and confirm that they understand and comply with it and work in accordance with high ethical standards. The Responsible Sales Assessment process shall be fully implemented by 2030.

These goals were set by Group Management, informed by dialogue with stakeholders. The baseline year for most goals is 2019 and the ownership of the goals lies with senior management. We will start to report on progress against the goals in 2021.

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

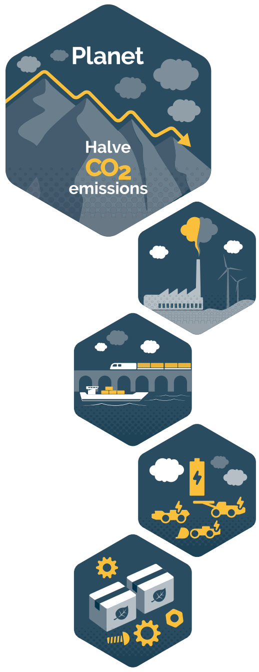
Halve CO_2 emissions

Operations
- Halve CO_2 emissions in operations
- 90% renewable energy in own operations

Transport
- Halve CO_2 emissions from transport

Products
- Offer a full range of emissions-free products
- Halve CO_2 emissions from machines sold

Suppliers
- Require 50% reduction of CO_2 emissions from relevant suppliers



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 aim to generate less waste through prevention, reduction, recycling and reuse in our operations. We reduce the use of fossil fuels and increase renewable energy in operations. We are decreasing CO_2 emissions from transportation.

13 CLIMATE ACTION — 3. We aim to halve our CO_2 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-emission solutions support our customers achieve their CO_2 emission targets and build capacity to meet climate change.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS — 2-3, 5. We aim to contribute to reducing corruption and bribery in all forms and have zero tolerance for corruption. A responsible sales assessment process is in place to ensure responsible sales.

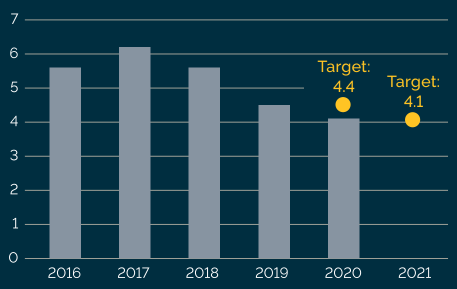
17 PARTNERSHIPS FOR THE GOALS — 16-17. We will collaborate in different industry networks, partnerships and alliances. By mobilizing and sharing our knowledge, expertise, technology and resources to support the achievement of the Sustainable Development Goals in countries we operate.

We use resources responsibly and efficiently

Epiroc's key performance indicators

CO_2 emissions from transport (tonnes)/Cost of sales, MSEK

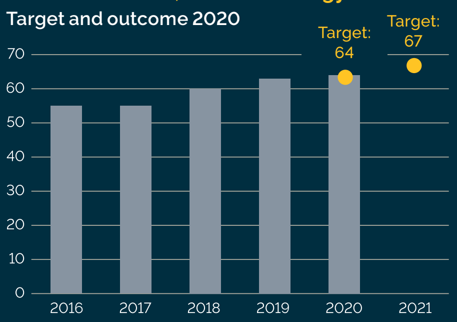
Target and outcome 2020



Target for 2020 was 4.4 and the result was 4.1. The improvement is mainly explained by a higher share of shipment by sea instead of air freight and to some smaller extent due to lower volumes because of the Covid-19 pandemic.

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

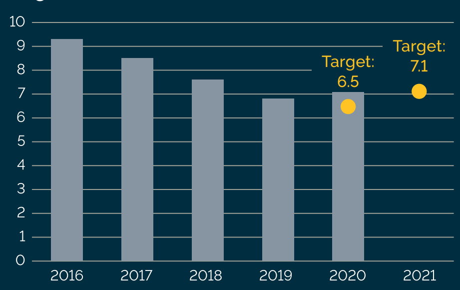
Target and outcome 2020



Target for 2020 was 64% and the result was 64%. Continued high focus on sourcing of renewable energy especially for our newly acquired companies will be a priority.

Total energy use in MWh/Cost of Sales, MSEK

Target and outcome 2020



Target for 2020 was 6.5 and the result was 7.1. MWh energy from operations has decreased, supported by several initiatives to increase energy efficiency. The ratio, MWh energy from operations as percentage of Cost of Sales, has however increased, as Cost of Sales has decreased to a larger extent and energy from operations is only partly correlated with Cost of Sales.

Product innovation for sustainability

Epiroc customers want to improve their productivity and sustainability and to provide the safest possible working environment for their employees. Through our innovation focus on automation, digitalization and electrification, these imperatives go hand in hand.

The future of mining and infrastructure are operations that are CO2-free, digitalized and autonomous. We are a part of the solution to combat climate change by developing new and improved products and services that add value to our customers and address their need with low-carbon solutions. In 2020, our research and development expenses were MSEK 1 032 (1 035) which will help us achieve our sustainability ambitions.

The majority of our customers' equipment still runs on diesel and we work to reduce the CO2 emissions and increase efficiency. Since fossil-fuel dependence is likely to continue in our sector for some time, customers are reducing their environmental impacts through investment in efficient technologies and efficiency measures. By providing advice and solutions that reduce energy use, we are lowering customers' total cost of ownership and simultaneously their CO2 footprint.

Our open digital interface allows customers to track the fuel consumption of their fleet. Data received improves equipment productivity through an enhanced service offering and new product features.

We monitor real-time energy efficiency gains through connected equipment via our 6th Sense solutions. We also measure energy use in our major product families and the divisions measure energy efficiency gains and CO2 emissions on selected best-practice product development with performance indicators. See example, next page.

Access to water is a key challenge around the world and water-well drill rigs are part of our product portfolio. During 2020, we received a significant order to secure clean water in areas susceptible to waterborne diseases in Eastern Africa.

A shift to automation, digitalization and electrification

Battery technologies and connected equipment are two areas where we can add value and help drive the transition to low-carbon solutions. Demand for electric equipment is growing, both for underground and surface applications, and especially for underground battery-electric vehicles. We are also expanding our offering to include conversion kits to convert diesel equipment to battery-electric equipment.

At the end of the year, the number of equipment delivered with connectivity features was 4 600 (3 600). Connectivity allows us to collect more data to further improve safety and productivity.

Our 6th Sense offering, optimizes processes by connecting machines, systems and people. In 2020, we agreed to supply rock drilling tools with 6th Sense capability to Boliden Aitik Mine, in Gällivare, Sweden, one of the world's most efficient open pit mines.

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.

SmartROC D65 surface drill rig – a winner for customers and the environment

If you are looking for a modern mine operation that puts a high focus on energy efficiency, safety and productivity, Newmont's Peñasquito mine in Mexico is a good example. Located about 780 kilometers northwest of Mexico City, the open-pit mine embraced automation already a few years ago with Epiroc's giant Pit Viper drill rigs, taking the operation to new levels of safety, productivity and efficiency. Now, the Peñasquito mine – which produces gold, silver, lead and zinc – has embraced sustainability even more as it started using Epiroc's smaller SmartROC D65 drill rig.

The SmartROC D65 surface drill rig was introduced to the market in 2010. It became an instant success, especially in the demanding mining applications in Australia, but also in South America and Latin America, where it is used in both preparatory work, like pre-split drilling, and regular production drilling. The SmartROC D65 is packed with smart features, such as automated drilling and rod handling. It efficiently drills high-quality blast holes with accuracy and precision. A few years ago, the rig was updated with an intelligent fuel-saving system.

For mine sites such as Peñasquito – and for the planet – this translates into true industry-leading benefits, not the least on energy efficiency. For example, the SmartROC D65 emits 34% less CO_2 emissions per drilled meter than the comparable FlexiROC D65 rig. A rig like this may drill hundreds of thousands of meters of rock through its lifetime, making a significant difference on the emissions over time.

The SmartROC D65 rig's automated drilling and rod handling also means that drill bits and other consumables wear out at a slower pace, and the overall wear and tear on the machine is reduced. This not only saves the customer time and money, but also benefits the environment as fewer spare parts and travels by service technicians are needed.

During 2019, the SmartROC D65 rig has been further improved. This continued evolution now has Epiroc's innovative automation platform as its foundation. It includes features such as the Auto Feed Fold, a new interactive touch screen and 8-meter pipes, which result in less rod changes and more time drilling. The new hydraulic system, with fewer and more efficient pumps, also needs approximately 300 liters less hydraulic oil and a minimal number of hoses and connections. Besides decreasing the amount of oil needed, this system also further reduces the fuel consumption of the rig. All in all, an additional reduction to the environmental footprint.

As Newmont at Peñasquito and many others are realizing: the SmartROC D65 is a winner both for customers and the environment.

Understanding impacts

It is important to note that batteries and electronic components contain metals such as lithium and cobalt. The mining and end-of-life disposal of these components poses human rights and environmental risks to workers and local communities. We work closely with electrical component and battery suppliers, customers and innovation partners to achieve transparency on our impacts in this regard across the value chain. See page 141 for more on our approach to monitoring and managing environmental and human rights risks associated with conflict minerals.

Gaining access to sustainably sourced batteries in a fast-growing market is a challenge that we intend to meet in part through our strategic relationship with Northvolt, a Swedish supplier of responsibly produced, high-quality batteries.

Epiroc in a circular economy

Our circular approach

Our equipment lasts for many years – at times longer than a decade. Our services help ensure efficient operation regardless of age or application and extend equipment life. Midlife services from Epiroc is a flexible service solution prolonging the lifespan of the equipment. It includes replacing old with new components extending the machines productive lifetime. It can also include an upgrade with all the latest technology options not only to increase productivity and safety but also making it possible for our customers to start the automation journey by connecting the equipment and monitoring machine data. In 2020, Epiroc extended the Midlife services product range to include Scooptram ST18 and Boomer M2C.

Epiroc Marketplace, first launched in 2018 in the US to support used equipment sales, continues to grow. The sales through the website more than doubled vs previous year, with 47% of listed equipment sold.

Batteries as a Service

We are developing our "Batteries as a Service" offering to support battery-equipped vehicles with a circular business model. Batteries as a Service covers everything from certification to maintenance and technology upgrade and the customer only pays for the use of the battery. The service lowers the threshold for replacing diesel machines with battery-electric vehicles. Together with our supplier Northvolt, we have developed a battery-electric technology platform that is modular and scalable, meaning all our batteries can be used in all different types of equipment. This allows us to adapt our batteries to the needs of the specific equipment. For example, in loaders, we need strong and powerful batteries. Once the battery gets less efficient with age, we can move it to rock-reinforcement equipment or drill rigs, where power is important, but less is required. At the end of its life span, the battery can be used for power storage before it is recycled.

Although the battery-electric technology platform is designed primarily with the mining industry in mind, it is also well suited for other types of machines that operate in tough environments and that are traditionally powered by diesel engines. One example is our collaboration with Railcare and the launch in October 2020 of a battery-electric railway maintenance vehicle, to be used for rail maintenance applications.

Recycling metals and minerals

The importance of recycling metals and minerals is rising. Urban mining reduces pressure on demand for primary raw materials and contributes to the reuse of valuable materials that would otherwise be wasted. It also reduces energy consumption and other negative environmental impacts from traditional mining and mineral processing. The metals and minerals recycling market is growing at an even higher pace than the underlying primary raw materials market. We provide tools for metal and mineral deconstruction and recycling through our Tools & Attachments segment.

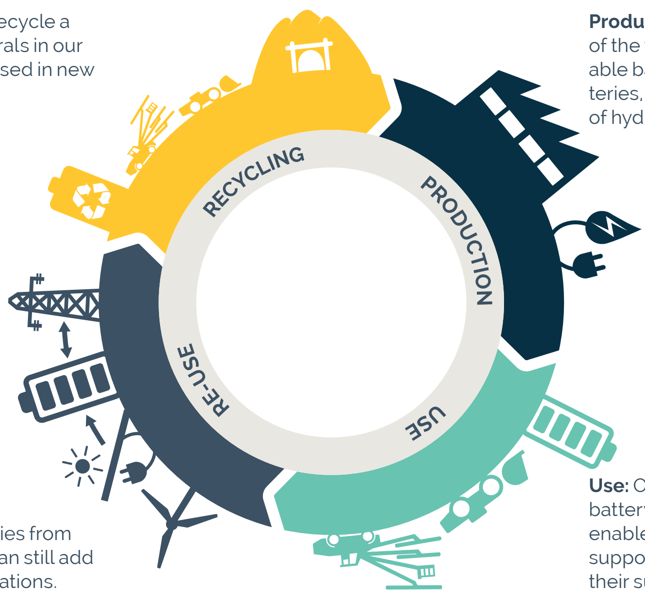
Another example is the closed loop recycling initiative in Fagersta, Sweden. In collaboration with raw material suppliers and recycling companies, we have built a closed loop recycling system. This means that all scrap from production and stocks of finished goods is returned to the raw material suppliers, who then recycle it for the production of new raw materials. Now 85% of the steel for the Fagersta production site is scrap-based. According to our main supplier their scrap-based steel generates approximately 80% less CO_2 emissions than ore-based steel. This equals to a total CO_2 reduction on 40 000 tonnes per year for the production in Fagersta as well as reduced waste.

Collaboration

Our customers will need to dig deeper to access minerals and metals to meet market demand. Our ambition is to set a new world standard for sustainable mining at great depths. 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. We also participate in the EU Sustainable Intelligent Mining Systems (SIMS) project, which brings together mining companies, equipment and system suppliers and universities.

Recycling: We will recycle a majority of the minerals in our battery cells, to be used in new batteries.

Production: We will use one of the world's most sustainable battery cells in our batteries, produced with the help of hydropower.



Re-use: Used batteries from mining equipment can still add value in other applications.

Use: Our large offering of battery-electric equipment enables emission-free operations, supporting our customers to reach their sustainability targets.

Efficient operations

Epiroc takes a multi-tier approach to operational efficiency. We work to minimize energy use in production, purchase renewable energy use in operations and to reduce transport CO2 emissions in the supply chain.

Although our carbon footprint in manufacturing is lower than it is during the product use phase, we seek efficiencies on the manufacturing side. We are sourcing a high degree of renewable energy and this lowers CO2 emissions.

By 2030, we intend to halve our CO2 emissions from operations, transport and relevant suppliers compared to 2019 levels. These are absolute targets that will become more challenging to reach as the business grows.

Reducing CO_2 emissions from operations and increase renewable energy

Reducing CO2 emissions from operations is a continuous focus for us. In 2020, our total energy consumption was 145 507 (161 331) MWh and 7.1 (6.8) MWh/Cost of sales, MSEK. Compared to 2019, the ratio increased 4%. Lower energy used reduced our costs by MSEK 2.9. Total energy consumption decreased 10%.

To achieve our target of a renewable energy mix of 90% by 2030, we are purchasing renewable energy (electricity and district heating) and we are investing in solar panel installations where we cannot increase the sourced renewable energy. So far, we have installed solar panels in our operations in Hyderabad and Nashik in India and we are preparing more solar panel investments in other countries. The renewable share in our energy mix has increased by 1 percentage point since 2019.

In 2019, we launched a more structured transition to renewable energy through a three-year energy efficiency program. The program will improve energy efficiencies for production and distribution centers – primarily through investments in facility structures and type of energy sources. It focuses especially on entities with a low share of renewable energy and where we need to change the type of energy we source and produce for example, going away from natural gas, buying renewable electricity district heating, or produce our own electricity with solar panels. The Covid-19 pandemic has, to some extent, also affected the reduced CO2 emissions from operations.

Reducing CO_2 emissions from transport

A share of our impact derives from logistics and transport. We are making good progress in reducing CO2 emissions in these areas. In 2020, our CO2 emissions from transport were 4.1 CO2 (tonnes)/Cost of sales, MSEK. Compared to 2019, we lowered the ratio with 8%. The reduction of the CO2 emissions came from an improved distribution network, reduction of air deliveries, expansion of ocean shipments and an increased stock in the regions closer to customer.

Through our Group-wide supply chain improvement program Excellerate, we are improving processes and regionalizing the global distribution network. This helps us use more sustainable modes of transport and requires less expediting.

In fact, Excellerate is helping us cut air freight for parts and consumables by 40-50%. Sea shipments are less polluting than air freight. The shift away from air transport came despite the impact of the Covid-19 pandemic, which pushed demand for expedited delivery.

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.

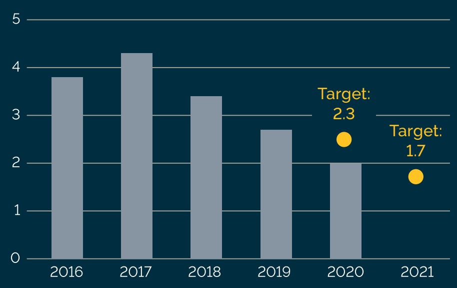
The Epiroc Safety, Health, Environment and Quality (SHEQ) Council is tasked with overseeing environment at Group level and initiate and drive Group programs, projects and activities.

The Group deploys global ISO certification according to ISO14001:2015 for major units. For more information about our management approach, see pages 140-141.

We invest in safety & health

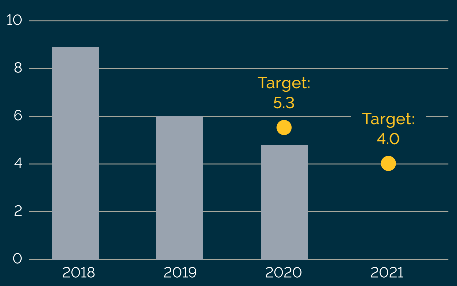
Epiroc's key performance indicators

Lost-time injury frequency rate (LTIFR)
Target and outcome 2020



Target for 2020 was 2.3 and the result was 2.0. A continued focus on safety with several preventive measures and activities, including SafeStart®, contributed to the result. The Covid-19 pandemic also affected the result to some extent.

Total recordable injury frequency rate (TRIFR)
Target and outcome 2020



Target for 2020 was 5.3 and the result was 4.8. A continued focus on safety with several preventive measures and activities, including SafeStart®, contributed to the improved result. The Covid-19 pandemic also affected the result to some extent.

Product safety

At Epiroc, we innovate to put safety, health as well as well-being at the forefront of our product and service offering - one example is Live Work Elimination.

Our mining and infrastructure 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 risk management, accident and incident reporting and change management to promote the right procedures among equipment operators and service technicians.

Safety lies at the heart of our innovation strategy. In 2020, we initiated our Live Work Elimination, a program with a focus to further minimize injury risks to personnel such as operators and service technicians. Live Work Elimination identifies and removes the potential exposure to harmful energy during the maintenance and operation of any equipment as it can be contained in electrical, mechanical and pressurized systems among others. A collaboration between Epiroc's customers, R&D and Service teams, Live Work Elimination will be further developed in 2021 and this program will also be key to future product development.

Benefits of automation, digitalization and electrification

We have developed autonomous and remote-controlled equipment that transforms operating conditions by removing the operator from dangerous areas in the mine or at the construction site. Safety is a key driver for the growing demand for automation. Eliminating risks to workers in hazardous environments benefits everyone.

Battery-electric underground equipment has no diesel fumes, no CO_2 emissions, provided that renewable energy is available for charging, and generate less heat when in use and improve working conditions for people at the worksite.

We monitor the field performance of our equipment and offer training and service to ensure safe equipment operation. We introduced a divisional key performance indicator for product safety to help track how we are living up to our commitment to product quality and safety. It measures the application of all critical safety campaigns globally. In 2020, we achieved 96% implementation, exceeding our 95% target from 2019.

Connectivity and awareness raising

Epiroc uses 5G technology to deliver solutions for automation and information management that also keep people safe.

We closely monitor safety standards, continuously integrate safety in our R&D processes and act on feedback from users to improve safety levels. We train service technicians in our equipment's safety features and operators onsite to identify potential safety risks, improve processes and reduce risks.

Epiroc Safety Toolbox – this is how we work with safety

Operational safety

Epiroc is a values-based company. Ensuring the well-being of everyone who works for and with us is the core intention of every activity. A behavior-led approach engages everyone in our efforts.

With the launch of the 2030 safety goals, Group Management reaffirmed its commitment to safety in 2020. Before, zero accidents was our vision. With the 2030 safety goal, it has become our target.

High standards on safety and well-being create trust and help to drive higher productivity. In 2020, we implemented several initiatives to raise awareness, address potential hazards and further improve safety across the board – particularly focused on influencing behavior and increasing accountability.

Behavior-led approach

Communicating expectations and improving procedures help elevate safety standards. SafeStart® – our program to engage all employees to improve their personal safety awareness – completed its first year Group-wide. Its mission is to entrench a global safety perspective with strong local input. This means changing behavior, a task that at times requires us to overcome different cultural barriers.

Higher risk awareness can reduce human error that leads to accidental injury or close-call events. The focus is not solely on developing work skills; safety abilities are also useful in traffic and at home.

Due to the Covid-19 pandemic, in-person trainings were delayed and at the end of the year, SafeStart® trainings were conducted virtually instead. During 2019, 15% (2 159) of employees received SafeStart® training and in 2020 some additional 5% were trained, in total 20%. Participant feedback include a higher safety awareness among participants. In 2021, additional trainings will be performed with the aim to have 75% of all employees trained at year-end. This program is an important tool in our safety work to reach zero accidents.

In the field and on the factory floor

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. Employees and contractors in our manufacturing facilities also face the risk of injury, primarily soft-tissue damage and cuts.

Employee well-being is a good measure of a company's health. The number of sick days per employee/year was 5.1 (4.9) in 2020, a figure that has remained consistently low in the last five years. Partly due to the Covid-19 pandemic, it increased slightly in the year.

Awareness raising continued to be in focus. The World Day for Safety and Health at Work was observed throughout the company worldwide, largely through virtual workshops and online training.

During 2020, we continued to roll out our eight safety commitments for customer centers that we launched 2019. The safety commitments reflect a personal responsibility-based mindset whereby employees commit to always act with safety in mind. This means only performing tasks and operating equipment if they are competent, licensed and authorized to do so, to respect safety distances, and to care for their own well-being and that of their colleagues.

Continuous improvement

We are moving in the right direction. Work-related injuries have decreased markedly in recent years. The work-related lost-time injury frequency rate (LTIFR) dropped to 2.0 in 2020, down from 2.7 in 2019. We have seen a 47% decline in the rate over the last five years. The number of work-related medical treatment injuries (MTIs) per million working hours was 2.8, compared to 3.3 in 2019.

In Southern Africa, we continue to participate in Swedish workplace programs which focus on enabling strong relationships between management and employees through social dialogue. It is organized by the International Council of Swedish Industry (NIR). As a member of NIR, we collaborate with Swedish companies and other stakeholders with the common goal of promoting sustainable and responsible business.

For 2021, implementation of the Live Work Elimination and SafeStart® will be in focus.

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 safety and well-being 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. We are currently shifting from OHSAS 18001 to ISO 45001.

For more information about our management's approach, see pages 140-141.

We grow together with passionate people and courageous leaders

Epiroc's key performance indicators

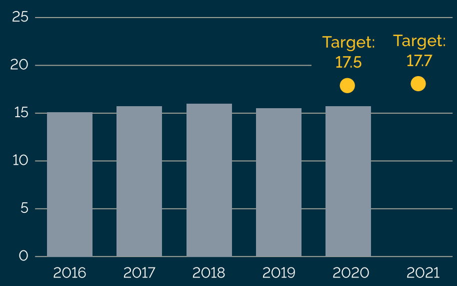
Women managers, %

Target and outcome 2020

Target for 2020 was 22.4% and we reached 21.0%. The target was not reached not least due to the business downturn. Here, an over-proportion of employees leaving the company during 2020 came from non-operational roles and functions where more women are represented.

Women employees, %

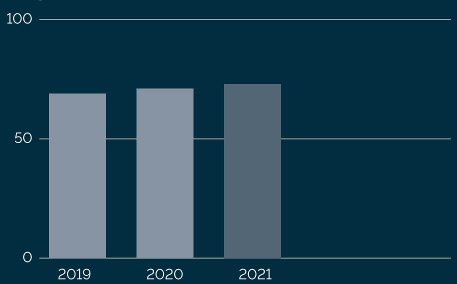
Target and outcome 2020



Target for 2020 was 17.5% and we reached 15.7%. The target was not reached not least due to the business downturn. Here, an over-proportion of employees leaving the company during 2020 came from non-operational roles and functions where more women are represented.

Leadership Index

Target/outcome 2020



Target for 2020 was 73 and the result was 71. Training programs for all managers were released at the beginning of the year. These were converted to digital due to the Covid-19 pandemic, and not all managers were able to complete them in 2020.

Our people

All our people contribute to making Epiroc a great place to work, based on a shared culture of performance rooted in diversity, trust and employee care.

In 2020, we continued to build on our work with leadership, diversity and learning. We developed training programs to raise leadership skills and provided significantly enhanced opportunities for digital learning.

In addition, we adopted the goal of doubling the number of women in operational roles over ten years, and we see this ambitious target as transformational. 40% of managers will be women and 30% of the Group workforce will be women by 2030.

The total number of employees in the company was reduced by 428 during the year, from 14 268 in 2019 to 13 840 in 2020. The reduction was the result mainly from lower business volumes and efficiency actions.

Cultural and gender diversity

Dramatically improving gender diversity is a priority for us as part of our continuous efforts to create high-performance teams. Our ambition is to achieve long-term change that not only enables us to attract more female colleagues but to build workplaces that are inclusive, energized and productive.

We can see that certain job categories are more challenging than others for achieving these long-term goals. Our target is to double the number of women in operational roles – that is, in R&D; marketing and sales; manufacturing and service. Today 14% of our R&D staff are women; 16% in marketing and sales; in manufacturing and services, it is 9% and 5% respectively. Activities are in place to support these objectives throughout the Group. This includes a global mentorship program for women; where 174 women have been mentored since 2015, which has given inspiration and created success stories.

Our 2020 target was to increase the share of women in the Group to 17.5% and to raise the percentage of women managers to 22.4%. At year-end, 15.7% of our employees and 21.0% of our managers were women. The percentage of women employees in the company fell short of the target mainly due to the business downturn. An over-proportion of employees leaving the company during the year came from non-operational roles and functions where more women are represented.

We are proud of being a culturally diverse organization with some 33 nationalities represented among Epiroc's most senior management worldwide. In addition, 161 (195) employees from 40 (48) countries work on long-term international assignments.

Our Diversity & Inclusion Board, established beginning of 2020 with senior management members from across the Group, acts to secure continuous development in the area of diversity and inclusion and safeguard progress.

High-performing teams

Epiroc's decentralized culture is founded on collaboration and freedom with accountability. We work proactively to further enhance collaboration across the organization and between locations, and to build teams equipped with skills to deliver on our strategy.

Trust is fostered through transparency and responsible

Covid-19 pandemic support in action – examples

Epiroc's employee-run community engagement project, **Water for All,** provided financial aid of MSEK 1.7. The project worked closely with the Peter Wallenberg Water for All Foundation to support water, sanitation and hygiene to Zahle, a Red Cross tent settlement in Lebanon, to limit Covid-19 infections among Syrian refugees.

Epiroc Surface Division in Örebro, Sweden donated 3 500 disposable gloves and 800 overhead sheets to be used as protective visors for local healthcare staff and a collaboration with aid organization Stadsmissionen to distribute food packages for people in need was also initiated.

In South Africa, we donated sanitizers and disinfectants to employees in essential services such as nurses and cleaners. We also collaborated with local authorities to create awareness pamphlets and posters in different languages.

In China we donated 5 000 facial masks as well as disinfectant and thermometers to a customer as well as 2 000 bottles of medicinal alcohol to Nanjing Economic and Technological Development Zone.

feedback. Supporting the culture is a sustainability focus and ethical mindset that promote long-term thinking.

We apply the principles of lean management, emphasizing efficiency while encouraging every individual at all levels to take responsibility to develop their skills. In 2020, we took significant steps to provide continuous learning for our employees. We piloted two digital learning projects that provide more than 14 000 learning modules to employees globally, including training that gives recognized qualifications. We also launched a new leadership development program in October, an accelerator program for employees with solid performance and the ambition to become company management team members in the near future. This program is added to our portfolio of global development programs and will continue in 2021.

Inclusive way to measure performance

During the year, 87% of employees had performance development talks with their managers. We completed our annual employee survey in December, achieving a response rate of 83% (85) and well over the external benchmark for best practice. In addition, employees gave more than 13 000 comments. The Engagement score of 78 was 3 points higher than last year. This confirms the positive company spirit and the resilience of our employees, even in challenging times. The Leadership Index improved by 2 points to 71. Improvement areas were also identified, including for managers to have more regular one-to-one check-ins with each person in their team.

We will continue to develop our digital strategy in 2021 and further embed it throughout the organization as well as continue to focus on leadership development.

Rising to the challenge of Covid-19 pandemic

The global Covid-19 pandemic affected businesses in all parts of the world – and Epiroc was no exception. We responded to the challenges with measures to ensure health and well-being, supporting colleagues working from home and adapting our supply chains where possible.

Putting people first lies at the heart of the Epiroc culture and this guided our response to the global Covid-19 pandemic outbreak in 2020. The pandemic affected large parts of our organization, forcing us to temporarily work with reduced capacity, affecting approximately a third of our staff with reduced working hours for a limited period and many started to work remotely from home.

Foremost we worked to ensure that employees were safe and we provided support for adapting to new ways of working. The transition from office to home was largely smooth. Using digital technologies, we collaborated in ways that will benefit us as individuals and organizationally also in the future. Many of our internal trainings were converted to digital, including Code of Conduct workshops, SafeStart® trainings and our digital training offer was significantly increased.

During the year, we conducted two additional company-wide employee pulse surveys on our response to the pandemic, in which a majority of employees responded. These showed that employees in general appeared to be bearing up well, keeping positive, and also that they see that Epiroc is taking a genuine interest in their well-being. We received many thousands of comments via these surveys, which allowed us to learn and strengthen our procedures and processes.

Our strongly decentralized leadership culture equipped us to act quickly. A number of companies needed to react very quickly to local regulations around shutting-down operations, for example, in India and Peru. Working under great pressure, our local teams managed to adapt, taking care of employees and also being able to continue to attend to our customers.

For more information about how the Covid-19 pandemic affected Epiroc, see pages 10-11.

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 Diversity & Inclusion Board, chaired by Epiroc's CEO, is responsible for setting targets, initiating activities, as well as acting as ambassadors and leaders towards 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 140-141.

Water for All

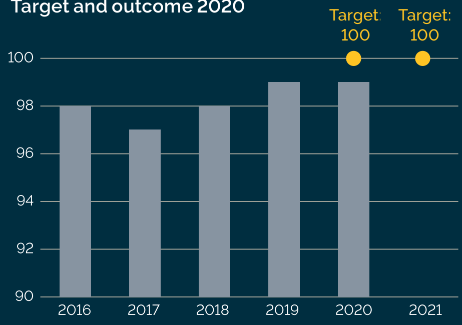
Our main community engagement is Water for All. It empowers people through access to clean drinking water, sanitation and hygiene. Water for All is run on a voluntary basis by employees within the Epiroc Group and Atlas Copco Group. For more information, see cover and www.water4all.org.

We live by the highest ethical standards

Epiroc's key performance indicators

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

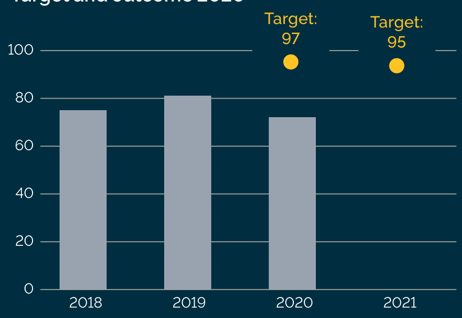
Target and outcome 2020



Target for 2020 was 100% and we reached 99%. We continue to work with our suppliers to reach 100%.

Significant agents, resellers and distributors that confirmed compliance with Epiroc Code of Conduct, %

Target and outcome 2020



Target for 2020 was 97% and we reached 72%. The risk definition was expanded during the year resulting in a significant increase of number of risk markets and thereby the number of significant agents, resellers and distributors increased. The Covid-19 pandemic also affected the result to some extent.

Our Code of Conduct

Living by the highest ethical standards is the foundation of our business approach. Guiding employees and business partners and ensuring they adhere to Epiroc's values and Code of Conduct are our core priorities.

In 2020, we introduced the goal that all employees and business partners must comply with our Code of Conduct (CoC) and that the Responsible Sales Assessment process must be fully implemented by 2030. These are essential components for upholding and working in accordance with our high ethical standards. Already today, we require all employees and business partners to adhere to the CoC and we track performance through compliance monitoring for managers and significant business partners. By 2030 at the latest, all employees and business partners will be required to confirm that that they understand and comply with the CoC.

During the year, Epiroc established a dedicated compliance function at Group level, tasked with identifying related risks areas and supporting compliance awareness in the organization. We also completed the roll out of Speak Up, our whistleblower system. We updated the CoC which will be launched in 2021 and include additional topics that reinforce the Epiroc values.

Risk-based approach

Epiroc customers are located in more than 150 countries. In every market where we have a presence, we are committed to upholding high ethical standards and to acting 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 corruption and human rights issues such as labor rights, forced labor, conflict minerals and land rights also vary considerably between markets. Our operations and product sourcing also give rise to potential environmental risks.

The Epiroc CoC plays a cornerstone role in our approach for doing business the responsible way. In addition, we have put in place the Responsible Sales Assessment process in order to ensure that our customers and agents, resellers and distributors all demonstrate responsible business practices.

Through audits, Speak Up, responsible sourcing process and sales assessments, we better understand where risks of non-compliance may occur, even when risks are beyond our direct control. Epiroc has zero tolerance of corruption.

Raising awareness

During 2020, the focus was on updating the CoC and developing a training program for all employees to be rolled out in 2021. Compliance topic-of-the-month-articles are published on the intranet to increase awareness in the organization on

different compliance topics and we also became members of Transparency International during the year.

Every year, all managers must complete a digital training module and make a written statement committing to comply with the CoC. 99% (95) of managers successfully completed training during the year. The Covid-19 pandemic affected the completion of some CoC trainings and workshops and they were delayed until 2021.

Monitoring performance

Speak Up, our whistleblower system, plays an important role in monitoring compliance with the CoC. Speak Up is managed through a third party and allows employees and external stakeholders to report potential non-compliance anonymously and in their local language. We do not tolerate retaliation against any employee for reporting an ethics or compliance issue. The number of cases reported via Speak Up or other channels rose in 2020 to 64 (44). In line with previous years, the largest category of reported cases related to labor relations. An increase in reported harassment, safety (due to the Covid-19 pandemic) and conflict of interest cases was noted in comparison with previous years. For more information about reported cases, see page 143.

Responsible Business

Implementation of our responsible sourcing and sales programs is rooted in the Epiroc Code of Conduct (CoC), 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. We identify and manage human rights issues through responsible sales assessments and the responsible sourcing process. Implementing the UNGP is an ongoing process for us 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. Another challenge is cobalt sourcing traceability and the human rights implications of cobalt mining, for example, in the Democratic Republic of Congo (DRC). It remains a priority area for discussions and possible actions together with different stakeholders (for more information, see p 140). During 2020 we also developed our Conflict Minerals Policy.

Responsible sourcing

Epiroc customers are located all over the world. Some operate in regions that are not easily accessible and which may demand customized solutions. We are able to better meet their expectations thanks to a decentralized organization. In response to the Covid-19 pandemic, we implemented some temporary supply-chain changes, including a shift to safeguard deliveries to customers. We continued with our responsible sourcing focus on monitoring and assessment of supply-chain risks.

In 2020, we continued the roll out of our enterprise resource planning (ERP) system. The system includes indicators, aligned between divisions and applicable across product companies and it is targeted to category strategies. Knowledge sharing among divisions includes aspects such as sustainability risks. We are working to strengthen processes and procedures for supplier audits and self-assessments.

Significant suppliers, agents, resellers and distributors are required to comply with the CoC and with international standards and applicable regulations and this is monitored and evaluated.

The compliance confirmation we require them to sign sets out 10 areas, based on the CoC, and is called the Epiroc Business Partner Criteria Letter. The letter clarifies our expectations on companies we choose to do business with. A training is available for purchasing managers, and include areas such as human rights, modern slavery, conflict minerals and e-waste. The aim is to raise awareness of the implications of potential risks and where they might occur.

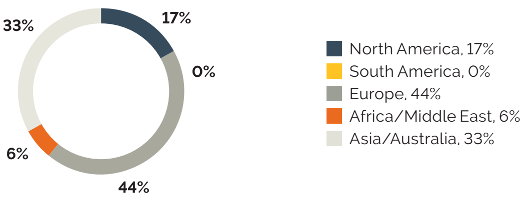
Supply chain transparency

We focus attention on significant suppliers, which are suppliers with the largest share of purchasing spend and those with operations in markets with the highest risk of corruption and human rights violations. We define risk markets using criteria from an external risk indices firm and in 2020 expanded the risk definition to include additional human rights and environmental risks. In consequence the number of risk markets increased significantly. The total number of significant suppliers was 1 532 (1 406).

We assess supplier compliance in different ways. The primary means of monitoring compliance is supplier self-assessments. Supplier on-site audits of selected suppliers takes place every fifth year. In 2020, we performed 123 (335) audits. Our supplier audits are performed on supplier's premises and several audits were canceled as a result of travel restrictions that came with the Covid-19 pandemic. Due to this new situation, performance of light or self-assessed audits are used as an alternative. Of suppliers audited for

Epiroc Sourcing general process: Manage Procurement and Suppliers

Significant suppliers, geographical spread, %



safety, health, environment, business ethics and human rights, 98% (95) were approved. 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. Another precondition for doing business with us is that our business partners must allow us to perform audits.

Europe and Asia/Australia account for 77% (60) of our significant suppliers´ base. Most deliveries from significant suppliers are made to regional Epiroc production sites and distribution centers. We have the ambition to source more from regional suppliers, thereby better serving customers and adding value locally while reducing the CO2 footprint. This means expanding our sourcing footprint in Asia for our regional production and distribution.

Responsible sales

The implementation of the Responsible Sales Assessment process, launched in 2019, was rolled out during the year. It includes a human rights due diligence process and 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, impacts on land rights and indigenous people and corruption.
2. Customer – type of customer and project.

The roll out of the process will continue in 2021. Responsible sales also include climate related considerations. Our product portfolio is designed for hard rock excavation environments, and not specifically for coal mining. During 2020, we took the decision to no longer develop new products targeting the coal segment alone. Our exposure to coal is less than 3% of orders received and mainly derives from aftermarket solutions (p.30). We also updated our risk markets for other business partners such as significant agents, resellers and distributors. This led to a significant increase in the number of risk markets. For more information on how we implement the UNGP, see page 143.

Our approach

The Compliance Board is responsible for ensuring that the Code of Conduct is implemented and complied with. Managers are responsible for promoting CoC values and implementing them among team members. All employees are expected to be aware of the CoC and to 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, agents, resellers and distributors according to the requirements in the Business Partner Criteria Letter and CoC.

For more information about our management approach, see pages 140-141

Administration report
The year in review

The Covid-19 pandemic impacted Epiroc and the world significantly in 2020. In a challenging environment, Epiroc adapted the way of working, lowered costs, showed resilience in profitability, and delivered a solid result.

Administration report for Epiroc AB
Corporate registration number 556041-2149

Important events

Helena Hedblom appointed President and CEO and changes to Group Management

Helena Hedblom was appointed President and CEO of Epiroc AB, effective March 1, 2020. On March 2, Epiroc appointed new members of Group Management and created a more efficient working structure. Epiroc previously had seven divisions, where the presidents reported to a business area president. The new structure has five divisions, where the presidents report directly to the President and CEO.

Actions to improve resilience and agility

Epiroc has an agile and resilient business model and continuously adapts to prevailing business activity. The Covid-19 pandemic affected Epiroc significantly in 2020. In a challenging environment, Epiroc adapted its way of working, lowered costs, showed resilience in profitability and delivered a solid result. This was achieved while prioritizing health and safety of the employees and supporting customers.

A number of actions were carried out to adapt to the lower demand due to the Covid-19 pandemic and to position the company stronger and more resilient for the future:

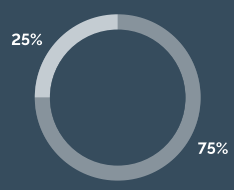
- The cost-saving program that was announced at the end of 2019 and enhanced during 2020 was completed. This resulted in permanent savings of more than MSEK 500 annually in Q3 2020 and going forward.
- Actions with short-term effects to meet lower demand as a result of the Covid-19 pandemic were implemented as planned. The actions included reductions of temporary personnel and consultants, work-time reductions, and decreased discretionary spending and travel.
- Additional permanent savings from actions implemented in the second half of 2020, including the reduction of staff in Sweden, will have an effect in 2021 and going forward.
- The supply-chain improvement program that was initiated in 2018 to improve delivery service to customers, reduce transport and other costs, and reduce capital tied up in inventories continued according to plan with gradual improvements. There were some delays in positive effects due to the Covid-19 pandemic.
- Epiroc consolidated the production of exploration drilling tools in Canada. Production moved from North Bay to

Epiroc's organization

The Group is organized in five separate and focused but still integrated divisions. The Group has two reporting segments, Equipment & Service and Tools & Attachments. Equipment & Service provides a wide range of mining and rock excavation equipment and related service and spare parts. Tools & Attachments provides rock drilling tools and hydraulic attachments that are attached to machines and mainly used for drilling, demolition and recycling as well as rock excavation. Tools & Attachments also provides related service and spare parts. Common Group Functions includes functions that serve the whole Group and is not considered a segment. Revenues from operating leases owned by Epiroc Financial Solutions are reported under Common Group Functions.

See the review of the reporting segments:
Equipment & Service on pages 58–59
Tools & Attachments on pages 60–61

Revenues split by segment



- Equipment & Service
- Tools & Attachments

Equipment & Service				Tools & Attachments
Surface	Underground	Technology & Digital	Parts & Services	Tools & Attachments

Montréal, affecting approximately 65 employees in North Bay. Epiroc also consolidated its dimension stone industry manufacturing in Bagnolo, Italy, to its production facility in Nashik, India. The consolidation affected about 40 employees.

Innovations

During the year, Epiroc launched and introduced several productivity and sustainability-enhancing solutions, including:

- A rotary drill for quarrying and small mining operations.
- A core-drilling rig with a mobile carrier built for demanding underground operations.
- A service agreement where customers can develop a tailored maintenance plan by analyzing machine data.
- A software update to the successful Rig Control System with a range of improvements.
- A semi-automatic explosives delivery system for underground applications.
- A remote monitoring device for attachments.
- A premium tricone drill bit, which greatly improves drilling productivity through extended bit life and faster drilling.
- An extension of the range of hydraulic breakers for tunneling applications.
- A tube-drilling system, primarily for underground production drilling.

Acquisitions

Epiroc signed agreements for two acquisitions in 2020. In December, an agreement to acquire MineRP, a software company specializing in increasing productivity for mines through integrated planning, execution and analytics, was signed. The company had revenues of MUSD 16 (MSEK 135) for the 12 months ending June 30, 2020, and about 200 employees. The acquisition is planned to be finalized in the first half of 2021. Italparts, a distributor of spare parts, based in Italy, was acquired in August.

Investments

The investments in a new heat treatment plant for rock drills and the expansion of the main production facilities for surface drill rigs in Örebro, Sweden, continued during the year. The projects are expected to be finalized in 2021. No major investments were decided in 2020.

2030 Sustainability goals

Epiroc established long-term sustainability goals in support of the Paris Agreement and the UN 2030 Agenda for Sustainable Development. The ambition is to halve CO_2 emissions from operations, transport and from the use of Epiroc equipment. The base year is 2019. In addition, ambitious targets were set to further support health and safety, improve gender diversity and strengthen the adherence to the Code of Conduct.

Operational and financial review

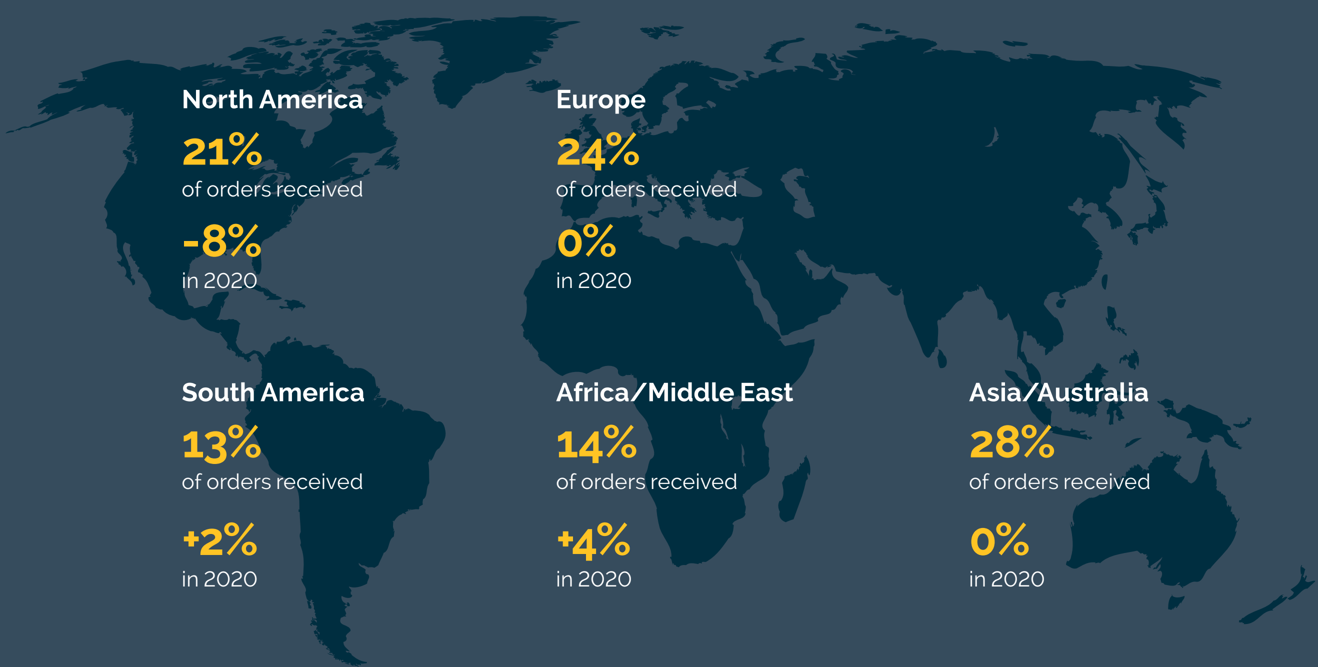
Market development and orders received

Customer demand for Epiroc's equipment and aftermarket was affected by the Covid-19 pandemic mainly in the second quarter, when customers were cautious in taking investment decisions and activity was impacted by restrictions. In the second half of 2020, the order intake improved as customers took decisions to invest and activity levels improved as restrictions were eased. Orders received decreased 7% to MSEK 36 579 (39 492) due to negative currency effects. Excluding currency, the order intake was unchanged.

Equipment & Service had order intake of MSEK 27 252 (28 509), corresponding to 3% organic growth. Service had organic order growth of 7%, while equipment saw an organic order decline of 2%. The growth in the service business was largely attributable to the structured work with service products as well as marketing and sales activities.

Tools & Attachments had order intake of MSEK 9 185 (10 768), corresponding to 7% organic decline. The lower activity following Covid-19 restrictions had a negative impact on the demand.

Orders received by region and change in local currencies



Geographical development

North America
Order intake in North America decreased 8% in local currencies. Orders for Tools & Attachments and also for service decreased, while equipment orders increased somewhat. North America accounted for 21% (22) of orders received.

South America
Order intake in South America increased 2% in local currencies. Orders increased for Equipment & Service, while Tools & Attachments had lower order intake. South America accounted for 13% (14) of orders received.

Europe
Order intake in Europe was unchanged in local currencies. Orders increased for Service and Tools & Attachments while equipment orders decreased somewhat. Europe accounted for 24% (23) of orders received.

Africa/Middle East
Order intake in Africa/Middle East increased 4% in local currencies. Orders for Equipment & Service increased while Tools & Attachments had lower order intake. Africa/Middle East accounted for 14% (14) of orders received.

Asia/Australia
Order intake in Asia/Australia was unchanged in local currencies. Orders for service increased, while orders for equipment and Tools & Attachments decreased. Asia/Australia accounted for 28% (27) of orders received.

Revenues

Revenues for 2020 decreased 12% to MSEK 36 122 (40 849), corresponding to a 5% organic decrease. Currency effects contributed negatively with 6% and structural changes had a negative effect of 1%. Epiroc's goal is to achieve annual revenue growth of 8% over a business cycle. Compound annual revenue growth was 5% in 2015–2020. The business area Mining and Rock Excavation Technique of Atlas Copco, which represents approximately 93% of Epiroc and is a good proxy for Epiroc's business, had compound annual revenue growth of approximately 5% in 2009–2017.

Book to bill was 101% (97).

Revenues for Equipment & Service decreased 10% to SEK 26 927 (29 891), corresponding to 4% organic decline. Currency effects contributed negatively with 6%.

Revenues for Tools & Attachments decreased 16% to MSEK 9 024 (10 799), corresponding to 8% organic decline. Currency effects contributed negatively with 6% and structural changes with 2%.

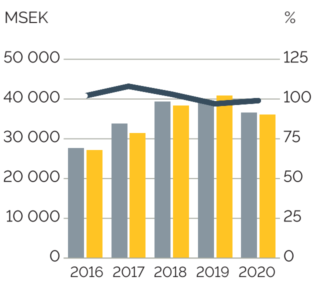
All geographic regions, except Africa/Middle East had lower revenues in local currencies.

Aftermarket revenues accounted for 68% (66) of total revenues and equipment for 32% (34).

Operating profit

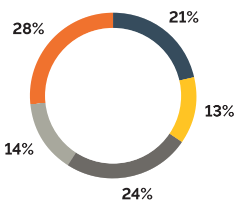
Operating profit decreased 9% to MSEK 7 382 (8 136). The operating profit was negatively impacted mainly by lower volumes and currency, partly compensated by cost savings. Operating profit includes items affecting comparability of MSEK -287 (-446). These items include restructuring costs related to efficiency improvements of MSEK -188

Orders received, revenues and book to bill



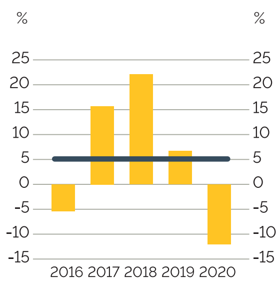
Orders received, MSEK
Revenues, MSEK
Book to bill, %

Revenues by geographic area



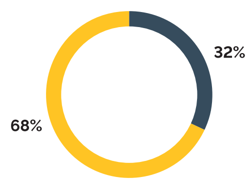
North America
South America
Europe
Africa/Middle East
Asia/Australia

Annual and average revenue growth



Revenue growth, %
Compound annual growth rate, 2015-2020, %

Revenue split by equipment and aftermarket



Equipment
Aftermarket

Orders received, MSEK
36 579
–7% in 2020

Revenues, MSEK
36 122
–12% in 2020

Epiroc's goal is to achieve an annual revenue growth of 8% over a business cycle. The compound annual revenue growth has been 5% during the period 2015–2020.

(-224), change in provision for long-term incentive programs of MSEK -99 (-194), and a cost of MSEK -28 related to the agreement with the departing President and CEO in 2019. The operating margin improved to 20.4% (19.9), affected positively by cost savings, mix and currency, but negatively by volume. The operating margin, adjusted for items affecting comparability, was 21.2% (21.0).

Operating profit for Equipment & Service decreased 11% to MSEK 6 639 (7 435), including restructuring costs of MSEK –84 (–28). The profit was negatively impacted mainly by lower volumes and currency, but was supported by cost savings. The operating margin was 24.7% (24.9), affected negatively by volume and by restructuring costs, but positively by cost savings, mix and currency.

Operating profit for Tools & Attachments decreased 12% to MSEK 1 097 (1 252), including restructuring costs of MSEK –104 (–196). The profit was negatively impacted by lower volumes and currency, but was supported by cost savings. The operating margin was 12.2% (11.6). Adjusted for restructuring costs, the operating margin improved to 13.3% (12.5), positively affected by cost savings and negatively by lower volume and currency.

The operating loss for Common Group Functions was MSEK –354 (–551). The costs decreased as a result of cost efficiency measures. The change in provision for share-based long-term incentive programs was MSEK –99 (–194). Costs related to the split from Atlas Copco were lower and amounted to MSEK –18 (-62).

Epiroc's goal is to have an industry-best operating margin, with strong resilience over the business cycle. The Group's operating margin average in 2015–2020 was 18.9%.

Sales and profit bridge

	Orders received MSEK, Δ, %	Revenues MSEK, Δ, %	Operating profit MSEK, Δ	Margin, %, Δ, pp
2019	39 492	40 849	8 136	19.9
Organic	0	-5	-651	-0.8
Currency	-7	-6	-352	+0.5
Structure and other	0	-1	+249	+0.8
Total	**-7**	**-12**	**-754**	**+0.5**
2020	**36 579**	**36 122**	**7 382**	**20.4**

Depreciation and EBITDA

Depreciation, amortization and impairment costs were MSEK –1 746 (–1 978). Earnings before depreciation and amortization, EBITDA, were MSEK 9 128 (10 114), corresponding to a margin of 25.3% (24.8).

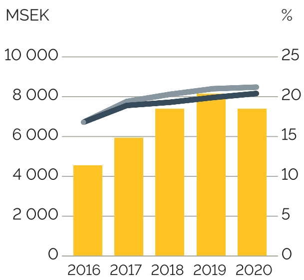
Financial items

Financial income was MSEK 144 (180) and financial expenses were MSEK –439 (–473). Net financial items were MSEK –295 (–293), negatively impacted by exchange rate differences of MSEK –182 (–112). Net interest costs were MSEK –117 (–186).

Profit before tax and income tax expense

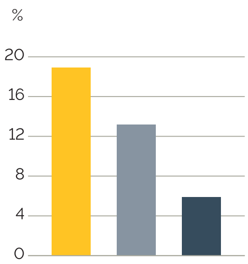
Profit before tax amounted to MSEK 7 087 (7 843), corresponding to a margin of 19.6% (19.2). Income tax expense amounted to MSEK –1 677 (–1 959), corresponding to an effective tax rate of 23.7% (25.0).

Operating profit and margin



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

Operating margin (EBIT) average 2015–2020 vs. peers and industrial companies



Large cap global industrials: 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.

Reported data until February 28, 2021.

Epiroc
Large cap global industrials
Mining and construction equipment companies

Operating profit, MSEK
7 382

Operating margin
20.4%

Epiroc's goal is to have an industry-best operating margin, with strong resilience over the cycle. The Group's average operating margin for the years 2015–2020 was 18.9%.

Profit for the year and earnings per share
Profit for the year decreased 8% to MSEK 5 410 (5 884). This corresponds to basic earnings per share of SEK 4.48 (4.89) and diluted earnings per share of SEK 4.48 (4.89).

Balance sheet in summary

MSEK	2020	% of total assets	2019	% of total assets
Intangible assets	4 111	9	4 226	10
Rental equipment	999	2	1 213	3
Other property, plant and equipment	4 150	10	4 613	11
Other non-current assets	2 313	5	1 838	4
Inventories	8 930	20	10 508	26
Trade receivables	6 045	14	7 287	18
Other receivables	1 603	4	1 950	5
Financial assets	682	2	862	2
Cash and cash equivalents	15 053	34	8 540	21
Total assets	**43 886**	**100**	**41 037**	**100**
Total equity	23 739	54	22 813	56
Interest bearing liabilities	10 961	25	9 025	22
Non-interest bearing liabilities	9 186	21	9 199	22
Total equity and liabilities	**43 886**	**100**	**41 037**	**100**

Assets
The Group's total assets increased 7% to MSEK 43 886 (41 037), mainly as cash and cash equivalents increased following strong cash generation. Currency effects decreased assets by about 8%. Inventory and customer receivables decreased in local currency for comparable units.

Net cash/net debt
The Group's net cash amounted to MSEK 4 137 (net debt 483), of which MSEK 806 (596) of the debt was attributable to post-employment benefits. The net debt/EBITDA ratio was −0.45 (0.05). The net debt/equity ratio was −17.4% (2.1).

Financing
Long-term financing consists of capital market borrowings of MSEK 4 000 and loan facilities of MSEK 3 000 and MEUR 100, 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 2020. See also note 21 and 28.

Credit rating
Epiroc's goal is to have an efficient capital structure and have the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating. Epiroc is assigned a BBB+ long-term issuer credit rating with a stable outlook from S&P Global Ratings.

Equity and comprehensive income
At year-end, Group equity including non-controlling interests was MSEK 23 739 (22 813), corresponding to 54.1% (55.6) of total assets. Equity per share was SEK 19.71 (19.00). Epiroc's market capitalization at year-end was MSEK 177 483 (137 504). Total comprehensive income for the year decreased to MSEK 3 450 (6 185).

Dividend
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 business cycle. The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.50 (2.40) per share. The proposed dividend corresponds to 56% (49) of net profit.

Mandatory redemption of shares
The Group's financial position is strong. The Board of Directors, therefore proposes a distribution of SEK 3.00 per share through mandatory redemption, see page 62.

Working capital
Net working capital decreased 20% to MSEK 10 571 (13 153) compared to the previous year, of which 13% is related to currency. For comparable units and currency-adjusted, net working capital decreased 7%, with a reduction in both trade receivables and inventories. Average net working capital was MSEK 12 217 (14 062). As a percentage of revenues in the last 12 months, average net working capital was 33.8% (34.4).

Tax rate

23.7%

Earnings per share, SEK

4.48

Profit for the year decreased 8% to MSEK 5 410.

Dividend per share, SEK

2.50*

*Proposed by the Board

Redemption per share, SEK

3.00*

*Proposed by the Board

Capital turnover
The capital turnover ratio was 0.8 (1.0). The capital employed turnover ratio was 1.1 (1.4).

Return on capital employed and return on equity
Return on capital employed decreased to 21.7% (27.6), affected by lower profit as well as by increased capital employed, mainly from accumulation of cash.

Epiroc's goal is to improve capital efficiency and resilience. Investments and acquisitions should create value. Return on capital employed remained at a high level, even if it was negatively affected by the accumulation of cash.

Return on equity was 22.7% (28.3).

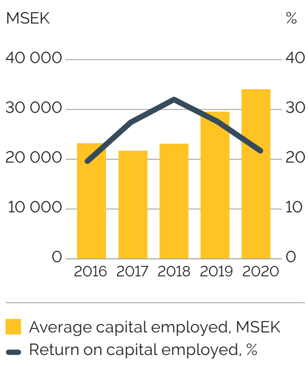
Operating cash flow and investments
Operating cash flow increased to MSEK 7 006 (6 688), mainly due to an improvement in cash flow from working capital.

Net cash flow from operating activities was MSEK 8 334 (7 228). Net financial items paid were MSEK –94 (–410). Taxes paid were MSEK –1 800 (–2 157). Cash flow from change in working capital was MSEK 1 121 (337), mainly due to decreased trade receivables and inventories. Net investments in rental equipment were MSEK –219 (–343). Gross investments in property, plant and equipment were MSEK –507 (–486) and sales were MSEK 84 (60), thus net investments in property, plant and equipment were MSEK –423 (–426). The largest investments were made in the manufacturing facilities in Örebro and Fagersta, Sweden, and in Garland, Texas, United States. Investments in intangible assets, mainly related to capitalization of development expenditures but also investments in IT systems, were MSEK –494 (–521), net.

Acquisitions and other investments
One (three) acquisition and no (two) divestments were completed and the cash flow effect was MSEK –75 (–984), see note 3 and 14. Proceeds to/from other financial assets were positive at MSEK 384 (276), net, including proceeds from the divestment of some Financial Solutions credit portfolios.

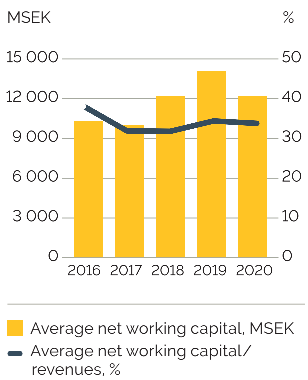
Cash flow from financing
Dividends paid to shareholders were MSEK –2 892 (–2 523) and dividends paid to non-controlling interests were MSEK –9 (–8). Cash flow from sales and repurchases of own shares was MSEK 370 (340), net, all related to hedging or deliveries of shares for the long-term incentive programs described in note 24. The change in interest-bearing liabilities was MSEK 1 541 (–820).

Return on capital employed

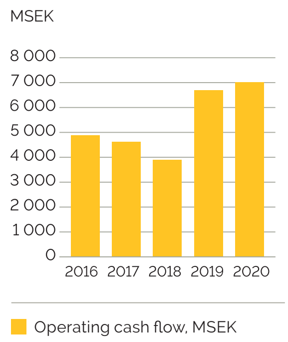


Numbers prior to 2019 are not restated for IFRS 16.

Net working capital



Operating cash flow



Return on capital employed

21.7%

Epiroc's goal is to improve capital efficiency and resilience. Investments and acquisitions shall create value. The return on capital employed remained at a high level.

Average number of employees

	2020	% of total	2019	% of total
North America	2 042	15	2 253	16
South America	1 377	10	1 476	10
Europe	4 674	33	4 813	34
– of which Sweden	*3 105*	*22*	*3 157*	*22*
Africa/Middle East	2 278	16	2 070	14
Asia/Australia	3 641	26	3 786	26
Total	**14 012**	**100**	**14 398**	**100**

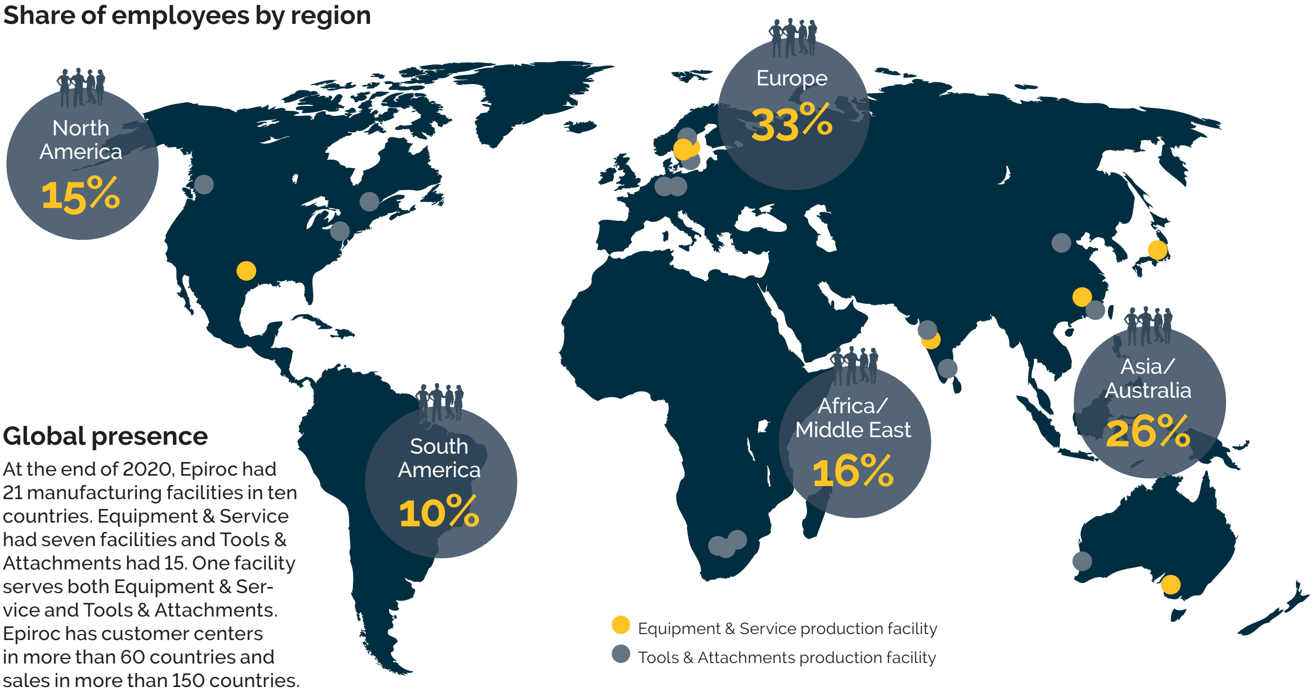
Employees by professional category, %

	2020	2019
Service & supply chain	40	37
Production	26	28
Administration	16	16
Marketing, sales & support	11	12
Research & development	7	7
Total	**100**	**100**

Employees

The average number of employees decreased 3% to 14 012 (14 398). At year-end, the number of employees was 13 840 (14 268). Epiroc uses additional workforce in addition to its permanent personnel to handle temporary fluctuations in demand. Additional hires work primarily in Epiroc's manufacturing and assembly plants, but also in research and development. The additional workforce was 1 109 (1 366) at the end of the year. For comparable units, the total workforce decreased by 686 compared to the previous year.

Share of employees by region



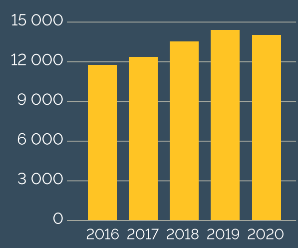
Global presence

At the end of 2020, Epiroc had 21 manufacturing facilities in ten countries. Equipment & Service had seven facilities and Tools & Attachments had 15. One facility serves both Equipment & Service and Tools & Attachments. Epiroc has customer centers in more than 60 countries and sales in more than 150 countries.

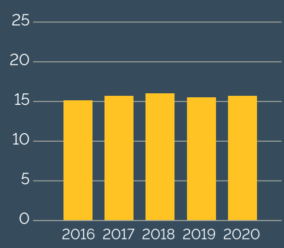
Average number of employees

14 012

Average number of employees



Women employees, %

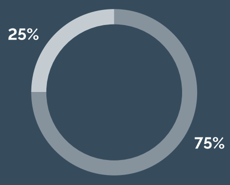


Presentation of Epiroc's segments

Equipment & Service, pages 58–59

Tools & Attachments, pages 60–61

Revenues split by segment



Equipment & Service
Tools & Attachments

Equipment & Service

Equipment & Service provides equipment and solutions for rock drilling, mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, exploration drilling, and drilling equipment for water, energy, oil and gas. It also provides related parts, services, and solutions for automation and interoperability.

2020 in review

Market development and orders received

Customer demand for Epiroc's equipment was affected by the Covid-19 pandemic mainly during the second quarter, when customers were cautious in taking investment decisions. In the second half of 2020, the demand improved as customers took decisions to invest. The demand for service was negatively impacted by lower activity caused by restrictions. Still the structured work with service products and with marketing and sales activities supported the service business.

Investments were made in innovation to strengthen the offering, in market presence and facilities for service, and in manufacturing.

Orders received for Equipment & Service were MSEK 27 252 (28 509), corresponding to 3% organic growth. Currency effects had a negative impact of 7% on orders received.

Equipment orders decreased 8% to MSEK 11 326 (12 355), corresponding to 2% organic decline. The negative impact from currency was 6%. Geographically, orders received increased in Africa/Middle East, but decreased in all other regions.

Service orders had organic growth of 7%. Orders received decreased 1% to MSEK 15 926 (16 154) due to a negative impact from currency of 8%. Geographically, orders received for service increased in all regions, except North America.

Revenues

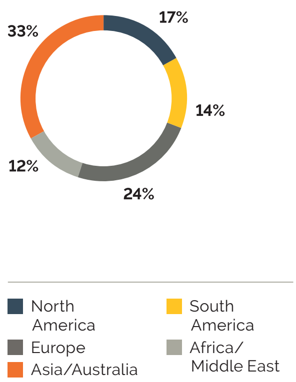
Revenues decreased 10% to MSEK 26 927 (29 891), corresponding to an organic decline of 4%. Currency had a negative effect of 6%. Equipment revenues decreased 18% to MSEK 11 382 (13 861), corresponding to an organic decline of 13%. Service revenues decreased 3% to MSEK 15 545 (16 030), corresponding to organic growth of 5%.

Book to bill was 101% (95). Service accounted for 58% (54) of revenues.

Orders received, revenues and book to bill

Operating profit and operating margin

Revenues by geographic area



Orders received, MSEK

27 252

-4% in 2020

Revenues, MSEK

26 927

-10% in 2020

Operating profit, MSEK

6 639

Operating margin

24.7%

One acquisition completed in 2020.

Sales bridge

	Equipment		Service	
	Orders received MSEK, Δ, %	Revenues MSEK, Δ, %	Orders received MSEK, Δ, %	Revenues MSEK, Δ, %
2019	**12 355**	**13 861**	**16 154**	**16 030**
Organic	-2	-13	+7	+5
Currency	-6	-5	-8	-8
Structure and other	0	0	0	0
Total	**-8**	**-18**	**-1**	**-3**
2020	**11 326**	**11 382**	**15 926**	**15 545**

Sales and profit bridge

	Orders received MSEK, Δ, %	Revenues MSEK, Δ, %	Operating profit MSEK, Δ	Margin, %, Δ, pp
2019	**28 509**	**29 891**	**7 435**	**24.9**
Organic	+3	-4	-524	-0.9
Currency	-7	-6	-221	+0.9
Structure and other	0	0	-51	-0.2
Total	**-4**	**-10**	**-796**	**-0.2**
2020	**27 252**	**26 927**	**6 639**	**24.7**

Operating profit and margin

Operating profit decreased 11% to MSEK 6 639 (7 435), including restructuring costs related to efficiency improvements of MSEK –84 (–28). The operating profit was negatively impacted mainly by lower volumes and currency. The operating margin decreased to 24.7% (24.9), affected negatively by volume and by restructuring costs, but positively by revenue mix and currency. Adjusted for restructuring costs, the operating margin was 25.0% (25.0).

Business and organizational development

More resources were added to support the service business and customer projects and the sales organization was further strengthened. Investments were made in research and development, mainly in targeted areas such as automation, digitalization and electrification, in automation centers, and in service and manufacturing facilities. Control Towers that showcase Epiroc's digitalization solutions were inaugurated at Epiroc's facilities in South Africa and China, in addition to the ones already established in Sweden, Chile and Australia. The Group has automation centers in all regions of the world.

Efficiency initiatives were implemented in all entities worldwide and included restructuring actions. The dimension stone industry manufacturing in Bagnolo, Italy, was consolidated to the existing production facility in Nashik, India. Targeted efforts brought manufacturing capacity in line with demand.

Acquisition

Equipment & Service completed the acquisition of Italparts, a distributor of spare parts, based in Italy, in August, see note 3.

An agreement was signed in December to acquire MineRP, a software company specializing in increasing productivity for mines through integrated planning, execution and analytics. The company had revenues of MUSD 16 (MSEK 135) for the 12 months ending June 30, 2020, and about 200 employees. The acquisition is planned to be finalized in the first half of 2021.

Innovations

Several new products and solutions were introduced during the year, including;

- A rotary drill for quarrying and small mining operations.
- A core-drilling rig with a mobile carrier built for demanding underground operations.
- A service agreement where customers can develop a tailored maintenance plan by analyzing machine data.
- A software update to the successful Rig Control System with a range of improvements.
- In addition, Epiroc presented, together with commercial explosives provider Orica, a semi-automatic explosives delivery system for underground applications.

Equipment is sold by sales engineers with strong application knowledge and service technicians support customers all over the globe in achieving improved productivity and increased sustainability.

Tools & Attachments

Tools & Attachments develops, manufactures and markets rock drilling tools and hydraulic attachment tools, and also provides related service. The products are used for rock excavation, mining, construction, demolition and recycling.

2020 in review

Market development and orders received

Activity in both the infrastructure and mining industry was impacted negatively by the restrictions caused by Covid-19. Depending on restrictions, the order intake varied significantly between countries.

Orders received decreased 15% to MSEK 9 185 (10 768), corresponding to an organic decline of 7%. Currency and structural changes impacted the order intake negatively with 6% and 2%, respectively. Both hydraulic attachments and rock drilling tools saw an organic decline in orders received. Geographically, orders received decreased in all regions.

Revenues

Revenues decreased 16% to MSEK 9 024 (10 799), corresponding to an organic decline of 8%. Currency and structural changes had a negative impact of 6% and 2%, respectively, on revenues. Book to bill was 102% (100).

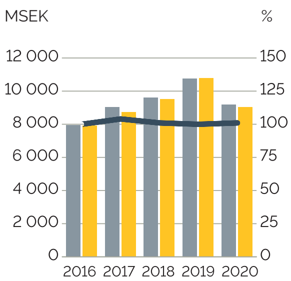
Operating profit and margin

Operating profit decreased to MSEK 1 097 (1 252), including restructuring costs related to efficiency improvements of MSEK –104 (–196). The operating profit was negatively impacted mainly by lower volumes and currency, but supported by cost savings. The restructuring costs were lower compared to the previous year. The operating margin was 12.2% (11.6). Adjusted for restructuring costs, the operating margin was 13.3% (13.4), positively affected by efficiency actions and negatively affected by lower volume and currency.

Sales and profit bridge

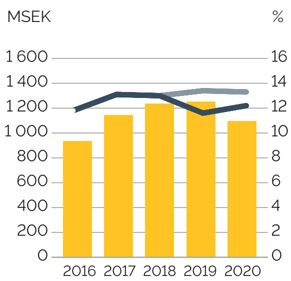
	Orders received MSEK, Δ, %	Revenues MSEK, Δ, %	Operating profit MSEK, Δ	Margin, %, Δ, pp
2019	**10 768**	**10 799**	**1 252**	**11.6**
Organic	-7	-8	-152	-0.7
Currency	-6	-6	-143	-0.7
Structure and other	-2	-2	+140	+2.0
Total	**-15**	**-16**	**-155**	**+0.6**
2020	**9 185**	**9 024**	**1 097**	**12.2**

Orders received, revenues and book to bill



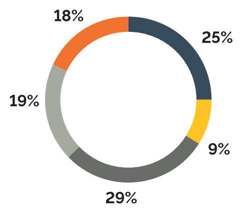
Orders received, MSEK
Revenues, MSEK
Book to bill, %

Operating profit and operating margin



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

Revenues by geographic area



North America
Europe
Asia/Australia
South America
Africa/Middle East

Orders received, MSEK
9 185
-15% in 2020

Revenues, MSEK
9 024
-16% in 2020

Operating profit, MSEK
1 097

Operating margin
12.2%

Business development

Efficiency initiatives were implemented in all entities worldwide. The production of exploration-drilling tools in Canada was consolidated and production moved from North Bay to Montréal, affecting approximately 65 employees in North Bay. At the end of 2019, a factory producing handheld rock drilling equipment and tools in Shandong, China, was closed.

Innovations

Several new products and solutions were introduced during the year, including:

- A remote monitoring device for attachments such as breakers and drum cutters that tracks location and operating hours to improve efficiency and safety.
- A premium tricone drill bit, which greatly improves drilling productivity through extended bit life and faster drilling.
- An extension of the range of hydraulic breakers for tunneling applications, with features such as extended lifetime, overall cost reductions and energy recovery.
- A new tube drilling system, primarily for underground production drilling. It offers features such as longer service life, straighter and deeper drilling and enables better service planning.

With the new Epsilon^2 premium tricone drill bit, surface mining and construction professionals will enjoy up to 100% longer distance drilled before bit discard.

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 –110 (–167). Profit before tax totaled MSEK 3 336 (3 707). Profit for the year amounted to MSEK 2 634 (2 935).

Financing

Total assets were MSEK 59 300 (57 122) at year-end. Interest-bearing liabilities, excluding post-employment benefits, totaled MSEK 7 987 (6 029). Equity represented 86% (89) of total assets and non-restricted equity totaled MSEK 50 397 (50 277).

Employees

The average number of employees was 41 (44).

Remuneration

Principles for remuneration, fees and other remuneration paid to the Board of Directors, 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 are specified in note 5.

Financial risks, risks and factors of uncertainty

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 take decisions about how to manage these risks. See also pages 72–79 and note 28.

Shares and share capital

At year-end, Epiroc AB's share capital totaled MSEK 500 (500). The total numbers of issued Epiroc shares were 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 Directors 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 2020, Epiroc held 7 814 213 class A shares.

The Board of Directors will propose to the Annual General Meeting 2021 a similar performance based long-term incentive program as in previous years. See notes 20 and 24.

Appropriation of profit

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.50 (2.40) per share, which corresponds to a total of MSEK 3 015 (2 892). The dividend is proposed to be paid in two equal installments, the first with a record date of April 30, 2021 and the second with a record date of October 28, 2021. It is also proposed that the balance of retained earnings after the dividend shall be retained in the business as described in the table to the right.

SEK	
Retained earnings incl. reserve for fair value	47 763 374 441
Profit for the year	2 633 865 387
Total	50 397 239 828
The Board of Directors proposes that these earnings shall be appropriated as follows:	
To the shareholders,	
a dividend of SEK 2.50 per share	3 014 811 225
a redemption of shares of SEK 3.00 per share	3 617 773 470
To be retained in the business carried forward	43 764 655 133
Total	50 397 239 828

Mandatory redemption of shares

Epiroc has generated significant operating cash flows in recent years and the Group's financial position is strong. The Board, therefore, propose a mandatory share redemption procedure, whereby each share is split into one ordinary share and one redemption share. The redemption share is then automatically redeemed at SEK 3.00 per share. This corresponds to a total of MSEK 3 618. The proposed preliminary record day for the share redemption split is May 17, 2021. The payment of the redeemed shares would, if approved, be made around June 15, 2021.

Combined with the proposed dividend, shareholders will receive SEK 5.50 per share, equal to MSEK 6 633.

The total amount of distribution will depend on the total number of shares owned by Epiroc on the dates of dividend distribution and the share redemption split.

Statement by the Board of Directors on the proposed appropriation of profit and the mandatory redemption of shares

The Board of Directors hereby makes the following statement in accordance with Chapter 18, Section 4 of the Swedish Companies act. The Board notes that 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 fulfil 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.

Five-year summary

MSEK	2016[1)]	2017[1)]	2018	2019	2020
Orders, revenues and profit					
Orders received	27 634	33 831	39 400	39 492	36 579
Revenues	27 102	31 364	38 285	40 849	36 122
Change organic, %	-3	+14	+18	+1	-5
EBITDA	5 765	7 183	8 753	10 114	9 128
EBITDA margin, %	*21.3*	*22.9*	*22.9*	*24.8*	*25.3*
Operating profit	4 548	5 930	7 385	8 136	7 382
Operating margin, %	*16.8*	*18.9*	*19.3*	*19.9*	*20.4*
Adjusted operating profit [2)]	4 836	6 093	7 779	8 582	7 669
Adjusted operating margin, % [2)]	17.8	19.4	20.3	21.0	21.2
Net financial items	-137	-137	-184	-293	-295
– of which interest net	*na*	*-125*	*-137*	*-186*	*-117*
Profit before tax	4 411	5 793	7 201	7 843	7 087
Profit margin, %	*16.3*	*18.5*	*18.8*	*19.2*	*19.6*
Income tax expenses	-1 180	-1 495	-1 764	-1 959	-1 677
Tax rate, %	*26.8*	*25.8*	*24.5*	*25.0*	*23.7*
Profit for the period	3 231	4 298	5 437	5 884	5 410
Employees					
Number of employees, period end	11 705	12 948	13 847	14 268	13 840
Additional workforce, period end	954	1 397	1 610	1 366	1 109
Average number of employees	11 749	12 355	13 517	14 398	14 012
Revenues per employee, SEK thousands	2 307	2 538	2 832	2 837	2 578
Operating cash flow					
Net cash flow from operating activities	5 402	5 176	4 324	7 228	8 334
Net cash from investing activities	-1 805	5 543	-1 337	-1 655	-608
Acquisitions and divestments of subsidiaries	–	137	546	984	75
Other adjustments [3)]	1 283	-6 246	351	131	-795
Operating cash flow	4 880	4 610	3 884	6 688	7 006
Change in working capital	895	-403	-1 875	337	1 121
Increase in rental equipment	-677	-793	-896	-915	-595
Sale of rental equipment	386	422	522	572	376
Net investments in rental equipment	-291	-371	-374	-343	-219
– as % of revenues	-1.1	-1.2	-1.0	-0.8	-0.6
Investments in property, plant and equipment	-293	-424	-577	-486	-507
Sale of property, plant and equipment	58	70	26	60	84
Net investments in property, plant and equipment	-235	-354	-551	-426	-423
– as % of revenues	-0.9	-1.1	-1.4	-1.0	-1.2
Net investments in intangible assets	-287	-289	-459	-521	-494
Sale/repurchase own shares	–	–	-1 307	340	370
Balance sheet					
Total assets	29 984	27 547	36 155	41 037	43 886
Average capital employed	23 167	21 674	23 086	29 518	34 033
Capital employed turnover ratio	1.2	1.4	1.7	1.4	1.1
Return on capital employed, 12 months %	19.6	27.4	32.0	27.6	21.7
Net debt	1 986	5 424	1 208	483	-4 137
Net debt/EBITDA ratio	0.34	0.75	0.14	0.05	-0.45
Total equity	15 813	12 047	18 847	22 813	23 739
Debt/equity ratio, period end, %	12.6	45.0	6.4	2.1	-17.4
Equity/assets ratio, period end, %	52.7	43.7	52.1	55.6	54.1
Return on equity, 12 months %	20.4	29.1	33.2	28.3	22.7
Average net working capital	n/a	9 991	12 158	14 062	12 217
Average net working capital/revenues, %	n/a	31.9	31.8	34.4	33.8

1) Financial statements prior to 2018 are combined. See note 1 in the Annual and Sustainability Report 2018.

2) Adjusted for costs for the split from Atlas Copco until 2018 and for items affecting comparability, including change in provision for share-based long-term incentive programs.

3) In 2016–2017, mainly changes in cash-pool with Atlas Copco and currency hedges of loans. In 2018, 2019 and 2020, mainly currency hedges of loans and divestment of Financial Solutions portfolios.

Financial definitions can be found on page 134. Non-IFRS measures are presented in this report since they are considered to be important supplemental measures of the company's performance. Information on how these measures have been calculated can also be found on Epiroc's website, www.epirocgroup.com/en/investors/financial-publications.

Corporate Governance Report

Epiroc's corporate governance is designed to support the Group's long term strategy for profitable growth and to uphold confidence among stakeholders, such as shareholders, customers, business partners, capital markets, society and employees.

Corporate governance relates to the decision-making systems by which shareholders, directly or indirectly, control the Group. The following section provides details about corporate governance within Epiroc. As a company listed on Nasdaq Stockholm, Epiroc applies the rules of the Swedish Companies Act, the Swedish Annual Accounts Act, Epiroc's Articles of Association, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code (the Code) as well as other Swedish and foreign laws and regulations, as applicable. The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and is based on the comply or explain principle. This means that Epiroc is not required to apply every rule of the Code at all times, but may choose alternative solutions deemed to better match the circumstances, provided that Epiroc openly discloses all such deviation, describes the alternative solution and states the reason for the deviation. Epiroc does not report any deviations from the Code for the fiscal year. The auditor's statement regarding this report can be found on pages 135–137.

Further information about corporate governance is available at www.epirocgroup.com

Corporate Governance structure

The following section describes the governance structure within Epiroc and how corporate governance creates a framework for rules and regulations, areas of responsibility, processes, and routines that effectively safeguards the interests of shareholders and other parties by minimizing risks and creating good conditions for a stable expansion of Epiroc's business.

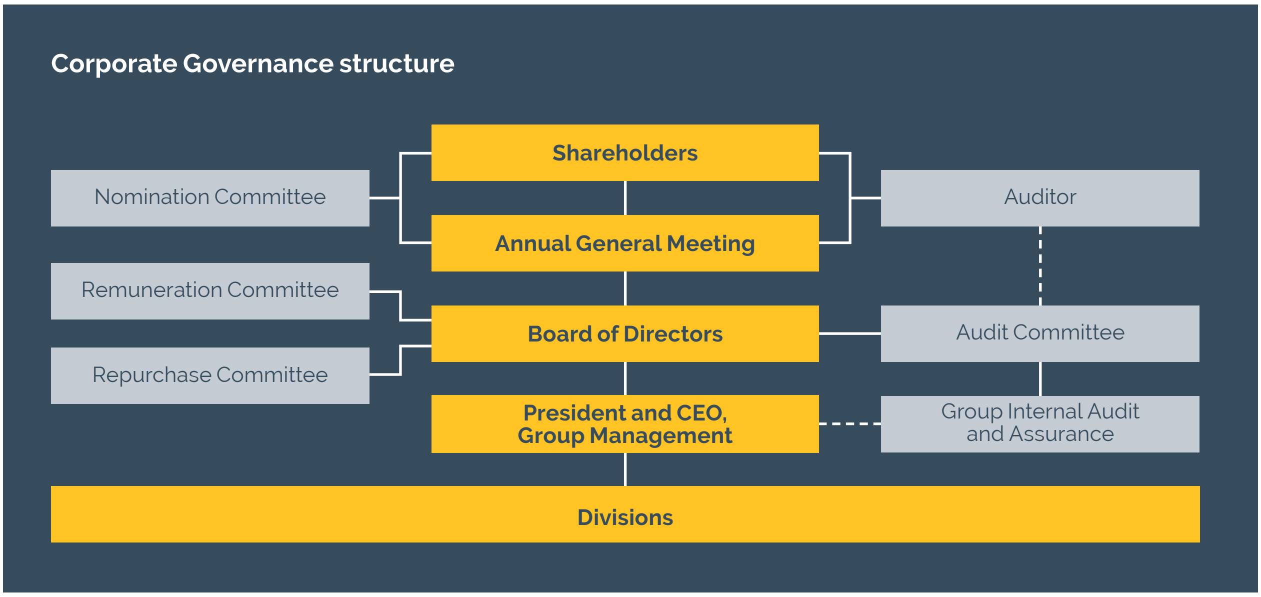
Shareholders

At year-end 2020, the total number of shareholders was 67 162 (70 716). The proportion of foreign ownership was 53.4% (52.7) of the number of outstanding shares. One shareholder, Investor AB, held 17.1% of capital and 22.7% of votes at year end. Further details about the company's shares and shareholders are presented in the section "The Epiroc share", see pages 146-147.

Annual General Meeting

The Annual General Meeting (AGM) is Epiroc's highest decision-making body and is where shareholders exercise their voting rights. Notice of a General Meeting of shareholders is posted on the Group's website and published in the Official Swedish Post. Information about the notice must be given simultaneously in the two national newspapers, Svenska Dagbladet and Dagens Nyheter. The AGM decides on matters such as the adoption of Epiroc's annual accounts, appropriation of the company's profits and the discharge of Board members and the CEO from liability for the year. The AGM also elects members of the Board, elects auditor, votes on remuneration for the Board of Directors and auditors and decides on guidelines for determining the salaries and other remuneration for the CEO and Group Management. Further, the AGM adopts instructions for the Nomination Committee and its appointment. Shareholders attending the AGM may also ask questions about the Group's activities. Resolutions passed at a meeting of shareholders are disclosed after the meeting in a press release, and the minutes of the meeting are published on Epiroc's website.

The Annual General Meeting 2021 will be held on April 28 in Nacka, Sweden.



Nomination Committee

The main task of the Nomination Committee is to propose Board members and auditors, as well as remuneration of such persons, and propose the Chairman for the AGM. The Nomination Committee instructions state that the committee, in addition to the Chairman of the Board, shall consist of one representative of each of the four shareholders controlling the largest number of votes and which desire to appoint a representative. The composition of the committee is based on ownership statistics on the last day of trading in August 2020, and there is a mechanism dealing with ownership changes occurring prior to the AGM. The proposals and the Nomination Committee's statement will be published with the notice to the AGM 2021.

The Nomination Committee must conduct its duties in accordance with the Swedish Code of Corporate Governance and particularly consider the requirements regarding breadth and versatility of the appointed Board members' qualifications, experience and background. The Nomination Committee has in its evaluation of the Board's composition taken into account diversity, independence and gender balance.

In accordance with instructions on Epiroc's website, shareholders are welcome to present proposals and opinions to the committee. Shareholders who wish to submit proposals can do so by emailing the secretary of the Nomination Committee at nominations@epiroc.com or by writing to Jörgen Ekelöw, Epiroc AB, P.O. Box 4015, SE-131 04 Nacka, Sweden.

The following representatives of Epiroc AB's shareholders, together with the Chairman of the Board, Ronnie Leten, form the Nomination Committee for the Annual General Meeting 2021:

- Petra Hedengran – Investor AB (Chair)
- Mikael Wiberg – Alecta
- Helen Fasth Gillstedt – Handelsbanken funds
- Jan Andersson – Swedbank Robur funds

Board of Directors

The Board of Directors is Epiroc's highest decision-making body below the AGM. The Board is charged with the organization of the Group and management of the Group's affairs. The Board's tasks include adopting strategies, business plans, interim reports, year-end reports, annual financial statements and certain instructions, policies and guidelines. The Board is also required to monitor economic and societal developments, identifying positive and negative sustainability impacts of the business on society, to report yearly on its progress in regards to sustainability, to ensure the quality of financial reporting and internal controls and to evaluate operations based on the objectives and guidelines set by the Board. Additional targets include deciding on the Group's major investments, acquisitions and divestments, and other changes in the organization and its activities. The Board adopts instructions for the Board's committees and an instruction for the President and CEO, as well as an instruction for the financial reporting.

The work of the Board follows written rules of procedure to ensure that the Board obtains information on all issues, and that all aspects of the Group's activities relating to the Board are addressed.

The Board has three Board committees as part of efforts to strengthen the efficiency on certain issues: a Remuneration Committee, an Audit Committee and a Repurchasing Committee. The committees have a preparatory and administrative role and members are appointed for one year at a time at the inaugural Board meeting. The work and authority of the committees are regulated by the committee instructions, which are reviewed and approved annually.

Composition

Members of the Board of Directors, except for employee representatives, are appointed annually by the AGM for the period until the end of the next AGM. According to the Group's Articles of Association, the members of the Board of Directors to be elected by the General Meeting shall consist of a minimum of six members and a maximum of twelve members. Other than the President and CEO, the employee representatives and their deputies, none of the Board members are employed by the Group. Of the non-executive Board members elected by the AGM, three are women and six are men. The Board members are presented on pages 68-69.

The Chairman leads the work, is responsible for ensuring that the Board's work is carried out efficiently and that the Board fulfills its obligations in accordance with applicable laws and regulations. The Chairman shall monitor the Board's performance and prepare and chair the meetings. The Chairman is also responsible for ensuring that the Board of Directors evaluates its work each year and always receives the information necessary to perform its work effectively. The Chairman represents the Board in relation to Epiroc's shareholders.

Work of the Board

To accomplish its task, the Board's work follows an annual cycle. At the beginning of the year, the Board considers the year-end report and the annual report, as well as matters to be submitted to the AGM. Each year, the Board reviews the strategic direction of the Group as well as the business plan and targets for the year ahead. The Group's principal auditor also presents the annual audit. Every quarter, the Board reviews the Group's earnings and interim reports. An inaugural Board meeting is held in connection with the AGM at which members of the Board's committees are appointed and matters such as the right to sign on behalf of the company are decided. Business presentations and/or presentations on certain matters are a typical feature of Board meetings. The Board evaluates the performance of the President and CEO and also follows up on the compliance of the Code of Conduct during the year.

The Board held eight meetings in 2020, including the inaugural meeting, and issued two per capsulam resolutions. The attendance at Board meetings is presented on page 67. The General Counsel acted as secretary at the Board meetings. In the year, the Board has continuously been informed about the Covid-19 situation and the actions taken.

Evaluation of the Board

The annual evaluation of the Board of Directors' work, including the Board's committees', was conducted by the Chairman through a questionnaire and a follow-up discussion with each Board member. The evaluation included working procedures, competence and composition of the Board as well as the experience and diversity of the Board members. The findings were presented to the Nomination Committee.

Remuneration of the Board of Directors

Remuneration and fees are based on the work done by the Board. The AGM held on May 12, 2020, resolved that remuneration to the Board members elected by the General Meeting should be as follows:

- SEK 2 050 000 to the chair of the board and SEK 640 000 to each of the other directors,

As well as compensation for committee service of:
- SEK 260 000 to the chair of the audit committee and SEK 175 000 to each one of the other members of this committee.
- SEK 125 000 to the chair of the remuneration committee and SEK 90 000 to each one of the other members of this committee.
- SEK 70 000 to each non-executive director who, in addition, participates in committee work decided upon by the board.

The AGM resolved that 50% of the director's board fee may be received in the form of synthetic shares in accordance with the Nomination Committee proposal. See also note 5.

Audit Committee

The Audit Committee supports the Board in its role of supervising auditing and internal control issues. The committee is responsible for monitoring the Group's financial reporting, financial risk management and internal control, as well as accounting and auditing. The Audit Committee has regular dialogue with the Group's auditor and has at least one meeting per year with the auditor when management is not present. It also reviews and monitors the auditor's impartiality and independence, other services provided by the Group's auditor and assists the Nomination Committee with the proposal for the election of the auditor. The Audit Committee has functional responsibility over Epiroc Group Internal Audit and Assurance. The committee is responsible for reviewing and monitoring this function's independence and objectivity, as well as the effectiveness of the activities carried forward, such as the yearly internal audit plan.

The Audit Committee must consist of at least three members, of whom a majority must 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. As from October 2020, Lennart Evrell was appointed member of the Committee. Ulla Litzén, Anders Ullberg and Lennart Evrell are independent in relation to the Group and its management.

Remuneration Committee

The principal function of the Remuneration Committee is to propose to the Board principles of remuneration and other employment terms for members of Group Management, including a proposal for remuneration to the President and CEO, and to approve remuneration and other employment conditions for the other members of the Group Management. The Remuneration Committee also handles remuneration matters of principle importance such as proposals of long-term incentive plans for key employees.

The Remuneration Committee must consist of three members who may not be employees of the Group. The Chairman of the Board chairs the committee. The other members must 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 of the President and CEO and Group Management

The remuneration of Epiroc's senior executives may consist of a base salary, variable compensation, long-term incentive programs, pension contributions and additional benefits.

The base salary should reflect the position, qualification and individual performance. Variable compensation should be contingent on the extent to which predetermined quantitative and qualitative goals are met. Variable compensation is limited to a maximum of 70% of the base salary.

In the event of termination of employment of a senior executive by the Group, compensation amounts to a maximum of 24 months' base salary depending on age, length of employment and possible income from other economic activity or employment. See note 5 for information about the remuneration during 2020.

Performance based incentive programs

The Board considers it to be in the best interest of shareholders that key personnel in Epiroc have a long-term interest in a positive development in the value of the company's shares. This applies in particular to the group of key personnel comprising the senior executives. The Board also believes a share-related options program increases the attractiveness of Epiroc in the global market and enhances the possibility of recruiting and retaining key personnel in the Group. Epiroc's 2020 AGM approved a performance based personnel options plan for 2020. The options plan is directed at a maximum of 100 key employees. For further information on the incentive programs, see note 24.

Repurchase Committee

The Board of Directors has a Repurchase Committee to prepare and execute repurchases of the company's own shares in accordance with the AGM's authorization of the Board of Directors to conduct such repurchases, see note 20. The Repurchase Committee consists of Anders Ullberg (chair) and Ronnie Leten.

Board work 2020 in brief

Q1

January 30
- Q4 and full-year 2019 results
- Evaluation of the President and CEO's performance

February 28
- Approval of the Annual Report 2019
- Annual General Meeting preparation

Q2

April 22
- Q1 2020 results

May 12
- Annual General Meeting
- Inaugural Board meeting
- Review of the Group's strategy

President and CEO, Group Management

The Group President and Chief Executive Officer (CEO) is appointed by the Board of Directors. The President and CEO is responsible for the ongoing management of the Group's business operations in accordance with instructions and regulations established by the Board. These instructions include responsibility for financial reporting, preparation of information and input for decisions, and ensuring that agreements and other measures do not conflict with applicable legislation or regulations.

The CEO appoints a Group Management team that is responsible for different parts of the organization. As per December 31, 2020, in addition to Helena Hedblom, President and CEO, the management team consisted of Anders Lindén, Senior Vice President (CFO), José Manuel Sánchez, President Surface division, Sami Niiranen, President Underground division, Jess Kindler, President Parts & Services division, Jonas Albertson, President Technology & Digital division, Goran Popovski, President Tools & Attachments division, Nadim Penser, Senior Vice President Human Resources, Jörgen Ekelöw, Senior Vice President General Counsel, Mattias Olsson, Senior Vice President Corporate Communication, and Martin Hjerpe, Senior Vice President M&A and Strategy. As from March 1, 2020, Helena Hedblom serves as President and CEO. For the period to this date, Per Lindberg was the President and CEO.

The role of Group Management is to establish strategies and policies for the Group based on the objectives set by the Board. Group Management sets targets for operational activities, allocates resources and monitors earnings. The management team is also responsible for investment planning and follow-up, acquisitions and divestments, and for preparations for Board meetings. Group Management meets monthly to review the financial performance of the preceding month, update forecasts and plans, and to discuss strategic issues.

Auditor

The task of the external auditor is to audit the Group's annual report and accounts, the consolidated financial statements and the significant subsidiaries, as well as the management by the Board of Directors and the President and CEO. After the end of each fiscal year, the auditor submits an audit report to the AGM. The principal auditor participates at all meetings of the Audit Committee. The auditor also presents the annual audit to a meeting of the Board of Directors at which the Board also meets the auditor without management being present.

At the AGM 2020 the auditor Deloitte AB, Sweden, was elected as external auditor until the AGM 2021 in accordance with the Nomination Committee's proposal. The principal auditor is Thomas Strömberg, Authorized Public Accountant at Deloitte AB.

Attendance

	Board meetings	Per capsulam resolutions	Audit Committee	Remuneration Committee	Repurchase Committee
Ronnie Leten	8	2	5	4	3
Anders Ullberg	8	2	5		3
Astrid Skarheim Onsum	8	2			
Jeane Hull	8	2			
Johan Forssell	8	2		4	
Lennart Evrell	8	2	1	4	
Sigurd Mareels[1]	6				
Ulla Litzén	7	2	4		
Helena Hedblom[2]	7				
Per Lindberg[2]	1	1			
Bengt Lindgren[3]	4	1			
Kristina Kanestad	8	2			
Daniel Rundgren[3]	8	1			
Gustav El Rachidi	8				
Niclas Bergström[3]	1				
	8	**2**	**5**	**4**	**3**

1) Sigurd Mareels was elected board member at the AGM in May 2020.
2) Helena Hedblom was appointed President and CEO as from March 1, when Per Lindberg stepped down.
3) Bengt Lindgren retired on August 31, 2020. Daniel Rundgren was appointed employee representative (previously deputy) with Niclas Bergström as his deputy on October 28, 2020.

Q3

July 22
- Q2 2020 results
- Review of sustainability and corporate responsibility

September 15-17
- Virtual field trip with focus on innovation

Q4

October 22
- Q3 2020 results
- Management review
- Leadership and talent review

December 16
- Digitalization review

Board of Directors




	Ronnie Leten	Johan Forssell	Anders Ullberg	Ulla Litzén
Function / Since	**Chairman** Elected 2017	**Board member** Elected 2017	**Board member** Elected 2017	**Board member** Elected 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, and MBA from the Massachusetts Institute of Technology (MIT) in the United States.
External memberships	Chairman and member of the Boards of Directors of Telefonaktiebolaget LM Ericsson and Piab AB, and member of the Board of Directors of AB SKF.	President and CEO, and member of the Board of Directors, of Investor AB and a member of the Boards of Directors of Atlas Copco AB, Wärtsilä Oyj Abp, Patricia Industries AB, EQT AB, Confederation of Swedish Enterprise and Stockholm School of Economics.	Chairman and member of the Boards of Directors of Boliden AB and Studsvik AB and a member of the Boards of Directors of Beijer Alma AB and Valedo Partners. Chairman of the Swedish Financial Reporting Board and a member of the Board of the European Financial Reporting Advisory Group.	Member of the Boards of Directors of AB Electrolux, Husqvarna AB and Ratos AB.
Principal work experience and other information	President and CEO of Atlas Copco AB.	Managing Director, Head of Core Investments, of Investor AB.	Executive Vice President and CFO and President and CEO of SSAB AB.	President of W Capital Management AB and Managing Director and member of Group Management of Investor AB.
Independent of Epiroc and its management	No [1]	Yes	Yes	Yes
Independent of major shareholders	No [2]	No [4]	Yes	Yes
Holdings in Epiroc AB, incl. related parties	11 308 A shares 55 650 B shares 112 234 Call options [3]	5 000 B shares 8 156 Synthetic shares	14 000 A shares 31 000 B shares	75 800 A shares 3 000 B shares

Principal working experience and other information and holdings in Epiroc AB as per December 31, 2020.
Holdings include those of close relatives and legal entities.

1) Ronnie Leten has been President and CEO of a closely related company (Atlas Copco) within the last five years.
2) Ronnie Leten has a consultancy agreement with Investor AB, which is a major shareholder.
3) Call options issued by Investor AB entitling to purchase Epiroc Class A shares.
4) Johan Forssell is President and CEO of Investor AB, which is a major shareholder.
5) Helena Hedblom is President and CEO of Epiroc AB as from March 1, 2020.

Lennart Evrell	Jeane Hull	Astrid Skarheim Onsum	Helena Hedblom	Sigurd Mareels
Board member Elected 2017	**Board member** Elected 2018	**Board member** Elected 2018	**Board member** Elected 2020	**Board member** Elected 2020
Swedish / 1954	American / 1955	Norwegian / 1970	Swedish / 1973	Belgian / 1961
M.Sc. in Engineering from the Royal Institute of Technology (KTH) and a B.Sc. in Business Administration from Uppsala University, both in Sweden.	B.Sc. in Civil Engineering from South Dakota School of Mines and Technology and MBA from Nova Southeastern University, both in the United States.	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, Stockholm, Sweden	M.Sc. in Engineering and a PhD in Metallurgy, Ghent University, Belgium
Member of the Boards of Directors of Svenska Cellulosa AB (SCA), ICA Gruppen AB and of The Confederation of Swedish Enterprise (Svenskt Näringsliv).	Member of the Boards of Directors of Interfor Corporation and Pretium Resources Incorporated.	CEO of Aker Offshore Wind. Member of the Board of Principle Power Inc.	Member of the Board of Directors of IPCO AB.	
President and CEO of Boliden AB.	Executive Vice President and Chief Technical Officer of Peabody Energy and Chief Operating Officer for Rio Tinto at the Kennecott Utah Copper Mine in the United States.	Head of Wind Energy, Chief Digital Officer and Managing Director of the Norwegian engineering business at Aker Solutions.	President and CEO of Epiroc AB. She previously held the position of Senior Executive Vice President Mining and Infrastructure.	Senior Partner at McKinsey in Belgium.
Yes	Yes	Yes	No [5]	Yes
Yes	Yes	Yes	Yes	Yes
4 000 B shares 5 459 Synthetic shares	3 617 Synthetic shares	9 076 Synthetic shares	21 379 A shares 189 758 Personnel options 12 015 Matching options	2 035 Synthetic shares

Employee representatives

Kristina Kanestad
Board member, 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
–

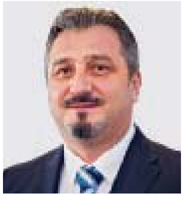
Daniel Rundgren
Board member, employee
Appointed 2019
Nationality / Born
Swedish / 1973
Holdings in Epiroc AB
–

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

Group Management

					
	Helena Hedblom	**Anders Lindén**	**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 2017	**President Surface division** Division President since 2014 and member of Group Management since 2020.	**President Underground division** Division President since 2018 and member of Group Management since 2020	**President Parts & Services division** Division President since 2016 and member of Group Management since 2020
Nationality / Born	Swedish / 1973	Swedish / 1962	Spanish / 1963	Finnish / 1972	American / 1975
Education	M.Sc. in Material Technology from the Royal Institute of Technology, Stockholm, Sweden.	B.Sc. in Economics and Business Administration from the Stockholm School of Economics, 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 and an MBA from the University of Pennsylvania, Wharton School of Business.
Principal work experience and other information	Member of the Board of Directors of IPCO AB. Previously Senior Executive Vice President Mining and Infrastructure.	Vice President Business Control of Atlas Copco Mining and Rock Excavation Technique business area.	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 189 758 Personnel options 12 015 Matching options	8 965 A shares 64 359 Personnel options 5 614 Matching options	16 724 A shares 275 944 Personnel options 11 127 Matching options	3 751 A shares 39 261 Personnel options 1 751 Matching options	16 724 A shares 62 512 Personnel options 10 651 Matching options

Principal working experience and other information and holdings in Epiroc AB as per December 31, 2020. Holdings include those of close relatives and legal entities. For some members, the matching options and stock options are in the form of Share Appreciation Rights (SARs).

					
Jonas Albertson	**Goran Popovski**	**Nadim Penser**	**Jörgen Ekelöw**	**Martin Hjerpe**	**Mattias Olsson**
President Technology & Digital division Division President since 2016 and member of Group Management since 2020.	**President Tools & Attachments division** Division President since 2017 and member of Group Management since 2020.	**Senior Vice President Human Resources** Member of Group Management since 2020.	**Senior Vice President General Counsel** In current position since 2017	**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 / 1955	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, England.	Master of Law from Lund 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 M&A and Global Projects at Atlas Copco.	Partner at McKinsey & Company.	Head of Investor Relations at Assa Abloy. Vice President Investor Relations at Atlas Copco.
7 266 A shares 62 512 Personnel options 5 664 Matching options	7 165 A shares 102 664 Personnel options 4 774 Matching options	1 750 A shares 97 325 Personnel options	7 921 A shares 90 972 Personnel options 4 755 Matching options	8 500 A shares 23 507 Personnel options 3 226 Matching options	5 294 A shares 1 200 B shares 57 904 Personnel options 3 594 Matching options

Internal control and risk management for financial reporting

This section includes a description of Epiroc's system of internal controls for financial reporting in accordance with the requirements set forth in the Swedish Corporate Governance Code and as stipulated by the Swedish Companies Act.

This section includes a description of Epiroc's system of internal controls for financial reporting in accordance with the requirements set forth in the Swedish Corporate Governance Code and as stipulated by the Swedish Companies Act.

Epiroc's internal control system for financial reporting is designed to manage risks and to ensure a high level of reliability in the preparation of financial reports, and to ensure that applicable accounting principles and other requirements as a publicly listed company are properly applied. Epiroc's processes have been established based on the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO's components are implemented at Epiroc as presented below.

1. Control environment

The basis for Epiroc's internal control framework is defined by the overall control environment. The Board of Directors is responsible for establishing an efficient system for internal control and governs this work through the Audit Committee. Group Management sets the tone for the organization, influencing the control consciousness of employees. One key success factor for a strong control environment is ensuring that the organizational structure, decision hierarchy, corporate values in terms of ethics and integrity, and authority to act are clearly defined and communicated through guiding documents such as internal policies, guidelines and Epiroc Code of Conduct.

2. Risk assessment

An assessment of financial reporting risks is conducted annually and control activities are either reinforced or implemented. The key risk areas for Epiroc's financial reporting are presented on the next page.

3. Control activities

Epiroc's control activities are established to mitigate financial reporting risks. Control activities are performed at all levels of Epiroc and at various stages of the business processes.

4. Information and communication

Epiroc has information and communication channels designed to ensure that information is identified, captured and communicated in a form and timeframe that enable employees and managers to fulfill their responsibilities. Examples of information and communication in Epiroc are: Group policies and guidelines communicated through The Epiroc Way (intranet), business review meetings and training.

5. Monitoring

Ongoing and specific evaluations are carried out to ascertain that the five components of Epiroc's internal control framework are functioning. Epiroc's monitoring activities include independent internal audits, review of balance sheet accounting reconciliations, reviews of financial information and financial performance and monthly management meetings. Observations of suspected deficiencies are evaluated and are communicated in a timely manner. Deficiencies of material importance are reported to the Group Management team, the Audit Committee and/or the Board of Directors.

Key financial reporting risks	Control activities
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 in the Group's intranet. • Bad debt provision needs are recalculated and booked during each reporting cycle. • Independent Balance Sheet reviews are conducted to ensure the entity has 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 in the Group's intranet. • Inventory obsolescence provision needs are recalculated and booked during each reporting cycle. • Independent Balance Sheet reviews are conducted to ensure the entity has 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-months period. • Epiroc is committed to have a formal Balance Sheet review in all its entities within a period of two years. 60 entities are subject to review on a yearly basis. • Balance Sheet reconciliations are done monthly at operational level.
Reporting processes and procedures are not well documented	• A documented manual of the business system and financial system used exist 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 done accordingly	• 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 done. • Group guidelines are updated to reflect the requirements for the new IFRS standards.

Balanced risk-taking and efficient risk management

All business activities involve risk. Epiroc views efficient risk management both from a risk reduction and a business opportunity perspective in order to reduce the probability and severity of damage and losses and to enable profitable growth.

Epiroc's products and services are sold in more than 150 countries, with principal product development and manufacturing units located in Sweden, the United States, China, South Africa, India, Germany and Canada. Epiroc focuses on applications in mining and infrastructure where there is a need for performance-critical equipment and services, with significant aftermarket requirements over the equipment lifecycle and where customers focus on productivity and total cost of ownership. Hence, the global business entails a variety of risks and opportunities. Epiroc's ability to prevent, detect and manage the risks is crucial for effective governance and control of the business.

Responsibilities

It is the responsibility of the Board of Directors to ensure that there is an appropriate system and appropriate guidelines for follow-up and internal control of Epiroc's operations and the risks that are associated with its operations. The risk management system at Epiroc follows the decentralized structure of the Group. Local companies are responsible for their own risk management, which is monitored and followed up regularly at local business board meetings. In addition, an enterprise risk management system is applied to map Group risks. Group functions for legal, insurance, treasury, tax, controlling and accounting, and communications provide policies, guidelines and instructions regarding risk management.

Financial risk policies and compliance functions were established and became effective in January 2018. The Board of Directors 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 the mandate given by the Board of Directors. The members of the FRMC are the CEO, CFO, Group Treasurer, and Manager Treasury Control. The FRMC meet on a quarterly basis or more frequently 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 in place through loans and committed credit facilities, and manages the Group's liquidity. Read more about financial risk management in note 28.

The implementation of policies, guidelines and instructions covering financial reporting and financial risk management is controlled regularly by internal audits.

The crisis management process is managed by Corporate Communications. It is rolled out to all entities and each disruptive or unexpected event should, as far as possible, be handled close to the incident origin.

Insurance

As of June 1, 2018, Epiroc is covered by its own insurance programs. The insurance programs cover, inter alia, property and business interruptions insurance, product liability insurance, cargo insurance, 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 and insurance coverage for all types of risks may not be available at a reasonable cost or at all. Hence, if an accident were to occur causing damage in excess of the applicable insurance limits or not covered by insurance, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Enterprise Risk Management

Epiroc applies an enterprise risk management system to map Group risks. The system is applied to divisions. Risks are hereby identified based on each divisional management team's knowledge of its business and area of responsibility. The ownership of managing the risks raised in the risk mappings lies with each division, while the Insurance & Risk Management department manages the overall process, moderates the sessions and, together with Group Management, consolidates the results at Group level. In addition, risk mappings are carried out at Group level for IT, legal, sustainability and for financial reporting through own analysis and discussions with stakeholders. Results of risk mappings are reported to Group Management and to the Board of Directors. The Board addresses risks and risk management annually.

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

We are improving the dialogue with investors by providing analysis of the implications of climate change on our business and opportunities that a shift to a low-carbon economy brings to Epiroc. A structured approach to identifying and managing these risks, through the recommendations of the TCFD, brings clarity, transparency and comparability in ways that are relevant to the investor community.

Epiroc is therefore in the process of aligning its approach to TCFD guidelines. We are identifying and managing risks and opportunities for Epiroc and specifying how these are embedded in our company governance and risk management processes. This work will continue in 2021.

Epiroc is also following developments in sustainable investing. We are aware of the impact that the EU Taxonomy will have on the investment landscape.

Key risks

Group key risks

The risks have been assessed, and on pages 78–79, the highlighted risks that are key risks for the Group are presented. These risks are presented in more detail, including context, risk mitigation actions and activities as well as opportunities.

Risk overview, with key risks marked with ⊕

Strategic risks

⊕	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.
⊕	Competition	• Highly competitive markets. • Competitors continue to consolidate.
	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 potential following 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.
⊕	Environment and climate	• Physical changes in climate, changes in regulations, taxes and resource prices, pollution, and access to natural resources, such as energy, water and raw material.

Risk overview, with key risks marked with ⊕

Operational risks

Key risk	Risk	Description
⊕	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.
	Distribution	• Epiroc is dependent on the efficiency of its distribution centers and its customer centers' sales and service organization.
⊕	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.
	Acquisitions and divestments	• Difficulties in completing acquisitions, integrating acquired businesses and achieving anticipated synergies, as well as in completing divestments.
⊕	Employee	• 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 our employees and impair their ability to perform their job.
	Human rights	• Epiroc operates in countries where violations of human rights occur and encounters customers, which are also exposed to human rights issues.
⊕	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 the reputation. • May be exposed to product liability and warranty claims. • Complaints and litigation could damage Epiroc's brand and reputation and divert management resources.
	Information technology (IT)	• 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.
⊕	Corruption and fraud	• Epiroc's governance, internal controls and compliance processes may not prevent corruption and fraud.
	Insurance	• Epiroc's insurance policies may provide insufficient protection.
	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.
⊕	Safety and health	• Inadequate adherence to safety and health regulations can lead to accidents causing harm to people, and negatively impact productivity and brand.

Legal risks and compliance

- Epiroc's governance, internal controls and compliance processes may not prevent regulatory penalties, trade compliance and fraud.
- Epiroc is also subject to competition and antitrust laws and inspections.

Financial risks

- 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. 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.

Key risk and context	Risk mitigation	Opportunities
Market		
Equipment and services are used in industries which are affected by general economic conditions and mineral commodity prices, which may impact demand for Epiroc's equipment and services.	A flexible setup in manufacturing in which a large share of the components used in the assembly of equipment is purchased from suppliers. A significant aftermarket requirement over the equipment lifecycle creates a large and resilient service business.	Lean initiatives in the manufacturing enable a more agile setup with enhanced flexibility. Opportunity to further develop the aftermarket business. This will enhance the resilience of the business.
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, see product development risks below.	Development of high quality solutions that are in line with customer demands such as increased productivity and lower total cost of ownership. Opportunities to continuously increase operational efficiency and lower costs of operations and improve competitive position.
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 also 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. Start using the recommendation from TCFD 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 our 2030 sustainability goals lead the organization towards halving CO_2 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 we can add value and help drive the transition to low-carbon solutions.
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, 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 Code of Conduct. 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 a Business Partner Criteria Letter and the Code of Conduct. 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 our 2030 sustainability goals lead towards halving CO_2 emissions in operations, transport and use of products, and ensuring compliance with our Code of Conduct Promote the integration of the Sustainable Development Goals in operations.
Employee		
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 it may not be able to sustain or further develop parts of its business. A widespread pandemic could affect the health of our 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. We always follow local laws and regulations. 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 our 2030 sustainability goals lead the organization towards improved safety and increased diversity. Promote the integration of the Sustainable Development Goals in operations. 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.

Key risk and context	Risk mitigation	Opportunities
Environment and climate		
Examples are physical changes in climate and natural resources, pollution, changes in regulations and related taxes and resource prices. 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.	The Epiroc management and organization are continuously monitoring environmental and climate risks that can impact the 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 our 2030 sustainability lead the organization towards halving CO_2 emissions in scope 1, 2 and 3.
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 ethical, social, product, labor, health and safety, environmental or other standards, or related political considerations. • Epiroc may be subject to complaints and litigation from customers, employees, suppliers and other third parties, alleging product injury, health, environmental, safety, data protection, antitrust 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. Code of Conduct training includes the yearly signing of a Compliance Statement for managers. Behavior or actions that are illegal or violate the Code of Conduct can be reported in the whistleblower system Speak Up.	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. 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 our 2030 sustainability goals helps ensuring compliance with our Code of Conduct.
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 regarding trade compliance. Epiroc is active in a large number of jurisdictions and its operations are subject to a wide range of competition and antitrust laws, rules and regulations. A risk exists that Epiroc's employees may engage in discussions, transactions or in any other way interact with competitors or customers in breach of applicable competition and antitrust laws.	In-house lawyers support entities with advice on laws and regulations including compliance and support with contract reviews. Proactive training is also carried out. Epiroc has established a compliance function tasked with identifying related risks areas and supporting compliance awareness in the organization. An annual legal risk survey of all companies in the Group is performed in addition to continuous monitoring of legal risk exposure. The result of the legal risk survey is compiled, analyzed and reported to the Board and the auditors. All managers are required to sign a Code of Conduct Compliance Statement. Training in the Code of Conduct is available for all employees. The Compliance Board is responsible for the implementation of and adherence to the Code of Conduct. All managers are, in turn, responsible for ensuring that all employees are aware of the Code of Conduct.	Complying with legal norms and laws minimizes costs and increases opportunities to strengthen Epiroc's reputation. It also creates the chance to develop reliable partnerships and improve business stability. Implementation of our 2030 sustainability goals helps ensuring compliance with our Code of Conduct.
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 OHSAS 18001 and ISO45001 standards. 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 our 2030 sustainability goals lead the organization towards improved health and safety. Promote the integration of the Sustainable Development Goals in operations.


Epiroc

Financial information

Group financial information

Consolidated income statement

January - December MSEK	Note	2020	2019
Revenues	4	36 122	40 849
Cost of sales		-22 418	-25 547
Gross profit		**13 704**	**15 302**
Administrative expenses		-2 817	-3 261
Marketing expenses		-2 225	-2 797
Research and development expenses		-1 032	-1 035
Other operating income	7	163	130
Other operating expenses	7	-413	-191
Share of profit in associated companies and joint ventures	14	2	-12
Operating profit	4, 5, 6, 7, 16	**7 382**	**8 136**
Financial income	8	144	180
Financial expenses	8	-439	-473
Net financial items		**- 295**	**-293**
Profit before tax		**7 087**	**7 843**
Income tax expense	9	-1 677	-1 959
Profit for the year		**5 410**	**5 884**
Profit attributable to:			
– owners of the parent		5 399	5 874
– non-controlling interests		11	10
Basic earnings per share, SEK	11	4.48	4.89
Diluted earnings per share, SEK	11	4.48	4.89

Consolidated statement of comprehensive income

January - December MSEK	Note	2020	2019
Profit for the year		**5 410**	**5 884**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans		-147	-274
Income tax relating to items that will not be reclassified		32	52
Total items that will not be reclassified to profit or loss		**-115**	**-222**
Items that may be reclassified subsequently to profit or loss			
Translation differences on foreign operations		-1 812	547
- realized and reclassified to profit and loss		-33	-7
Cash flow hedges		0	-22
Income tax relating to items that may be reclassified		0	5
Total items that may be reclassified subsequently to profit or loss		**-1 845**	**523**
Other comprehensive income for the year, net of tax	10	**-1 960**	**301**
Total comprehensive income for the year		**3 450**	**6 185**
Total comprehensive income attributable to			
– owners of the parent		3 447	6 175
– non-controlling interests		3	10

Consolidated balance sheet

MSEK	Note	Dec. 31, 2020	Dec. 31, 2019
Assets			
Non-current assets			
Intangible assets	12	4 111	4 226
Rental equipment	13	999	1 213
Other property, plant and equipment	13	4 150	4 613
Investments in associated companies and joint ventures	14	188	201
Other financial assets and receivables	15	751	1 007
Deferred tax assets	9	1 374	630
Total non-current assets		**11 573**	**11 890**
Current assets			
Inventories	16	8 930	10 508
Trade receivables	17	6 045	7 287
Other receivables	18	1 414	1 597
Current tax receivables		189	353
Financial assets	15	682	862
Cash and cash equivalents	19	15 053	8 540
Total current assets		**32 313**	**29 147**
Total assets		**43 886**	**41 037**
Equity and liabilities			
Equity	20		
Share capital		500	500
Other paid-in capital		80	58
Reserves		-1 107	730
Retained earnings including profit for the year		24 220	21 473
Equity attributable to owners of the parent		**23 693**	**22 761**
Non-controlling interests		46	52
Total equity		**23 739**	**22 813**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	21, 22	9 491	7 724
Post-employment benefits	23	806	596
Other liabilities		54	98
Provisions	26	323	325
Deferred tax liabilities	9	606	-
Total non-current liabilities		**11 280**	**8 743**
Current liabilities			
Interest-bearing liabilities	21, 22	664	705
Trade payables		3 605	4 050
Current tax liabilities		391	507
Other liabilities	25	3 911	3 930
Provisions	26	296	289
Total current liabilities		**8 867**	**9 481**
Total equity and liabilities		**43 886**	**41 037**

Consolidated statement of changes in equity

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, January 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, December 31	**500**	**80**	**- 1 107**	**0**	**24 220**	**23 693**	**46**	**23 739**

2019				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, January 1	**500**	**3**	**190**	**17**	**18 087**	**18 797**	**50**	**18 847**
Profit for the year	–	–			5 874	5 874	10	5 884
Other comprehensive income for the year	–	–	540	-17	-222	301	0	301
Total comprehensive income for the year	–	–	**540**	**-17**	**5 652**	**6 175**	**10**	**6 185**
Dividend	–	–	–	–	-2 523	-2 523	-8	-2 531
Divestment of 4 705 198 series A shares	–	55	–	–	419	474	–	474
Acquisitions of 1 500 000 series A shares	–	–	–	–	-134	-134	–	-134
Share-based payment, equity settled								
– expense during the year	–	–	–	–	9	9	–	9
– exercise option	–	–	–	–	-37	-37	–	-37
Closing balance, December 31	**500**	**58**	**730**	**0**	**21 473**	**22 761**	**52**	**22 813**

Consolidated statement of cash flows

January - December MSEK	Note	2020	2019
Cash flow from operating activities			
Operating profit		7 382	8 136
Adjustments for:			
Depreciation, amortization and impairment	12, 13	1 746	1 978
Capital gain/loss and other non-cash items		252	-252
Net financial items received/paid		-94	-410
Taxes paid		-1 800	-2 157
Pension funding and payment of pension to employees		-54	-61
Cash flow before change in working capital		**7 432**	**7 234**
Change in:			
Inventories		536	739
Operating receivables		486	1 051
Operating liabilities		99	-1 453
Change in working capital		**1 121**	**337**
Increase in rental equipment		-595	-915
Sale of rental equipment		376	572
Net cash flow from operating activities		**8 334**	**7 228**
Cash flow from investing activities			
Investments in other property, plant and equipment		-507	-486
Sale of other property, plant and equipment		84	60
Investments in intangible assets	12	-498	-537
Sale of intangible assets		4	16
Acquisition of subsidiaries and associated companies	3	-63	-1 137
Divestment of subsidiaries	3	-12	153
Proceeds to/from other financial assets, net		384	276
Net cash flow from investing activities		**-608**	**-1 655**
Cash flow from financing activities			
Dividend		-2 892	-2 523
Dividend paid to non-controlling interest		-9	-8
Repurchase of own shares		–	-134
Divestment of own shares		370	474
Borrowings		4 010	3 035
Repayment of borrowings		-2 012	-3 432
Payment of lease liabilities		-457	-423
Net cash flow from financing activities		**-990**	**-3 011**
Net cash flow for the year		**6 736**	**2 562**
Cash and cash equivalents, Jan. 1		8 540	5 872
Exchange rate difference in cash and cash equivalents		-223	106
Cash and cash equivalents, Dec. 31	19	**15 053**	**8 540**
Operating cash flow			
Net cash from operating activities		8 334	7 228
Net cash from investing activities		-608	-1 655
Acquisition and divestment of subsidiaries and associated companies		75	984
Other adjustments [1]		-795	131
Operating cash flow		**7 006**	**6 688**

[1] Mainly currency hedges of loans and divestment of Financial Solutions portfolios.

Group notes

1. Significant accounting policies, accounting estimates and judgements

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 4, 2021 . The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on April 28, 2021.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements have been prepared in accordance with the acquisition method. The income statements and balance sheets 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 intra-group 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. The consideration transferred, measured at fair value, includes assets transferred by the Group, liabilities to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Any subsequent change in such fair value is recognized in profit or loss, unless the contingent consideration is classified as equity. Transaction costs that the Group incur 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 reporting currency for Epiroc AB and also the presentation currency for the Group's financial reporting. Unless otherwise stated, the amounts presented are in millions Swedish krona (MSEK).

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction and non-monetary items carried at fair value are reported at the rate that existed when the fair values were determined. Tangible and intangible assets, inventory and advance payments are examples of non-monetary items. Receivables and liabilities and other monetary items denominated in foreign currencies are translated using the foreign exchange rate at the balance sheet date. The exchange gains and losses related to trade receivables and payables and other operating receivables and liabilities are included in "Other operating income and expenses" and foreign exchange gains and losses attributable to other financial assets and liabilities are included in "Financial income and expenses". Exchange rate differences on translation to functional currency are reported in other comprehensive income (OCI) in the following cases:

- translation of a financial liability designated as a hedge of the net investment in a foreign operation,
- translation of intra-group receivables from, or liabilities to, a foreign operation that in substance is part of the net investment in the foreign operation,
- cash flow hedges of foreign currency to the extent that the hedge is effective.

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 rates for the reporting period. Foreign exchange differences arising on such translation are recognized in other comprehensive income 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

1. Significant accounting policies, accounting estimates and judgments, cont.

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. Epiroc's management monitors its operations by division which represents the Group's operating segments. The operating results of the operating segments are reviewed regularly by the Group's President and CEO, the chief operating decision maker, to make decisions about allocation of resources to the segments and to assess their performance. 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 at 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.

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 occurs when 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.

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. If revenue cannot be reliably measured, the revenue is deferred until the uncertainty is highly probable to be resolved. 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 service 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 are 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 subject to constraint.

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 of 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.

Service

The providing of service 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 an item of non-current tangible and intangible assets are determined by comparing the proceeds from disposal with the carrying amount. Such gains and 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 expenses are recognized in profit or loss using the effective interest rate method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established. 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 other comprehensive income 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 carry-forward 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, or that at the employees' choice can be settled in shares or cash in the share-based incentive programs. Stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options. When calculating 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 CGUs. Impairment testing is made at least annually or whenever the need is indicated. Goodwill is reported as an indefinite useful life intangible asset.

Research and development
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 i.e.:
- 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 if it is to be used internally, the usefulness of the intangible asset and
- the Group has the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The 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.

Trademarks
Trademarks acquired by the Group are capitalized based on their fair value at the time of acquisition, and are subsequently carried at cost less accumulated amortization and impairment losses.

Marketing and customer related intangible assets
Acquired marketing and customer related intangibles are capitalized based on their fair value at the time of acquisition and are carried at cost less accumulated amortization and impairment losses.

Other intangible assets
Acquired 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 comprise 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 do 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	5–10 years
Marketing and customer related intangible assets	5–15 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 – IFRS 16
The Group acts both as lessor and lessee. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 Group's 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 comprise the initial measurement of the corresponding lease liability with the addition of any lease payments made at or before the commencement day and any initial direct costs. The leased asset is subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remea-

1. Significant accounting policies, accounting estimates and judgments, cont.

surement. The leased asset is depreciated over the lease term on a straight-line basis or over its useful life of the underlying asset if it is assessed to be reasonably certain that the Group will obtain ownership at the end of the lease term. The depreciation starts at the commencement date of the lease. The depreciation 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 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. On the contrary, 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 includes 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 customer centers. See note 16 for more details.

Equity

Shares issued by the company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effect.

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 other comprehensive income. Each quarter a remeasurement is performed to adjust the present value of pension liabilities and the fair value of pension assets against other comprehensive income. Net interest on defined benefit obligations and plan assets is reported as interest income or interest expenses. See note 23 for additional information.

Share-based compensation

The Group has share-based incentive programs, consisting of share 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 share 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 formula, is recognized as an expense over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

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 formula, 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 consistence 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.

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 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. Derecognition from the balance sheet, an assessment is made of whether and when the transfer of risks and rewards takes place upon derecognition of an asset from the balance sheet for example to an external part.

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 other comprehensive income (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,
- fair value through other comprehensive income (FVOCI), or
- fair value through profit or loss (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 is 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.

Fair value through other comprehensive income (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.

Fair value through profit or loss (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 fair value through profit and loss (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 asset or receivable 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 on 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 it 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 collaterals 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 is 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

Derivatives are initially recognized 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 as operating or financial transactions based 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.

IFRS 9 Hedge accounting is applied. In order to qualify for hedge accounting there must be an economic relationship between the hedged item and the hedging instrument. Also, the hedging relationship must be:
- formally identified and designated,
- expected to fulfil the effectiveness requirements, and
- documented.

The Group assesses, evaluates, and documents effectiveness both at hedge inception and on an on-going basis. Hedge effectiveness is assessed by an analysis of the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk must not dominate the value changes that result from that economic relationship. Further, the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedges: Changes in the fair value of the hedging instrument are recognized in other comprehensive income to the extent that the hedge is effective and the accumulated changes in fair value are recognized as a separate component in equity. Gains or losses relating to the ineffective part of hedges are recognized immediately in profit or loss. The Group does not apply the cost of hedging exception. The amount recognized in equity through other comprehensive income is reversed to profit or loss in the same period in which the hedged item affects profit or loss.

The Group uses foreign currency forwards to hedge part of the future cash flows from forecasted transactions in foreign currencies. Interest rate swaps can be used as cash flow hedges for hedging interest on borrowings with variable interest. However, there are no such hedges currently in place.

Fair value hedges: The gain or loss of the hedging instrument is recognized in profit or loss. A fair value hedge is a hedge of the exposure to changes in fair value. For the effective part of the hedge accounting relationship, the gain or loss on the hedged risk adjust the carrying value of the hedged item and is recognized in profit or loss. As a result of applying hedge accounting, accounting of the hedged item and the hedging instrument are aligned, reducing volatility in the income statement.

Accounting for discontinuation of hedges: Hedge accounting may not be voluntarily discontinued. Hedge accounting is discontinued:
- when the hedging instrument expires or is sold, terminated, or exercised,
- when there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk dominates the value changes that result from the economic relationship, or
- when the hedge accounting no longer meets the risk management objectives.

For *cash flow hedges* any gain or loss recognized in other comprehensive income and accumulated in equity at that time of hedge discontinuation remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

For *fair value hedges*, the hedging gain or loss that adjusts the carrying amount of the hedged item, is amortized to profit or loss over the period to maturity using a recalculated effective interest rate for hedged item for which the effective interest method is used. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in profit or loss.

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 that it is not probable that an outflow of resources will be required to settle the obligation or that a sufficiently reliable calculation of the amount cannot be made.

New or amended accounting standards and interpretations in 2020.

See note 2 for information.

Alternative performance measures

Key figures not defined according to IFRS

A number of the financial descriptions and measures in this annual report provide information about development and status of financial and per share measurements that are not defined in accordance with the IFRS (International Financial Reporting Standards). The alternative performance measures provide useful supplementary information to investors and management, as they facilitate evaluation of company performance. Since not all companies calculate performance measures in the same manner, these are not always comparable to measures used by other companies. Hence, these financial measures should not be seen as a substitute for measures defined according to IFRS. See also page 134 Definitions.

Critical accounting estimates and judgments

The preparation of financial reports requires management's judgment and the use of estimates and assumptions that affects 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 result 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 judgement

Management's judgement 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 has 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.

1. Significant accounting policies, accounting estimates and judgments, cont.

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 carry-forwards. 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 judgement
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 judgement 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.

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 overlay 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, inflation, future salary increases, mortality rates, and health care cost trend rates. 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 post-employment obligations.

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 is 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, is not exercising any renewal options.

2. Changes in accounting policies

For the Annual Report 2020 there are no new IFRS standards to be implemented. The following amendments have been implemented.

Amendments to IFRS 3 Business combinations
IASB has adopted amendments to the definition of Business combination. Epiroc estimates that the change will not affect the company's way of accounting for an acquisition.

IFRS 9, IAS 39, IFRS 7 amendments
Changes in the reference interest reform also some amendments in hedge accounting and cash flow hedges. Epiroc estimates that the changes will not affect the company's way of accounting.

Amendments to IAS 1 and IAS 8 Definition of Materiality
The amendment intends to harmonize the definitions of materiality between different IFRS standards and clarify the meaning of the concept. Epiroc estimates that the change will not affect the company's way of accounting.

IFRS 16 amendments
The amendment of IFRS 16 Leases 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 discount received or financial relief. Epiroc estimates that the change will not affect the company's way of accounting.

New or amended accounting standards effective after 2020
Revised standards IFRS 4 Insurance contracts, amendments to IFRS 9, IAS 39, IFRS 7 and interpretations, also amendments to IAS 37, IFRS 17, and IAS 1 have been issued but were not effective as of December 31, 2020, 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.

3. Acquisitions and divestments

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.

Acquisitions 2019

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 New Concept Mining where 67 % of the shares and voting rights were acquired. The Group received control over the businesses upon the date of the completion of the acquisition. All acquisitions have been accounted for using the acquisition method, no equity instruments have been issued in connection with the acquisitions.

In January, reporting segment Tools & Attachments acquired Fordia Group Inc, Canada, including subsidiaries. The company provides exploration drillings tools as well as water treatment systems and pumps.

In February, reporting segment Equipment & Service acquired the assets of Noland Drilling Equipment, a U.S. distributor of water well drilling equipment and related parts, services and consumables.

In April, reporting segment Tools & Attachments acquired Innovative Mining Products (Proprietary) Limited (known as New Concept Mining), South Africa, including subsidiaries.

In September, the subsidiaries in Peru and Chile were acquired. New Concept Mining provides a range of underground mining roof support products, rock monitoring systems and related accessories.

The amounts in the following tables detail the recognized amounts aggregated for all acquisitions made during the year, as the relative amounts of the individual acquisitions are not considered significant.

Fair value of acquired assets and liabilities	Group recognized values
	2019
Net assets identified	713
Intangible assets	234
Goodwill	249
Total consideration	**1 196**
Net cash outflow	**1 117**

The goodwill recognized on acquisitions is primarily related to the synergies expected to be achieved from integrating the companies into the Group's existing structure. As per December 31, the acquisitions have a total cash flow effect of -1 117. According to the preliminary purchase price allocation, total consideration amount to 1 196. The acquired businesses have contributed to revenues with 1 140 and to operating profit with 87 since their respective dates of acquisition.

Contribution from businesses acquired in 2019

MSEK	2019
Contribution from date of control	
Revenues	1 140
Operating profit	87
Profit for the year	-7
Contribution if the acquisition had occurred on Jan. 1	
Revenues	1 349
Operating profit	107
Profit for the year	7

Divestments 2019

In September, the Epiroc Geotechnical Consumables product line was divested to Mimir Invest and in December, the Epiroc handheld drilling consumable manufacturing facility was divested to Monark AS. Other minor divestments were made during the year.

Total net cash effect of the divestments was 153. The divestments resulted in a capital loss of 28 including the result of recycling of accumulated historical translation difference of 7. The capital loss was reported under "Other operating expenses". See note 7.

4. Segment information

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.

2019	Equipment & Service	Tools & Attachments	Common group functions	Eliminations	Group
Revenues from external customers	29 782	10 797	270	–	40 849
Inter-segment revenues	109	2	19	*-130*	–
Total revenues	**29 891**	**10 799**	**289**	**-130**	**40 849**
Operating profit/loss	**7 474**	**1 252**	**-611**	**21**	**8 136**
– of which share of profit in associated companies and joint ventures	*-12*	–	–	–	*-12*
Net financial items	–	–	–	–	-293
Income tax expense	–	–	–	–	-1 959
Profit for the year					**5 884**
Non-cash expenses/income					
Depreciation/amortization	1 280	442	223	-62	1 883
Impairment	1	94	–	–	95
Other non-cash expenses/income	–	-10	-40	–	-50
Segment assets	**19 991**	**8 746**	**3 122**	**-672**	**31 187**
– of which goodwill	*978*	*1 207*	–	–	*2 185*
Investments in associated companies and joint ventures	182	–	19	–	201
Unallocated assets	–	–	–	–	9 649
Total assets					**41 037**
Segment liabilities	**7 362**	**2 399**	**1 363**	**-493**	**10 631**
Unallocated liabilities					7 593
Total liabilities					**18 224**
Capital expenditures					
Property, plant and equipment	1 255	332	215	-63	1 739
– of which assets leased	*184*	*139*	*0*	–	*323*
Intangible assets	513	16	8	–	537
Total capital expenditures	**1 768**	**348**	**223**	**-63**	**2 276**
Goodwill acquired	10	239	–	–	249

The Group is organized in five separate and focused, but still integrated operating segments, 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 are 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.

4. Segment information, cont.

By geographic area/country

	Revenues		Non-current assets	
	2020	2019	2020	2019
North America				
U.S.A.	3 299	4 123	1 383	1 705
Canada	2 962	3 213	457	542
Mexico	1 470	1 605	44	66
	7 731	**8 941**	**1 884**	**2 313**
South America				
Chile	2 013	2 564	84	126
Peru	983	1 483	53	83
Brazil	949	1 044	22	43
Other countries	691	1 289	31	42
	4 636	**6 380**	**190**	**294**
Europe				
Russia	2 559	2 958	21	34
Sweden	1 098	1 179	3 881	3 630
Norway	520	576	1	6
Germany	492	607	291	328
Finland	456	519	67	73
Other countries	3 553	3 592	496	528
	8 678	**9 431**	**4 757**	**4 599**
Africa/Middle East				
South Africa	2 125	2 482	419	544
Congo (DRC)	540	521	40	26
Other countries	2 355	2 429	83	102
	5 020	**5 432**	**542**	**672**
Asia/Australia				
Australia	4 568	4 465	480	505
China	1 881	1 791	680	834
India	1 174	1 388	334	402
Kazakhstan	634	770	21	11
Other countries	1 800	2 251	376	422
	10 057	**10 665**	**1 891**	**2 174**
Total	**36 122**	**40 849**	**9 264**	**10 052**

Revenues

	2020	2019
Equipment & Service	26 927	29 891
whereof Equipment	*11 382*	*13 861*
whereof Service [1]	*15 545*	*16 030*
Tools & Attachments	9 024	10 799
Common Group functions/eliminations	171	159
Total	**36 122**	**40 849**

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

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

	2020	2019
Within one year	460	283
More than one year	505	289

The remaining performance obligations expected to be recognized within one year or more than one year, relates 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

	2020			2019		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	22	19	41	24	20	44
Subsidiaries						
North America	302	1 740	2 042	335	1 918	2 253
South America	172	1 205	1 377	178	1 298	1 476
Europe	913	3 720	4 633	917	3 852	4 769
– of which Sweden	*621*	*2 443*	*3 064*	*613*	*2 500*	*3 113*
Africa/Middle East	255	2 023	2 278	257	1 813	2 070
Asia/Australia	514	3 127	3 641	552	3 234	3 786
Total subsidiaries	**2 156**	**11 815**	**13 971**	**2 239**	**12 115**	**14 354**
Total	**2 178**	**11 834**	**14 012**	**2 263**	**12 135**	**14 398**

Number and proportion of women in the Board of Directors and Group Management

	2020			2019		
Group	Women	Men	Proportion of women %	Women	Men	Proportion of women %
Board of Directors excl. union representatives [1]	4	5	44	3	5	38
Group Management	1	10	9	1	5	17

[1] The President and CEO is also a member of the Board of Directors.

Remuneration and other benefits for the Group

Amounts in MSEK	2020	2019 [4]
Salaries and other remuneration [1, 2]	6 365	6 916
whereof Parent Company [2]	*129*	*100*
Contractual pension benefits [3]	438	400
whereof Parent Company	*17*	*14*
Other social costs	1 078	1 154
whereof Parent Company	*48*	*33*
Total	**7 881**	**8 470**

[1] Salaries and other remuneration including variable compensation to Board of Directors and Group Management, excluding pensions, 79 (83).
[2] Recognized costs for share-based payments 69 (159) whereof 23 (19) to Group Management, not recognized in presented amounts 2019.
[3] Pensions to Group Management 11 (9).
[4] Recognized costs for share-based payments not included in 2019.

Remuneration and other benefits to the Board of Directors

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 2020 [3]	Adj. due to vesting and change in stock price [4]	Total expense recognized 2020
Chairman:							
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
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.

2019 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 2019 [3]	Adj. due to vesting and change in stock price [4]	Total expense recognized 2019
Chairman:							
Ronnie Leten	2 015	–	–	349	2 364	–	2 364
Other members of the Board:							
Anders Ullberg	635	–	–	233	868	–	868
Astrid Skarheim Onsum	317	318	3 263	–	635	133	768
Jeane Hull	524	111	1 076	–	635	89	724
Johan Forssell	317	318	3 263	85	720	105	825
Lennart Evrell	428	207	2 187	85	720	43	763
Ulla Litzén	635	–	–	248	883	–	883
Union representatives [1]	76	–	–	–	76	–	76
Total	**4 947**	**954**	**9 789**	**1 000**	**6 901**	**370**	**7 271**

[1] Union representatives receive compensation to prepare for their participation in board meetings paid out in 2019.
[2] Refers to fees in board committees.
[3] Provision for synthetic shares (excl. social costs) at December 31, 2019, MSEK 1.9.
[4] Refers to synthetic shares received in 2018 and 2019.

Remuneration and other benefits to 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 2020
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 he from March 1, 2020 and during 18 months will be available to the extent requested by the Company. He will be entitled to remuneration during the period reduced by compensation from other employments 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 from 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.

2019 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 2019
President and CEO							
Per Lindberg	11 275	3 067	23 950	3 946	42 238	4 175	46 413
Other members of Group Management (5 positions)	14 463	3 298	1 224	5 152	24 137	14 753	38 389
Total	**25 738**	**6 365**	**25 174**	**9 098**	**66 375**	**18 928**	**85 303**

[1] Variable compensation refers to amount earned in 2019 and to be paid in 2020.
[2] Refers to vacation pay, company car, medical insurance and other benefits. Other benefits also includes costs related to the agreement with the departing President and CEO. An agreement was entered into with Per Lindberg that he will leave as CEO February 29, 2020. From March 1, 2020, and during 18 months Lindberg will be available to the extent requested by the Company and he will be entitled to remuneration during the period. The total cost is MSEK 28 and includes social security fees, which are not included in the table above. The remuneration will be reduced by compensation that Lindberg may earn from other employment or assignments.
[3] Refers to the stock options received in 2015–2019 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 2020

The remuneration to the Board of Directors are 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 May 12, 2020 decided that fees to the board members elected by the general meeting, for the period from the first day of trading of Epiroc' s shares on Nasdaq Stockholm until the next Annual General Meeting should be as per below

- The chair of the board was granted an amount of SEK 2 050 000.
- Each of the other board members not employed by the Group were granted SEK 640 000.
- An amount of SEK 260 000 was granted to the chair of the audit committee and SEK 175 000 to each of the other members of this committee.
- An amount of SEK 125 000 was granted to the chair of the remuneration committee and SEK 90 000 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 2020. The payment of each synthetic share is made in 2025 and corresponds to the average price during the ten trading days after the publishing of the first quarterly result in 2025. 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.

5. Employees and personnel expenses, cont.

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

Remuneration to the Group Management

The principles for the remuneration to the members of Group Management is 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 that finds a need for material amendments and proposes to the General Meeting to adopt such amendments.

Group Management consisted until the end of February of the former CEO and President and five other members. From March 1, 2020 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.

President and CEO

The variable compensation can give 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 a severance pay of 12 months if the Company terminates the 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 2020. Further information about the plan is found in note 24.

Other members of Group Management

The variable compensation can give a maximum of 40-50% of the base salary depending on position. Until February 29, the Senior Executive Vice President Mining and Infrastructure, who is now President and CEO, had a maximum of 60%.

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 are eligible to a performance related employee stock option plan during 2020. Further information about the plan is found in note 24.

Stock Options, holdings for Group Management

The stock options holdings as at December 31, 2020, are detailed below. See also note 24 for additional information.

Stock Options holdings (including matching options) at Dec. 31, 2020

Grant Year [1]	President and CEO	Other members of Group Management
2016	–	200 860
2017	94 845	150 465
2018	74 849	395 716
2019	32 079	181 075
2020 [2]	57 849	131 173
Total	**259 622**	**1 059 289**

[1] Grants prior to 2018 relates to Atlas Copco plans transferred to Epiroc.

[2] Estimated grants for the 2020 stock option program including matching options.

Performance based employee stock option plan

It is important that key personnel in Epiroc have a long-term interest in a good value development of the shares of the Company and align their performance in a manner that enhances such a 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 in the 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 resolved, and any future such program will be resolved, 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 – resolve 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 which 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.

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.

5. Employees and personnel expenses, cont.

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 the 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 the 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

	2020	2019
Deloitte		
Audit fees and other services	28	30
Other services, tax	2	4
Other services, other	1	0
Other audit firms		
Audit fees	3	2
Other services, tax	1	–
Other services, other	4	–
Total	**39**	**36**

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 consultancy 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 2020, Deloitte was elected as auditor for the Epiroc Group until the Annual General Meeting 2021.

7. Other operating income and expenses

Other operating income

	2020	2019
Commissions received	1	1
Capital gain on sale of property, plant and equipment	47	50
Foreign exchange gains	30	24
Other operating income	85	55
Total	**163**	**130**

Other operating expenses

	2020	2019
Capital loss on sale of property, plant and equipment	-36	-20
Capital loss on divestment of business	0	-28
Foreign exchange losses	-279	–
Other operating expenses [1]	-98	-143
Total	**-413**	**-191**

[1] Other operating expenses of 98 (143) includes costs for the split from Atlas Copco amounting to 18 (62).

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 7 881 (8 470) whereof expenses for post-employment benefits amounted to 438 (400). See note 5 for further details.

Included in the operating profit are exchange rate gains and losses on translation of payables and receivables of operating nature. Amortization, depreciation and impairment for the year amounted to 1 746 (1 978). Costs for research and development, including amortization, depreciation and impairment, amounted to 1 032 (1 035). Amortization related to development expenditure for 2020 amounted to 296(310). See note 12 and 13 for further details. Epiroc has not received any material government grants related to Covid-19 and Epiroc has not utilized governmental support for short-time work in Sweden.

8. Financial income and expenses

Financial income and expenses	2020	2019
Assets measured at amortized cost		
Interest income		
– cash and cash equivalents	47	39
– financial lease receivables	97	140
Interest income at effective interest method	**144**	**179**
Assets measured at fair value in income statement		
Capital gain – other assets	0	1
Change in fair value – other assets	–	–
Financial income	**144**	**180**
Liabilities measured at amortized cost		
Interest expenses		
– Interest-bearing liabilities	-109	-105
Total interest expenses at effective interest method	**-109**	**-105**
Liabilities measured at fair value in income statement		
- derivatives	-84	-194
- lease liabilities	-39	-38
- pension provisions, net	-12	-9
- other	-17	-18
Change in fair value		
- other liabilities and borrowings	2	-3
Foreign exchange losses, net	-182	-112
Impairment loss	2	6
Financial expenses	**-439**	**-473**
Financial expenses, net	**-295**	**-293**

Foreign exchange loss, net includes foreign exchange gains of 758 (249) and foreign exchange losses of 940 (361). The gains and losses refers to revaluation of derivatives, interest-bearing liabilities and cash in foreign currency. Total impairment was positive in 2020 as actual losses on financial lease receivables were less than the reversals of existing provision balance.

9. Income taxes

Income tax expense

	2020	2019
Current taxes	-1 848	-1 992
Deferred taxes	171	33
Total	**-1 677**	**-1 959**

The income tax expense recognized was -1 677 (-1 959), which corresponds to an effective tax rate of 23.7% (25.0). 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

	2020	2019
Profit before tax	**7 087**	**7 843**
Expected income tax expense (weighted average)	-1 661	-1 803
Expected tax in %	**23.4**	**23.0**
Tax effect of:		
Non-deductible expenses	-119	-176
Non-taxable income	156	146
Withholding taxes	-67	-76
Adjustments related to prior years, net:		
– current taxes	-44	-25
– deferred taxes	57	-4
Tax loss carry-forwards and tax credits, net	0	-16
Change in tax rates, deferred tax	2	2
Other items	-1	-7
Recognized income tax expense	-1 677	-1 959
Effective tax in %	**23.7**	**25.0**

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 United States. Withholding taxes concerns 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 carry-forwards relates to expired tax credits and tax loss carry-forwards, as well as utilized tax credits and tax loss carry-forwards for which no deferred tax assets previously were recognized. Change in tax rate relates mainly to reduced tax rates in Sweden.

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

	2020	2019
Opening balance, Jan. 1	630	543
Recognized in the income statement	171	33
Tax on amounts recorded in equity	32	52
Acquisitions	0	-56
Reclassifications	–	63
Translation difference	-65	-5
Closing balance, Dec. 31	**768**	**630**

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

	2020	2019
Intangible assets	-43	20
Property, plant and equipment	20	-251
Other financial assets	-4	0
Inventories	35	14
Current receivables	49	7
Operating liabilities	12	16
Provisions	22	0
Post-employment benefits	23	7
Borrowings	44	247
Other items	8	-22
Changes due to temporary differences	**166**	**38**
Loss/credit carry-forwards	5	-5
Charges to profit for the year	**171**	**33**

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

	2020			2019		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	41	467	-425	46	445	-399
Property, plant and equipment	119	549	-430	141	763	-622
Other financial assets	15	14	1	15	11	4
Inventories	787	20	767	779	20	759
Current receivables	86	10	76	74	21	53
Operating liabilities	294	2	292	321	3	318
Provisions	105	0	105	79	1	78
Post–employment benefits	171	–	171	119	0	119
Borrowings	357	0	357	477	–	477
Tax loss/credit carry-forwards	18	–	18	14	–	14
Other items[1]	0	163	-164	5	176	-171
Deferred tax assets/liabilities	**1 993**	**1 225**	**769**	**2 071**	**1 440**	**630**
Netting of assets/liabilities	-619	-619	–	-1 440	-1 440	–
Net deferred tax balances	**1 374**	**606**	**769**	**630**	**–**	**630**

[1] Other items primarily relate to provision for taxes on profit repatriation.

Epiroc has tax loss carry-forwards of 66 (53), for which deferred tax assets of 18 (14) were recognized. Epiroc has no tax loss carry-forwards for which deferred tax assets have not been recognized.

Expiration of unused tax loss carry-forwards

	2020	2019
Expires after 1-2 years	–	18
Expires after 3-4 years	–	25
Expires after 5-6 years	–	53
No expiry date	–	–
Total	**–**	**96**

10. Other comprehensive income

Other comprehensive income for the year

	2020			2019		
	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	-147	32	-115	-274	52	-222
Items that may be reclassified subsequently to profit or loss						
Translation differences on foreign operations	-1 804	–	-1 804	547	–	547
- realized and reclassified to profit and loss	-33	–	-33	-7	–	-7
Cash flow hedges	–	–	–	-22	5	-17
Total other comprehensive income	**-1 984**	**32**	**-1 952**	**244**	**57**	**301**
Attributable to non-controlling interests						
Translation differences on foreign operations	-8	–	-8	0	–	0
Total other comprehensive income	**-1 992**	**32**	**-1 960**	**244**	**57**	**301**

11. Earnings per share

Earnings per share

Amounts in SEK	2020	2019
Basic earnings per share	4.48	4.89
Diluted earnings per share	4.48	4.89

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	2020	2019
Profit for the year	5 399	5 874

Average number of shares outstanding

In thousands of shares	2020	2019
Basic weighted average number of shares outstanding	1 204 483	1 200 887
Effect of employee stock options	659	1 289
Diluted weighted average number of shares outstanding	**1 205 142**	**1 202 176**

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. 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 at 8% (8) after-tax. As the operating segments are all relatively diversified with similar geographic coverage, and to a large extent have similar organization structure and customer base, the same discount rate is used for all segments. The perpetual growth beyond the forecast period is assumed at 2 % (2).

In 2020, the estimated value of all Epiroc's operating segments exceeded their carrying values, and no impairment was recognized. Epiroc also performed sensitivity analysis altering the most critical assumptions, including revenue growth, gross margin development, WACC and perpetual growth rate, and concluded that neither of such 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

	2020	2019
Underground Division	148	145
Surface Division	462	501
Parts & Services Division	343	332
Equipment & Service	**953**	**978**
Tools & Attachments Division	1 096	1 207
Tools & Attachments	**1 096**	**1 207**
Total	**2 049**	**2 185**

Amortization and impairment of intangible assets are recognized on the following line items in the income statement:

	2020		2019	
	Internally generated	Acquired	Internally generated	Acquired
Cost of sales	0	2	0	21
Administrative expenses	24	29	14	18
Marketing expenses	1	30	1	107
Research and development expenses	267	29	289	21
Total	**292**	**90**	**304**	**167**

Impairment charges on intangible assets totaled 4 (66) of which 4 (0) were classified as research and development expenses in the income statement, and 0 (49) were classified as marketing expenses and 0 (17) as cost of sales. Of the impairment charges, 4 (0) were due to capitalized development costs relating to discontinued projects.

	Internally generated		Acquired				
2020	Product development	Other technology and contract based	Trademarks	Marketing and customer related	Other technology and contract based	Goodwill	Total
Cost							
Opening balance, Jan. 1	3 126	257	189	537	1 197	2 185	7 491
Additions	340	102	–	–	56	–	498
Business acquisitions	–	–	–	–	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**

12. Intangible assets, cont.

2019	Internally generated: Product development	Internally generated: Other technology and contract based	Acquired: Trademarks	Acquired: Marketing and customer related	Acquired: Other technology and contract based	Goodwill	Total
Cost							
Opening balance, Jan. 1	2 904	241	138	456	887	1 876	6 502
Additions	308	16	–	–	213	–	537
Business acquisitions	–	–	38	69	127	249	483
Divestment of business	–	–	–	–	-15	-4	-19
Disposals	-90	-4	-1	-9	-25	–	-129
Reclassification	-33	–	7	–	-7	–	-33
Translation differences	37	4	7	21	17	64	150
Closing balance, Dec. 31	**3 126**	**257**	**189**	**537**	**1 197**	**2 185**	**7 491**
Amortization and impairment losses							
Opening balance, Jan. 1	1 853	216	79	260	474	–	2 882
Amortization for the period	284	20	14	30	56	–	404
Impairment charge for the period	–	–	33	16	18	–	67
Divestment of business	–	–	–	–	-11	–	-11
Disposals	-86	-4	-1	-9	-22	–	-122
Reclassifications	–	–	3	–	-4	–	-1
Translation differences	18	4	2	11	11	–	46
Closing balance, Dec. 31	**2 069**	**236**	**130**	**308**	**522**	**–**	**3 265**
Carrying amounts							
At Jan. 1	1 051	25	59	196	413	1 876	3 620
At Dec. 31	**1 057**	**21**	**59**	**229**	**675**	**2 185**	**4 226**

Other technology and contract based intangible assets include computer software, patents, 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

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**

Set out below are the carrying amounts of right-of-use assets by class of underlying asset recognized.

Right-of-use assets

2020	Buildings and land	Machinery and equipment	Total	Rental equipment
Carrying amounts, Jan. 1	1 650	338	1 988	12
Carrying amounts, Dec. 31	**1 517**	**257**	**1 774**	**4**

13. Property, plant and equipment, cont.

2019	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	1 225	5 214	262	2 239	8 940	2 213	100	2 313
Additions	16	171	314	323	824	915	–	915
Business acquisitions	158	96	7	16	277	–	–	–
Divestment of business	-16	-104	–	-1	-121	-21	–	-21
Disposals	-33	-353	–	-145	-531	-748	–	-748
Reclassifications	37	196	-232	13	14	-134	-61	-195
Translation differences	36	106	3	47	192	64	5	69
Closing balance, Dec. 31	**1 423**	**5 326**	**354**	**2 492**	**9 595**	**2 289**	**44**	**2 333**
Depreciation and impairment losses								
Opening balance, Jan. 1	518	3 798	–	118	4 434	1 003	64	1 067
Depreciation for the period	48	437	–	435	920	547	12	559
Impairment charge for the period	15	12	–	–	27	1	–	1
Divestment of business	-12	-88	–	–	-100	-13	–	-13
Disposals	-32	-305	–	-53	-390	-402	–	-402
Reclassifications	3	–	–	–	3	-79	-47	-126
Translation differences	13	71	–	4	88	31	3	34
Closing balance, Dec. 31	**553**	**3 925**	**–**	**504**	**4 982**	**1 088**	**32**	**1 120**
Carrying amounts								
At Jan. 1	707	1 416	262	2 121	4 506	1 211	36	1 247
At Dec. 31	**870**	**1 401**	**354**	**1 988**	**4 613**	**1 201**	**12**	**1 213**

Depreciation and impairment of tangible assets are recognized on the following line items in the income statement:

	2020	2019
Cost of sales	923	1 033
Administrative expenses	262	274
Marketing expenses	144	161
Research and development expenses	31	35
Other operating expenses	4	4
Total	**1 364**	**1 507**

Depreciation for the period relating to right-of-use assets amount to total 461 (447), whereof 321 (308) relates to Buildings and land, 138 (127) to Machinery and equipment and 2 (12) to Rental equipment. For more information regarding depreciation, see note 1.

14. Investments in associated companies and joint ventures

Accumulated capital participation

	2020	2019
Opening balance, Jan. 1	201	208
Dividends	-1	–
Profit for the year after income tax	2	-12
Translation differences	-14	5
Closing balance, Dec. 31	**188**	**201**

Summary of financial information for associated companies

2020	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Group's share, % [1]
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	United States	180	49	131	153	5	34

2019	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Group's share, % [1]
Shenzhen Nectar Engineering & Equipment Co. Ltd.	China	146	71	75	120	5	25
Zhejiang GIA Machinery Manufacturing Co., Ltd.	China	46	16	30	37	-4	49
Mobilaris MCE AB	Sweden	32	23	9	31	-5	34
ASI Mining LLC	United States	202	58	144	45	-26	34

[1] The Epiroc percentage share of each holding represents both ownership interest and voting power.

The above table is based on the most recent financial reporting available from associated companies.

15. Other financial assets

Fair value of financial instruments under other financial assets corresponds to their carrying value.

	2020	2019
Non-current assets		
Pension plan assets in excess of pension obligations (note 23)	30	17
Derivatives		
– designated for hedge accounting	0	2
Financial assets classified as amortized cost		
– finance lease receivables	207	265
– other financial receivables	514	723
Closing balance, Dec. 31	**751**	**1 007**
Current assets		
Financial assets classified as amortized cost		
– finance lease receivables	170	250
– other financial receivables	512	612
Closing balance, Dec. 31	**682**	**862**

The gross amount of finance lease receivables amounted to 379 (520), of which 1 (5) have been impaired, and the gross amount of other financial receivables amounted to 1 055 (1 375), of which 30 (40) have been impaired. The total estimated fair value of collateral to finance lease receivables and other financial receivables was 187 (264) and 740 (1 016) respectively, consisting primarily of repossession rights. See note 22 on finance leases as Group as lessor and note 28 for information on credit risk

16. Inventories

	2020	2019
Raw materials	381	530
Work in progress	1 478	1 627
Semi-finished goods	1 280	1 605
Finished goods	5 791	6 746
Closing balance, Dec. 31	**8 930**	**10 508**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 483 (381). Reversals of write-downs which were recognized in earnings totaled 68 (106). Previous write-downs have been reversed as a result of improved market conditions in certain markets. Inventories recognized as expenses amounted to 13 718 (19 881).

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

	2020	2019
Provisions at Jan. 1	437	355
Business acquisitions and divestments	–	1
Provisions recognized for expected credit losses	304	259
Release of unnecessary provisions	-70	-89
Write-offs	-44	-96
Translation differences	-76	7
Closing balance, Dec. 31	**551**	**437**

Trade receivables of 6 045 (7 287) are reported net of impairment amounting to 551 (437). Impairment recognized in the income statement totaled 304 (259). Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. The acquisition of subsidiaries increased trade receivables with 0 (283) at date of completion of the acquisitions. At year-end 2020, the expected credit loss amounted to 8.4% (5.7) 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.

	2020	2019
Derivatives		
– recognized at fair value through profit and loss	167	99
Financial assets recognized at amortized cost		
– other receivables	790	972
– accrued income	47	46
Prepaid expenses	410	480
Closing balance, Dec. 31	**1 414**	**1 597**

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 1 414 (1 597). 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. Cash and cash equivalents are according to IFRS 9 subject to impairment according to the expected credit loss model. During 2020 the impairment was insignificant and therefore not recognized.

Cash and cash equivalents had an estimated average effective interest rate of 0.4% (0.7). The low interest rate environment persisted during 2020, 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.

	2020	2019
Cash	8 283	2 657
Cash equivalents	6 770	5 883
Closing balance, Dec. 31	**15 053**	**8 540**

20. Equity

At year-end, Epiroc's share capital totaled 500 (500). The total numbers of issued Epiroc shares were 1 213 738 703 (1 213 738 703) shares, whereof 823 765 854 (823 765 854) shares class A and 389 972 849 (389 972 849) shares class B, 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 mandate by Epiroc's Annual General Meeting on May 12, 2020 to repurchase, transfer and sell own shares in order to fulfil 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, whereof 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.

The 2019 Annual General Meeting approved a mandate to the Board of Directors of Epiroc to repurchase, transfer and sell own shares in order to fulfil 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 was valid until Epiroc's Annual General Meeting 2020 and allowed:

1) Acquire not more than 3 250 000 series A shares ,whereof a maximum of 3 150 000 may be transferred to option holders under the performance based personnel option plan 2019.
2) Acquire not more than 30 000 series A shares in order to hedge for costs in relation to remuneration in form of synthetic shares for Board members.
3) The sale of not more than 15 000 series A shares to cover costs related to previously issued synthetic shares to Board members.
4) Sell not more than 7 900 000 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 2014, 2015 and 2016.

During 2020 Epiroc divested 2 972 466 shares class A in accordance with mandates granted by the 2020 and 2019 Annual General Meeting. As of December 31, 2020, Epiroc AB held 7 814 213 (10 786 679) shares class A. More information regarding the 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.

20. Equity, cont.

Cash flow hedge reserve
The hedging reserve comprises the effective portion of net changes in fair value for certain cash flow hedging instruments.

Non-controlling interest
The non-controlling interest amount to 46 (52). The non-controlling interest is not material to the Group.

Appropriation of profit
The Board of Directors proposes a dividend of SEK 2.50 (2.40) per share, totaling MSEK 3 015 (2 892) if shares held by the Company on December 31, 2020 are excluded. In addition to that a distribution of SEK 3.00 per share, equal to MSEK 3 618, through a mandatory share redemption procedure, in which each share is split into one ordinary share and one redemption share. The redemption share is then automatically redeemed at SEK 3.00 per share.

Amounts in SEK	
Retained earnings including reserve for fair value	47 763 374 441
Profit for the year	2 633 865 387
Total	**50 397 239 828**
The Board of Directors proposes that these earnings shall be appropriated as follows;	
To the shareholders,	
a dividend of SEK 2.50 per share	3 014 811 225
redemption of shares of SEK 3.00 per share	3 617 773 470
To be retained in the business	43 764 655 133
Total	**50 397 239 828**

The proposed dividend for 2019 of SEK 1.20 per share, as approved by the Annual General Meeting on May 12, 2020, was accordingly paid by Epiroc AB. A second dividend of SEK 1.20 per share was approved at an Extraordinary General Meeting November 27. Total dividend paid by Epiroc AB amounted to SEK 2 891 703 534.

21. Borrowings

		2020		2019	
	Maturity	Carrying amount	Fair value	Carrying amount	Fair value
Non-current					
Medium Term Note Program MSEK 1 250, Fixed	2023	1 246	1 307	1 246	1 311
Medium Term Note Program MSEK 750, Floating	2023	749	773	749	771
Medium Term Note Program MSEK 1 000, Fixed	2026	996	1 035	–	–
Medium Term Note Program MSEK 1 000, Floating	2026	998	1 048	–	–
Bilateral borrowings MEUR 100, Floating	2022	1 004	1 015	1 043	1 058
Bilateral borrowings MSEK 2 000, Floating	2025	1 996	2 030	1 995	2 006
Bilateral borrowings MSEK 1 000, Floating	2027	998	1 057	998	1 042
Other bank loans		80	80	65	65
Less current portion of long-term borrowings		-20	-20	-14	-14
Total non-current bonds and loans		**8 047**	**8 325**	**6 082**	**6 239**
Lease liabilities		1 442	1 442	1 640	1 640
Other financial liabilities		2	2	2	2
Total non-current borrowings		**9 491**	**9 769**	**7 724**	**7 881**
Current					
Current portion of long-term borrowings		20	20	14	14
Loans		176	176	294	294
Lease liabilities		371	371	394	394
Other financial liabilities		97	97	3	3
Total current borrowings		**664**	**664**	**705**	**705**
Closing balance Dec. 31		**10 155**	**10 433**	**8 429**	**8 586**

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. In November 2020, the Group issued bonds of 2 000 maturing in 2026. The funds were used to repay a short-term facility entered into in June 2020 due to increased economic uncertainty following the Covid-19 pandemic. During the year the Group also used the last of two extension options in the bilateral loan agreement with Swedish Export Credit Corporation and Svenska Handelsbanken, where the maturity was extended to 2025. Furthermore, the last of two extension options was used in the revolving credit facility agreement (RCF), which extended the maturity of the RCF to 2025. In November 2020, S&P Global Ratings reconfirmed Epiroc's BBB+ credit rating with a stable outlook. The table below shows the Group's back-up facilities.

Back-up facilities

	2020		2019	
	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

2020	Opening balance Jan. 1, 2020	Impact of change in accounting policies	Financing cash flows	New leases	Other changes in lease liabilities	Acquired/ divested companies	Fair value change through P/L	Foreign exchange movement	Reclassi-fication	Closing balance Dec. 31, 2020
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**

2019	Opening balance Jan. 1, 2019	Impact of change in accounting policies[1]	Financing cash flows	New leases	Acquired/ divested companies	Fair value change through P/L	Foreign exchange movement	Reclassi-fication	Closing balance Dec. 31, 2019
Non-current									
Loans and bonds	5 023	–	1 043	–	20	4	15	-23	6 082
Lease liabilities	71	1 690	–	126	11	–	31	-289	1 640
Other financial liabilities	1	–	–	–	–	–	1	–	2
Total non-current borrowings	**5 095**	**1 690**	**1 043**	**126**	**31**	**4**	**47**	**-312**	**7 724**
Current									
Loans	1 654	–	-1 431	–	44	–	29	12	308
Lease liabilities	36	357	-423	118	4	–	13	289	394
Other financial liabilities	12	–	-8	–	–	–	-1	–	3
Total current borrowings	**1 702**	**357**	**-1 862**	**118**	**48**	**–**	**41**	**301**	**705**
Total	**6 797**	**2 047**	**-819**	**244**	**79**	**4**	**88**	**-11**	**8 429**

[1] Opening balance adjusted with 2 047 due to adoption of IFRS 16.

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 as 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, 2020, amounts to 1 778 (2 000). 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	2020	2019
Carrying amounts, Jan. 1	2 034	2 154
Carrying amounts, Dec. 31	1 813	2 034
Non-current	1 442	1 640
Current	371	394
Total	**1 813**	**2 034**

See note 28 for maturity analysis of the lease liability. The Group had a cash outflow for lease liabilities of 457 (423), refer to note 21 for more information.

The amounts recognized in the income statement during 2020 are the following;

	2020	2019
Costs for low value assets	-34	-32
Costs for short-term leases	-41	-55
Cost relating to variable lease payments not included in the measurement of lease liability	-6	-33
Income from subleasing right-of-use assets externally	11	8
Gains/losses arising from sale and leaseback transactions	–	–
Interest expenses on lease liability	-39	-38
Depreciation for the period	-461	-447
Impairment charges for the period	–	–

For information on financial exposure and policies for control of financial risks see note 28.

22. Leases, cont.

Leases – lessor

Operating leases – lessor

Epiroc has equipment which is leased to customers under operating leases. Long-term operating lease contracts are financed and administrated by Epiroc Financial Solutions and certain other subsidiaries.

Future payments for non-cancelable operating leasing contracts fall due as follows:

	2020	2019
Fall due year:		
2020	–	286
2021	219	115
2022	118	91
2023	67	50
2024	31	16
2025	11	0
>2025	0	0
Total	**446**	**558**

During 2020, lease income relating to operating lease contracts amount to 598 (686).

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:

	2020	2019
Fall due year:		
2020	–	196
2021	86	151
2022	123	121
2023	84	79
2024	57	9
2025	46	1
>2025	1	0
Undiscounted lease payments	**397**	**557**
Unguaranteed residual value	1	0
Less: Unearned finance income	21	37
Present value of lease payments receivable	**377**	**520**
Impairment loss allowance	-1	-5
Net investment in the lease	**376**	**515**

During the year, the finance lease receivables decreased mostly due to divestments of Financial Solutions credit portfolios.

The selling profit/loss (net) recognized in the income statement amount to 103 (82), and the finance income on the net investment in the lease amount to 7 (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 the 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 2020, Alecta's surplus of its so-called collective funding amounted to 148% (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 the 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 assets 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 forecasted 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:

	2020	2019
Financial assets (note 15)	-30	-17
Post-employment benefits	806	596
Other provisions (note 26)	74	68
Closing Balance, net	**850**	**647**

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 850 (647). The weighted average remaining duration of the obligation is 23.3 (22.6) years.

Post-employment benefits

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**

2019	Funded pension plans	Unfunded pension plan	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	1 750	48	3	65	1 866
Fair value of plan assets	-1 216	–	-3	–	-1 219
Present value of net obligations	**534**	**48**	**0**	**65**	**647**
Effect of asset ceiling	0	–	–	–	0
Other long-term service obligations	–	–	–	–	0
Net amount recognized in balance sheet	**534**	**48**	**0**	**65**	**647**

Plan assets consist of the following:

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**

2019	Quoted market price	Unquoted market price	Total
Debt instruments	211	–	211
Equity instruments	93	–	93
Property	21	334	355
Assets held by insurance companies	155	–	155
Cash	83	–	83
Investment funds	322	–	322
Closing balance, Dec 31	**885**	**334**	**1 219**

Movement in plan assets

	2020	2019
Fair value of plan assets at Jan. 1	1 219	1 241
Interest income	21	30
Remeasurement – return on plan assets	183	-7
Settlements	-2	-30
Other significant events	–	9
Employer contributions	3	11
Plan members contributions	1	1
Benefit paid by the plan	-10	-44
Reclassifications	–	–
Translation differences	-14	8
Fair value of plan assets at Dec 31	**1 401**	**1 219**

The plan assets are allocated among the following geographic areas:

	2020	2019
Europe	1 366	1 180
of which Sweden	*985*	*966*
Rest of the world	35	39
Total	**1 401**	**1 219**

Asset ceiling

	2020	2019
Asset ceiling at Jan. 1	–	7
Remeasurements – asset ceiling	–	-7
Translation difference	–	0
Asset ceiling, Dec. 31	**–**	**0**

Movement in present value of the obligations for defined benefits

	2020	2019
Defined benefit obligations at Jan. 1	1 866	1 554
Current service cost	104	97
Past service cost	-4	-9
Gain/loss on settlement	1	2
Interest expense (+)	33	39
Other significant events	–	16
Actuarial gains (–)/ losses (+) arising from experience adjustments	172	37
Actuarial gains (–)/ losses (+) arising from financial assumptions	165	241
Actuarial gains (–)/ losses (+) arising from demographic assumptions	1	0
Settlements	0	-30
Benefits paid from plan or company assets	-57	-93
Translation differences	-30	12
Defined benefit obligations, Dec. 31	**2 251**	**1 866**

Remeasurements recognized in other comprehensive income amounts to 147 (274) and 8 (16) in profit and loss. The Group expects to pay 43 (46) in contributions to defined benefit plans in 2021.

Expenses recognized in the income statement

	2020	2019
Current service cost	104	97
Past service cost	-4	-9
Gain/loss on settlements	1	2
Net interest cost	12	9
Employee contribution	0	1
Remeasurement of other long-term benefits	8	16
Total	**121**	**116**

The total benefit expense for defined benefit plans amounted to 121 (116) of which 109 (107) has been charged to related functions under operating expenses and 12 (9) to financial expenses. Expenses related to defined contribution plans amounted to 329 (293).

24. Share-based payment

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages, in %)

	2020	2019
Discount rate		
Europe	1.32%	1.59%
Future salary increases		
Europe	2.69%	2.67%

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	2020	2019
Change in discount rate + 0.50%	-235	-187
Change in discount rate - 0.50%	271	217
Salary increase 0.50%	-99	-70
Salary decrease 0.50%	112	91

24. Share-based payments

Share value based incentive programs

Performance based employee stock option plan 2015-2019

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 under the performance based stock option plan for the years 2015-2019 received options related to Epiroc and receive incentives related to performance of Epiroc.

The terms and conditions of the performance based employee stock option plans for the years 2015–2019 are in all material aspects similar to the terms and conditions of the performance based employee stock option plan for 2020 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 2020

The Annual General Meeting of Epiroc held on May 12, 2020, thus resolved, based on a proposal from the Board of Directors, to introduce a performance based employee stock option plan for 2020, which is similar in structure as the previous stock option plans decided 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 2 355 258 shares of Class A in Epiroc. The issuing of options depend on the value increase expressed as Economic Value Added, of Epiroc during 2020. In an interval of SEK 700 000 000, the issue varies linear from zero to 100% of the maximum number of options. The participating key employees are divided into different categories, with a different amount of maximum issues of options, depending on their positions. The issuing of options will take place no later than March 20, 2021. 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, 2020. A participant must still be employed in order to exercise its 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 are 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 the 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 2020 before tax, in series A shares of Epiroc. The investments may be made in cash or by payment of shares, however not shares that are obtained as a part of the performance based employee stock option plans for 2018 – 2019. 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 2020 at a price equal to 75% of the market value upon which the exercise price of the shares in the 2020 employee stock option plan was based, subject to continued employment and continued ownership of the shares.

For all the programs, 2016–2020, a total maximum of 6 749 179 shares could be delivered to employees, corresponding to approximately 0.6 % 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 2015–2019 programs, the options have been, on request by optionees in Sweden, possible to be settled by the Company paying cash equal to the 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 from October 2020, this possibility is 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 2020, the fair value of the options/SARs was based on the following assumptions:

24. Share-based payment, cont.

Key assumptions

	2020 Program (Dec. 31, 2020)	2019 Program (Dec. 31, 2019)
Expected exercise price	SEK 164.62/112.24 [1]	SEK 125.79/85.76 [1]
Expected volatility	30%	30%
Expected options life (years)	4.64	4.64
Expected share price	SEK 149.65	SEK 114.35
Expected dividend (growth)	SEK 2.40 (6%)	SEK 2.10 (6%)
Risk free interest rate	1.00%	1.00%
Expected average grant value	SEK 21.93/43.03 [1]	SEK 19.99/33.58 [1]
Number of outstanding options	2 143 282	2 888 142
– of which forfeited [2]	-1 611 191	-1 943 161
Number of matching options	37 891	44 784

[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.

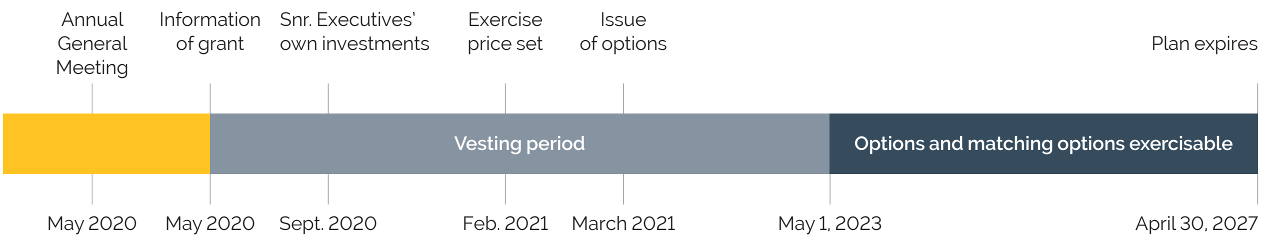
For the stock options in 2015–2020 programs, the fair value is recognized as an expense over the following vesting periods:

Program

	Vesting period		Exercise period	
Stock options	From	To	From	To
2015	May-15	Apr-18	May-18	Apr-20
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

For the 2020 program, a new valuation of the fair value has been made and will be made at each reporting date until the issue date, which as indicated below will occur in March 2021.

Timeline 2020 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 2020 for the Group for all share-based incentive programs amounted to 69 (159) excluding social costs of which 26 (9) 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 and stock options classified as cash-settled as of December 31, 2020, amounted to 121 (157). 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	Expiration date	Exercise price, SEK	Type of share	Fair value at grant date	Intrinsic value for vested SARs
Stock options							
2015	41	1 308 754	4/30/20	47.43	A	8.39	–
2016	66	4 966 702	4/30/23	75.75	A	16.53	–
2017	64	2 095 148	4/30/24	94.38	A	15.90	–
2018	63	1 976 817	4/30/25	96.83	A	15.63	–
2019	70	743 903	4/30/26	129.78	A	6.48	–
Matching options							
2015	2	8 735	4/30/20	32.43	A	15.65	–
2016	3	11 029	4/30/23	51.79	A	26.29	–
2017	7	22 993	4/30/24	64.37	A	26.84	–
2018	11	50 566	4/30/25	66.02	A	27.11	–
2019	13	44 784	4/30/26	88.49	A	14.14	–
Share appreciation rights							
2015	8	311 567	4/30/20	47.43	A	–	102.22
2016	12	954 761	4/30/23	75.75	A	–	73.90
2017	14	446 150	4/30/24	94.38	A	–	55.27
2018	24	555 408	4/30/25	96.83	A	–	–
2019	21	184 998	4/30/26	129.78	A	–	–

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	4	128.63
2017	1 965 284	-745 438	552 274	148 765	518 807	518 807	16	126.63
2018	1 860 889	–	–	46 284	1 814 605	–	28	–
2019	759 983	–	–	16 080	743 903	–	40	–
Matching options								
2016	2 847	–	2 847	–	–	–	4	127.40
2017	21 285	–	9 680	–	11 605	11 605	16	140.65
2018	50 566	–	–	–	50 566	–	28	–
2019	44 784	–	–	–	44 784	–	40	–
Share appreciation rights								
2015	21 264	–	21 264	–	–	–	–	85.51
2016	409 231	534 921	308 018	–	636 134	636 134	4	131.10
2017	356 891	745 438	79 620	29 753	992 956	992 956	16	135.24
2018	509 233	–	–	46 284	462 949	–	28	–
2019	184 998	–	–	–	184 998	–	40	–

Number of options/rights 2019

Program	Outstanding January 1	Exercised	Expired/ forfeited	Outstanding December 31	–of which exercisable	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options							
2015 [1)]	1 040 614	854 341	–	186 273	186 273	4	102.34
2016 [2)]	4 748 332	2 247 280	154 071	2 346 981	2 346 981	16	101.07
2017 [3)]	2 005 889	–	40 605	1 965 284	–	28	–
2018 [4)]	1 907 173	–	46 284	1 860 889	–	40	–
Matching options							
2015	8 735	8 735	–	–	–	4	111.40
2016	11 029	5 953	2 229	2 847	2 847	16	117.60
2017	22 993	–	1 708	21 285	–	28	–
2018	50 566	–	–	50 566	–	40	–
Share appreciation rights							
2015	311 567	290 303	–	21 264	21 264	4	101.23
2016	881 971	399 950	72 790	409 231	409 231	16	104.70
2017	416 397	–	59 506	356 891	–	28	–
2018	555 517	–	46 284	509 233	–	40	–

[1)] of which 99 813 have been accounted for as cash-settled
[2)] of which 1 435 711 have been accounted for as cash-settled
[3)] of which 1 429 730 have been accounted for as cash-settled
[4)] of which 1 374 907 have been accounted for as cash-settled

25. Other liabilities

Other financial liabilities are classified at amortized cost. Fair value of other liabilities corresponds to carrying value.

Other current liabilities

	2020	2019
Derivatives		
– classified at fair value through profit and loss	56	74
Other financial liabilities		
– other liabilities	438	583
– accrued expenses	2 265	2 370
Advances from customers [1]	1 031	795
Deferred revenues service contracts [1]	121	108
Closing balance, Dec 31	**3 911**	**3 930**

[1] In advances from customers and deferred revenue, 929 (695) are related to contract liabilities. The decrease from prior year is the result of less advances from the decrease of orders received. 433 (878) of the advances from customers and deferred revenue 2019 have been recognized as revenue during 2020.

Accrued expenses include items such as social costs, vacation pay liability, accrued interest, and accrued operational expenses.

26. Provisions

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**

2019	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	217	40	319	576
During the year				
– provisions made	168	25	274	467
– provisions used	-124	-19	-225	-368
– provisions reversed	-61	–	-10	-71
Translation differences	7	-1	4	10
Closing balance, Dec. 31	**207**	**45**	**362**	**614**
Non-current	5	35	285	325
Current	202	10	77	289
Total	**207**	**45**	**362**	**614**

2019, Maturity	Product warranty	Restructuring	Other	Total
Less than one year	202	10	77	289
Between one and five years	5	34	233	272
More than five years	–	1	52	53
Total	**207**	**45**	**362**	**614**

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 61 (49) in securities 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 209 (206).

28. Financial risk management

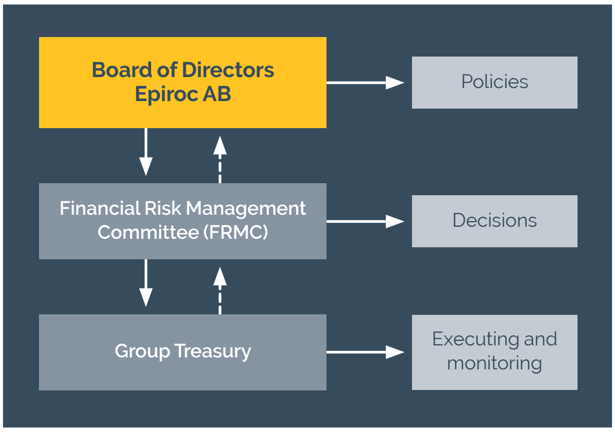
Epiroc is in its operations exposed to a variety of financial risks; funding and liquidity risk, currency risk, interest rate risk and credit risk.

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 the 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 stable and raising 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 as net debt/equity and net debt/EBITDA.

Net debt

Net debt is defined 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 and net debt/equity ratio

	2020	2019
Interest-bearing liabilities	10 155	8 429
Post-employment benefits	806	596
Cash and cash equivalents	-15 053	-8 540
Certain other financial receivables	-45	-2
Net debt	**-4 137**	**483**
Total equity	**23 739**	**22 813**
Net debt/equity ratio, %	-17.4	2.1

Rating

Another variable in the assessment of the Group's capital structure is the credit rating. In November 2020, 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 the borrowing is renegotiated and the 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

In November, the Group issued bonds of MSEK 2 000, maturing in 2026. The funds were used to repay a short-term facility entered into in June 2020 due to increased economic uncertainty following the Covid-19 pandemic. As back-up facilities, the Group has a MSEK 4 000 revolving credit facility and a MSEK 2 000 commercial paper program, both unutilized at year-end.

As per December 31, 2020, the Group's total interest-bearing liabilities amounted to 10 155 (8 429). The average time to maturity of the Group's external debt was 4.2 years (4.6) at year-end. Cash and cash equivalents for the Group totals to 15 053 (8 540). 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 2021.

Financial liabilities - future undiscounted cash flows

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 the 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 of 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 interest rate swaps previously designated as fair value hedges have been closed during 2020. The Group is exposed to benchmark rates in borrowings at floating rate of 5 745. The Group has a project in place to monitor and follow the development of the interest rate benchmark reforms and analyze the future impact, including assessing if there are fallback clauses, to ensure that the uncertainty from the reform is managed. The Group's floating rate debt is linked to STIBOR and EURIBOR, for more information on the Group's borrowings, see note 21.

The average interest duration was 15 months and the average interest rate of the Parent Company's borrowings was 0.75% (0.73).

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 -58 (-50) and a similar downwards shift would impact the Group's net interest by approximately +24 (+29).

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 affects the Group's earnings in the event of exchange rate fluctuations.

Policy

The Group's policy states that exposures shall be reduced by matching in- 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.

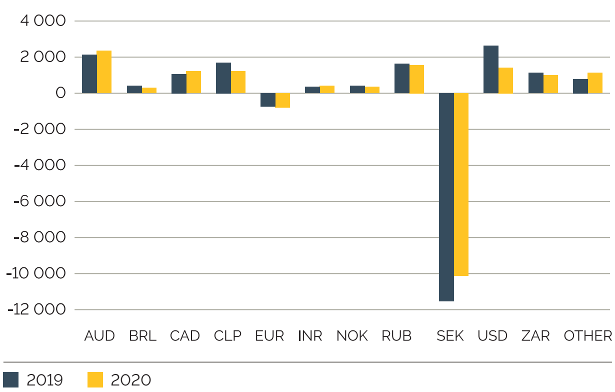
Comments for the year

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 payments flows from customers and to suppliers in the most significant currencies. The net amounts are shown in the graph below, corresponding to 10 113 (11 591).

The Group has continued to manage transaction exposures primarily by matching in- and outflows in the same currencies. A part of the transaction exposure in AUD and USD was hedged with FX forward contracts following decision by the FRMC, all matured during 2020.

28. Financial risk management, cont.

Estimated operational transaction exposure in the Group's most important currencies, 2020 and 2019



Cash flow hedges

	2020		2019	
	Nominal amount	Fair value	Nominal amount	Fair value
AUD	–	–	-20 MAUD	0 MSEK
USD	–	–	-32 MUSD	-8 MSEK

The table below shows the effect on pretax earnings that one-sided fluctuations in each currency may have.

Transaction exposure sensitivity[1)]

	2020	2019
AUD Currency rate +/–1%	23	22
USD Currency rate +/–1%	14	27
SEK Currency rate +/–1%	101	116

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 in- and outflows in the same currencies.

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 per 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 +/- 13 (18).

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 per December 31, 2020.

Credit risk

	2020	2019
Loans and receivables		
– trade receivables	6 045	7 287
– finance lease receivables	377	515
– other financial receivables	1 025	1 335
– other receivables	790	972
– accrued income	47	46
– cash and cash equivalents	15 053	8 540
Derivatives	167	101
Total	**23 505**	**18 796**

Trade receivables, both current and non-current

	2020		2019	
Gross value	Gross	Impaired	Gross	Impaired
Not past due	4 309	57	5 225	3
Past due but not individually impaired				
0-30 days	987	0	1 192	1
31-60 days	341	0	337	0
61-90 days	190	1	195	1
More than 90 days	651	48	685	25
Past due and individually impaired				
0-30 days	18	1	6	0
31-60 days	4	0	3	1
61-90 days	3	2	2	1
More than 90 days	77	80	79	79
Collective impaired	**16**	**362**	**–**	**326**
Total	**6 596**	**551**	**7 724**	**437**

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 on 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 done at the divisional or business unit level. Each entity is required to have an approved commercial risk policy. These shall aim at preserving the high credit quality of the Group's portfolios and thereby protecting 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 decision, risk will always be judged based on the combined risks rather than by each of the several risk factors evaluated.

The entity establish provisions for their 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 expected loss rate based on historical default statistics, with forward looking analysis separately considered. Provision is calculated for all receivables grouped and the expected loss rate is applied. In addition, the Group perform an assessment on 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 determined the expected credit loss. The rating model is considering the customer's rating, the country's political and commercial risk and a rating of the country's legal system. Both external credit agencies rating and internally developed rating methods are applied. The measurement of ECL consider the fair value of the collaterals and the delay. The assessment also take into account the degree of insurance.

Forward looking analysis, including macroeconomics factors impacting different customer segments and geographical areas, are separately considered in both models described above (if not reflected in the rating model) and 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 2020, trade receivables of 6 045 (7 287) are reported net of impairment amounting to 551 (437). The expected credit loss amounted to 8.4% (5.7) 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 primary 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, 2020, the credit portfolio of the customer financial operations totaled approximately 1 307 (1 766) consisting of 16 (42) reported as trade receivables, 378 (515) reported as finance lease receivables, and 913 (1 209) reported as other financial receivables. In addition, Epiroc Financial Solutions also has non-cancelable operating lease contracts of 423 (562). 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 Corona crisis has not significantly affected the credit risk. For further information, see note 15 and 22.

Financial credit risk

Credit risk on financial transactions is the risk that the Group incurs losses as a result of non-payment by counterparts 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 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 of 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 high rating. Calculations based on the banks' probabilities of default, gives an expected loss which is in all aspects immaterial. At year-end 2020, the measured credit risk on derivatives, taking into account the mark-to-market value and collaterals, amounted to 60 (44). The table below presents the reported value of the Group´s derivatives.

Outstanding derivative instruments, fair value

	2020	2019
Interest rate swaps		
Assets	–	2
Liabilities	–	–
Foreign exchange forwards		
Assets	167	99
Liabilities	56	74

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 167 (101) for assets and 56 (74) for liabilities. The table below shows derivatives covered by master netting agreements.

Outstanding net position for derivative instruments

2020	Gross	Offset in Balance sheet	Net in Balance sheet	Master netting agreement	CSA	Net position
Assets						
Derivatives	167	–	167	-56	-51	60
Liabilities						
Derivatives	56	–	56	-56	0	0

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 are based on level 1 and the fair values of other financial instruments are based on level 2 in the fair value hierarchy. Compared to 2019, no transfers have been made between different levels in the fair value hierarchy 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.

28. Financial risk management, cont.

Currency rates used in the financial statements

			Year-end rate		Average rate	
	Value	Code	2020	2019	2020	2019
Australia	1	AUD	6.27	6.51	6.34	6.56
Canada	1	CAD	6.40	7.12	6.84	7.10
China	1	CNY	1.25	1.33	1.33	1.37
EU	1	EUR	10.04	10.43	10.48	10.56
Chile	1 000	CLP	11.46	12.46	11.63	13.31
South Africa	1	ZAR	0.56	0.67	0.56	0.65
USA	1	USD	8.19	9.31	9.18	9.42

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. Related parties also includes 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 that was of an unusual nature, or
(ii) that is of importance, or has been of importance, for the operations as a whole in the present or immediately preceding financial year, or in any previous financial 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 183 (163) 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.

	2020	2019
Revenues	11	9
Goods purchased	114	109
Service purchased	0	0
At Dec. 31:		
Receivables	9	13
Payables	10	18

30. Events after the reporting period

On December 22, Epiroc, has agreed to acquire MineRP, a software company specializing in increasing productivity for mines through integrated planning, execution and analytics. The acquisition is expected to be completed, after regulatory approvals, in the first half of 2021.

Parent Company financial information

Income statement

January - December MSEK	Note	2020	2019
Administrative expenses	A2	-210	-258
Marketing expenses		-16	-18
Other operating income	A3	183	163
Other operating expenses	A3	-67	-54
Operating profit		**-110**	**-167**
Financial income	A4	61	45
Financial expenses	A4	-78	-58
Profit after financial items		**-127**	**-180**
Appropriations	A5	3 463	3 887
Profit before tax		**3 336**	**3 707**
Income tax	A6	-702	-772
Profit for the year		**2 634**	**2 935**

Statement of comprehensive income

January - December MSEK	2020	2019
Profit for the year	2 634	2 935
Total comprehensive income for the year	**2 634**	**2 935**

Balance sheet

MSEK	Note	Dec. 31, 2020	Dec. 31, 2019
Assets			
Non-current assets			
Intangible assets		1	1
Tangible assets		7	8
Financial assets			
- Deferred tax assets	A7	11	13
- Shares in Group companies	A8, A18	46 021	45 941
- Other financial assets	A9	8 021	6 053
Total non-current assets		**54 061**	**52 016**
Current assets			
Income tax receivables		–	33
Other receivables	A10	5 239	5 071
Cash and cash equivalents		0	2
Total current assets		**5 239**	**5 106**
Total assets		**59 300**	**57 122**
Equity and liabilities			
Equity			
Share capital		500	500
Legal reserve		3	3
Total restricted equity		**503**	**503**
Retained earnings		47 763	47 342
Profit for the year		2 634	2 935
Total non-restricted equity		**50 397**	**50 277**
Total equity		**50 900**	**50 780**
Provisions			
Post-employment benefits	A12	23	15
Other provisions	A13	178	201
Total provisions		**201**	**216**
Liabilities			
Non-current liabilities			
Borrowings	A14	7 987	6 029
Total non-current liabilities		**7 987**	**6 029**
Current liabilities			
Tax liabilities		148	–
Other liabilities	A15	64	97
Total current liabilities		**212**	**97**
Total equity and liabilities		**59 300**	**57 122**

Statement of changes in equity

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**

2019

MSEK	Number of shares outstanding	Share capital	Legal reserve	Retained earnings	Total Equity
Opening balance, Jan. 1	**1 199 746 826**	**500**	**3**	**49 553**	**50 056**
Total comprehensive income for the year	–	–	–	2 935	2 935
Dividends	–	–	–	-2 523	-2 523
Acquisition of series A shares	-1 500 000	–	–	-134	-134
Divestment of series A shares	4 705 198	–	–	474	474
Share-based payment, equity-settled					
- expense during the year	–	–	–	9	9
- exercise option	–	–	–	-37	-37
Closing balance, Dec. 31	**1 202 952 024**	**500**	**3**	**50 277**	**50 780**

See note A11 for additional information.

Statement of cash flows

January - December MSEK	Note	2020	2019
Cash flow from operating activities			
Operating profit		-110	-167
Adjustments for:			
Depreciation, amortization and impairment		2	2
Capital gain/loss and other non-cash items		-90	-153
Operating cash flow surplus/deficit		**-198**	**-318**
Net financial items received/paid		-17	-8
Group contributions received		3 887	4 424
Taxes paid		-517	-889
Cash flow before change in working capital		**3 155**	**3 209**
Change in:			
Operating receivables		-666	-978
Operating liabilities		39	-44
Change in working capital		**-627**	**-1 022**
Net cash flow from operating activities		**2 528**	**2 187**
Cash flow from investing activities			
Investments in tangible assets		0	-2
Investments in intangible assets		0	-1
Acquisition of subsidiaries		-5	–
Repayments/Investments in financial assets		-2 000	–
Net cash flow from investing activities		**-2 005**	**-3**
Cash flow from financing activities			
Dividends paid		-2 892	-2 523
Repurchase and divestment of own shares		370	340
Change in interest-bearing liabilities		1 997	–
Net cash flow from financing activities		**-525**	**-2 183**
Net cash flow for the year		**-2**	**1**
Cash and cash equivalents, Jan. 1		2	1
Net cash flow for the year		-2	1
Cash and cash equivalents, Dec. 31		**0**	**2**

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 page 91.

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, which results in no change compared to previous year (2019). 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, that the calculation of defined benefit obligations is based on current salary levels, without consideration of future salary increases and that all actuarial gains and losses are included in profit or loss as they occur.

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 as an increase in 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 is 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

	2020			2019		
	Women	Men	Total	Women	Men	Total
Sweden	22	19	41	24	20	44

Women in Epiroc Board of Directors and Group Management, %

	Dec. 31, 2020	Dec. 31, 2019
Board of Directors excl. union representatives	44	38
Group Management	17	17

Remuneration and other benefits

	2020		2019 [1]	
	Board members and Group Management [2]	Other employees	Board members and Group Management [2]	Other employees
Sweden	51	22	65	35
of which variable compensation [3]	4		6	

[1] Recognized costs for share-based payments not included 2019.
[2] Includes 8 (7) 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.
[3] Refers to variable compensation earned in 2020 to be paid in 2021.

A2. Employees and personnel expenses and remunerations to auditors, cont.

For information regarding remuneration and other fees for members of the Board, the President and CEO, and other members of the Group Management, see note 5, of the consolidated financial statements.

Pension benefits and other social costs

	2020	2019
Contractual pension benefits for Board Members and Group Management	8	9
Contractual pension benefits for other employees	9	5
Other social costs	29	33
Total	**46**	**47**

Remunerations to auditors

	2020	2019
Deloitte		
– audit fees	3	3
– audit activities other than audit assignment	1	1
– other services	0	0
Total	**4**	**4**

Audit fees refers 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 consultancy services. At the Annual General Meeting 2020, Deloitte was elected as auditors for the Group until the Annual General Meeting 2021.

A3. Other operating income and expenses

Other operating income

	2020	2019
Management fees[1]	183	162
Exchange rate differences, net	–	0
Other operating income	–	1
Total	**183**	**163**

Other operating expenses

	2020	2019
Management fees[2]	-55	-60
Exchange rate differences, net	-4	–
Other operating expenses[3]	-8	6
Total	**-67**	**-54**

[1] Income related to services for common group functions placed in Parent Company.
[2] Expenses related to services for common group functions placed 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

	2020	2019
Assets measured at amortized cost		
Interest income		
– receivables from Group companies	61	45
– other	0	-
Interest income at effective interest method	**61**	**45**
Net foreign exchange gain	0	-
Financial income	**61**	**45**
Liabilities measured at amortized cost		
Interest expenses		
– borrowings	-78	-58
– liabilities to Group companies	0	0
– other	0	0
Interest expenses at effective interest method	**-78**	**-58**
Financial expenses	**-78**	**-58**
Financial expenses, net	**-17**	**-13**

A5. Appropriations

	2020	2019
Group contributions paid	-17	-91
Group contributions received	3 480	3 978
Total	**3 463**	**3 887**

A6. Income tax

	2020	2019
Current tax	-700	-781
Deferred tax	-2	9
Total	**-702**	**-772**

	2020	2019
Profit before tax	3 336	3 707
The Swedish corporate tax rate, %	21,4	21.4
National tax based on profit before taxes	-714	-793
Tax effect of:		
Non-deductible expenses	-7	-7
Tax-exempt income	20	25
Adjustments from prior years	-1	3
Change in tax rate, deferred tax	0	0
Total	**-702**	**-772**
Effective tax in %	21.0	20.8

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

	2020			2019		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Post-employment benefits	7	–	7	9	–	9
Other provisions	4	–	4	4	–	4
Net deferred tax assets/liabilities	**11**	**–**	**11**	**13**	**–**	**13**

	2020	2019
Net balance, Jan. 1	13	4
Charges to profit for the year	-2	9
Net balance, Dec. 31	**11**	**13**

A8. Shares in Group companies

	2020	2019
Accumulated cost		
Opening balance, Jan. 1	45 941	45 776
Shareholder contributions	80	165
Closing balance, Dec. 31	**46 021**	**45 941**

For further information about Group companies, see note A18 and A19.

A9. Other financial assets

	2020	2019
Receivables from Group companies	8 004	6 042
Endowment insurances	17	11
Closing balance, Dec. 31	**8 021**	**6 053**

Endowment insurances relate to defined contribution pension plans and are pledged to the pension beneficiary (see notes A12 and A17).

A10. Other receivables

	2020	2019
Receivables from Group companies	5 209	5 046
Other receivables	2	0
Prepaid expenses and accrued income	28	25
Closing balance, Dec. 31	**5 239**	**5 071**

A11. Equity

For information on share transactions and mandates approved by the Annual General Meeting and proposed dividend for 2020, see note 20 in the consolidated financial statements.

The Parent Company's equity includes legal reserve which is a part of the restricted equity and is not available for distribution.

A12. Post-employment benefits

	2020			2019		
	Defined contribution pension plan	Defined benefit pension plan	Total	Defined contribution pension plan	Defined benefit pension plan	Total
Opening balance, Jan. 1	11	4	15	4	2	6
Provision made	6	2	8	7	2	9
Closing balance, Dec. 31	**17**	**6**	**23**	**11**	**4**	**15**

The Parent Company has endowment insurances of 17 (11) relating to defined contribution pension plans. The insurances are recognized as 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 the salaried employees in Epiroc AB which benefits are secured through the Epiroc pension trust.

	2020			2019		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	–	6	6	–	4	4
Fair value of plan assets	–	–	–	–	–	–
Present value of net obligations	**–**	**6**	**6**	**–**	**4**	**4**
Not recognized surplus	–	0	0	–	0	0
Net amount recognized in balance sheet	**–**	**6**	**6**	**–**	**4**	**4**

Reconciliation of defined benefit obligations

	2020			2019		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations at Jan. 1	–	4	4	–	2	2
Service cost	–	2	2	–	2	2
Interest expenses	–	0	0	–	0	0
Defined benefit obligations at Dec. 31	**–**	**6**	**6**	**–**	**4**	**4**

Pension commitments provided for in the balance sheet

	2020	2019
Costs excluding interest	2	2
Total	**2**	**2**
Pension commitments provided for through insurance contracts		
Service cost	7	7
Total	**7**	**7**
Net cost for pensions, excluding taxes	**9**	**9**
Special employer's contribution	4	4
Total	**13**	**13**

A13. Other provisions

	2020	2019
Opening balance, Jan. 1	201	161
During the year		
– provisions made	78	189
– provisions used	-101	-149
Closing balance, Dec. 31	**178**	**201**

Other provisions include primarily provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and UFR 7.

A14. Borrowings

		2020		2019	
	Maturity	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current					
Medium Term Note Program MSEK 1 250, Fixed	2023	1 246	1 307	1 245	1 311
Medium Term Note Program MSEK 750, Floating	2023	749	773	749	771
Medium Term Note Program MSEK 1 000, Fixed	2026	996	1 035	-	-
Medium Term Note Program MSEK 1 000, Floating	2026	998	1 048	-	-
Bilateral borrowings MEUR 100, Floating	2022	1 004	1 015	1 043	1 058
Bilateral borrowings MSEK 2 000, Floating	2025	1 996	2 030	1 994	2 006
Bilateral borrowings MSEK 1 000, Floating	2027	998	1 057	998	1 042
Total non-current borrowings		**7 987**	**8 265**	**6 029**	**6 188**
Closing balance, Dec. 31		**7 987**	**8 265**	**6 029**	**6 188**
Whereof external borrowings		***7 987***	***8 265***	***6 029***	***6 188***

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

	2020	2019
Accounts payable	7	5
Liabilities to Group companies	4	3
Other financial liabilities	5	15
Accrued expenses and prepaid income	48	74
Closing balance, Dec. 31	**64**	**97**

Accrued expenses include items such as social costs, vacation pay liability and accrued interest.

A16. Financial risk management

Financial credit risk

	2020	2019
Cash and cash equivalents	0	2
Receivables from Group companies, current	5 209	5 046
Receivables from Group companies, long-term	8 004	6 042
Total	**13 213**	**11 090**

Financial credit risk

Credit risk on financial transactions is the risk that the Parent Company incurs losses as a result of nonpayment by counterparts related to the Parent Company's investments and bank deposits. Cash, cash equivalents and receivables from Group companies are subject to impairment according to the expected credit loss model. During 2020 the impairment was insignificant and therefore not recognized. The table above shows the actual exposure of financial instruments as per December 31.

A17. Assets pledged and contingent liabilities

	2020	2019
Assets pledged for pension commitments		
Endowment insurances	17	11
Total assets pledged for pension commitments	**17**	**11**
Contingent liabilities		
Sureties and other contingent liabilities		
– for external parties	0	0
– for Group companies	117	92
Total contingent liabilities	**117**	**92**
Total	**134**	**103**

Sureties and other contingent liabilities include commercial and financial bank guarantees and parent company guarantees.

A18. Directly owned subsidiaries

	2020			2019		
	Number of shares	Percent held (%)	Carrying value	Number of shares	Percent held (%)	Carrying value
Epiroc Rock Drills AB, 5560779018, Örebro	1 026 897	100	46 016	1 026 897	100	45 941
Certus Insurance Inc, 371238, Burlington, VT	100 000	100	5	-	-	-
Carrying amount, Dec. 31			**46 021**			**45 941**

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 within 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:

	2020	2019
Revenues		
Group contribution	3 480	3 978
Interest income	61	45
Expenses		
Group contribution	-17	-91
Interest expenses	0	0
Receivables	**5 209**	**5 046**
Liabilities	**4**	**3**
Guarantees	**117**	**92**

The following details 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
Armenia	Epiroc Armenia LLC	Yerevan
Australia	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
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

A19. Related parties, cont.

Country	Company	Location (City)
Canada	Epiroc Canada Holding Inc.	Toronto
	Epiroc Canada Inc.	Toronto
	Fordia Group Inc.	Montreal
Chile	Epiroc Chile S.A.C.	Santiago
	Epiroc Financial Solutions Chile Ltda	Santiago
	Fordia Sudamerica Ltd	Santiago
	New Concept Mining Chile SpA	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
	GIA (Shanghai) Mining Equipment Co., Ltd	Shanghai
	Fordia (Changzhou) Mining Equipment Co., Ltd	Changzhou
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	Tiefenort
	Construction Tools Distribution GmbH	Essen
	Construction Tools GmbH	Essen
	Epiroc Deutschland GmbH	Essen
Ghana	Secoroc Ghana Ltd	Accra
Greece	Epiroc Hellas S.A.	Athens
Hong Kong	Epiroc Hong Kong Ltd	Hongkong
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

Country	Company	Location (City)
Panama	Epiroc Central América S.A.	Panama
Peru	Epiroc Perú S.A.	Lima
	Fordia Andina S.A.C.	Lima
	New Concept Mining 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
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
	New Concept Mining (Pty) Ltd	Aeroton
	Nicaud Companies 22 (Pty) Ltd	Aeroton
	Retfin 211 (Pty) Ltd	Aeroton
South Korea	Epiroc Korea Co., Ltd	Seongnam
Spain	Epiroc Minería 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
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
Uzbekistan	Epiroc Tashkent LLC	Tashkent
Zambia	Epiroc Zambia Ltd	Chingola
Zimbabwe	Epiroc Zimbabwe (Private) Ltd	Harare

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 Parent Company financial statements and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and Parent Company's business activities, financial position and results of operations as well as the significant risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

Nacka, March 4, 2021

Ronnie Leten
Chairman

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 5, 2021

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Financial definitions

Alternative performance measures - key figures not defined according to IFRS[3)]

	Description	Reason for use
PERFORMANCE MEASURES		
Gross profit margin	Gross profit margin is gross profit as a percentage of revenues.	Gross profit margin measures how much of the Company's revenues is left after paying the costs of goods sold.
Operating margin	Operating margin is operating profit as a percentage of revenues.	Operating margin shows the business' operating result in relation to revenues and is a measurement of the profitability in Epiroc's operational business.
EBITDA	EBITDA (earnings before interest, taxes, depreciation and amortization) is the operating profit plus depreciation, impairment and amortization.	EBITDA shows the business' performance, adjusted for the effect of depreciation and amortization, in relation to sales, which indicate the business' cash generating ability.
Profit margin	Profit margin is profit before tax as a percentage of revenues.	Profit margin shows the business' profit before tax in relation to revenues and is a measurement of the profitability in the entire company.
Book to bill	Book to bill is orders received divided by revenues.	Book to bill is an indicator of demand trends.
Organic order growth	Organic order growth is order growth that excludes effects from exchange rate differences, and acquisitions/divestments	Organic order growth provides an understanding of the Group's order development driven by volume, price and product/service mix changes.
Organic revenue growth	Organic revenue growth is sales growth that excludes effects from exchange rate differences, and acquisitions/divestments.	Organic revenue growth provides an understanding of the Group's revenue development driven by volume, price and product/service mix changes.
Organic profit growth	Organic profit growth is profit growth that excludes effects from exchange rate differences, and acquisitions/divestments.	Organic profit growth provides an understanding of the Group's profit development driven by volume, price and product/service mix changes.
CAPITAL MEASURES		
Capital employed turnover ratio	Capital employed turnover ratio is revenues[2)] divided by the average capital employed.[1)]	Capital employed turnover ratio shows how efficiently Epiroc generates revenues from the capital utilized to run the operations.
Net working capital	Total of inventories, trade receivables, trade payables, other operating assets and liabilities.	Net working capital measures the company's liquidity and capital efficiency.
Capital turnover ratio	Capital turnover ratio is revenues[2)] divided by average total assets.[1)]	Capital turnover ratio shows how effectively total assets are used.
Net debt	Net debt consists of 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.	Net debt is a measurement of the financial position.
Net debt/EBITDA ratio	Net debt/EBITDA ratio is net debt in relation to EBITDA[1)].	Net debt/EBITDA ratio is a measure of financial risk and puts interest-bearing debt in relation to cash generation.
Net debt/equity ratio	Net debt/equity ratio is net debt in relation to equity, including non-controlling interests.	Net debt/equity ratio indicates the financial risk.
Equity/assets ratio	Equity/assets ratio is equity including non-controlling interests, as a percentage of total assets.	Equity/assets ratio is a measure of financial risk, which shows how much of Epiroc's total assets that has been financed with equity.
PROFITABILITY RATIOS		
Return on capital employed	Return on capital employed is operating profit[2)] as a percentage of average capital employed.[1)]	Return on capital employed measures how efficiently Epiroc generates profits from the capital utilized to run the operations.
Return on equity	Return on equity is net profit[2)] divided by total equity[1)].	Return on equity shows the Company's ability to generate return on the investments made by its shareholders.
CASHFLOW PERFORMANCE MEASURES		
Operating cash flow	Operating cash flow is cash flow from operations and cash flow from investing activities, excluding company acquisitions/divestments, as well as other adjustments.	Operating cash flow indicates the business' ability to generate sufficient positive cash flow to maintain and grow operations.
Operating cash flow per share	Operating cash flow per share is operating cash flow divided by the number of shares outstanding.	Operating cash flow per share shows the operating cash flow per share.

1) 2015 and 2016 is calculated as an average of two periods. 2017 and later is calculated as an average of five quarters.
2) Calculated based on the 12 months value.
3) See also description Alternative performance measures, note 1 page 91

Auditor's report

To the general meeting of the shareholders of Epiroc AB 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 for the financial year January 1 - December 31, 2020, except for the corporate governance statement on pages 64-73. The annual accounts and consolidated accounts of the company are included on pages 50-63 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 December 31, 2020 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 December 31, 2020 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

The other information consists of the remuneration report as well as the pages 1-31, 134 and 146-150 in this document, which also contains other information than the annual accounts and consolidated accounts. 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, related safeguards.

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 for the financial year January 1 - December 31, 2020 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 Director

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.

Deloitte AB, was appointed auditor of Epiroc AB by the general meeting of the shareholders on the May 12, 2020 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 5, 2021
Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Notes on sustainability performance

Notes overview*

A full view of our sustainability performance, see page 144.

* Additional information can be found on pages 34-49

1. Our approach to reporting

This is Epiroc´s third 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 2020. The report includes information covering material topics, where Epiroc has significant economic, environmental and social impacts and that have 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 has been included in sections throughout the Annual Report whenever relevant. Also, 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 2020 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 2020, the number of subsidiaries was 104 (103), as well as 4 (4) associated companies.

The report comprises pages 34-49 and 138-145. A GRI Index is available at www.epirocgroup.com/en/sustainability. Reporting also 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, a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human and labor rights, environment and anti-corruption.

This report serves as our Communication on Progress (COP) and discloses performance in relation to the UN Global Compact's ten principles. This information is also made available at the above link and on UN Global Compact's website at www.unglobalcompact.org/participation/report/cop.

Epiroc reports for the first time to the Sustainability Accounting Standards Board (SASB) framework against the Industrial Machinery & Goods Standards and the report is included in the GRI index.

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:

- Number of high risk countries was expanded to include additional human rights and environmental risks, and as a consequence the number of risk markets increased significantly. This has an impact on the definition of significant suppliers as well as the definition of significant agents, resellers and distributors.

Target audience

The report's primary target audience are 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 2020 Annual and Sustainability Report has been subject to limited assurance by Deloitte AB, see the auditors' report on page 145.

Data collection, calculation and reporting

The Sustainability and Corporate Governance Reports are parts of the 2020 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 done, 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. Business partner data covers production units and distribution centers. Business partner data related to agents, resellers and distributors also covers customer centers. Responsibility for reporting business partner data rests with the Sourcing or Marketing 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) and the International Energy Agency (iea.org). Epiroc follows recommendations from the Swedish Network for Transport and Environment (NTM), which informs reporting of CO_2 emissions from transport.

Disclosure on management approach

Sustainability management as per each topic is described in greater detail on the following pages as well as pages 34-49.

2. 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 health 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, Technical Commission
- Global Mining Guidelines Group
- International Tunneling and Underground Space Associations
- EIT Innoenergy
- Transparency International

	Customers	Employees	Shareholders	Business partners	Society
Definition	Existing 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, life-cycle perspective and circularity, CO_2 emissions products, diversity, crisis management, human rights, business ethics incl. corruption, community engagement, supply-chain management	Product safety, safety, human rights, life-cycle perspective and circularity, CO_2 emissions operations, CO_2 emissions products, diversity, employee care, leadership, crisis management, business ethics including corruption, supply-chain management, CO_2 emissions transport, community engagement, waste, water	Product safety, safety, human rights, life-cycle perspective and circularity, CO_2 emissions products, CO_2 emissions operations, crisis management, business ethics including corruption, supply-chain management, CO_2 emissions transport, water, leadership	Product safety, safety, human rights, CO_2 emissions products, diversity, employee care, leadership, crisis management, business ethics including corruption, supply-chain management, CO_2 emissions transport, CO_2 emissions operations, waste	Human rights, diversity, CO_2 emissions operations, CO_2 emissions products, business ethics including corruption, supply-chain management, CO_2 emissions transport, community engagement, taxes, biodiversity, waste, water, life-cycle perspective and circularity

3. Management approach/integrating sustainability

Governance system
Epiroc's governance system is the foundation of how we work. Embedded in our management system, the Epiroc Way, our Code of Conduct (CoC) forms the basis for what we do and how we should act in our relationships with one another and with stakeholders. The CoC reflects our commitments to the 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 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 Manager 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 34-49.

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 sustainability and corporate responsibility topics, such as: purchasing, safety, health, the environment, quality, trade compliance, tax, anti-corruption and human rights. This ensures that our management system helps integrate sustainability and corporate responsibility commitments into every aspect of how we conduct business. The management system is certified according to different standards. In addition, local policies, instructions, guidelines, tools and management systems correspond to specific risks. Group Management decides on strategies and sustainability KPIs and three-year targets. The 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 the 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 companies, distribution centers and customer centers. Each division has administrative responsibility for its operational entities, such as customer centers or product companies. Administrative responsibility ensures compliance and understanding of Group procedures as per the Epiroc Way, and all legal requirements.

We work with a global certified management system that ensures that our operations review and address our 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. We apply the following standards:

- ISO 14001:2015 (Environment)
- OHSAS 18001:2007 (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 OHSAS 18001 and ISO 45001 for health and safety. 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.

76% of the major operating units have triple certification in place by the end of the year. The same measure for each individual certification is 84% for ISO 9001, 76% for ISO 14001 and 76% for OHSAS 18001. Some 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. The lower individual certification rate compared to previous year is explained by last year's calculation of required units not certifed as share of total number of all operational units, compared to this year's calculation of required units not certified as share of required operational units.

For more information, see pages 34-49. 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 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.

4. Governance policies and guidelines

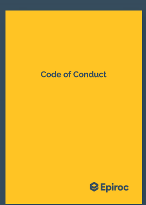
Epiroc is a signatory of:
- UN Global Compact (UNGC)

Epiroc is committed to conducting its business in accordance to:
- 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.

Sustainability 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
- Conflict of Interest Policy
- Gift and Hospitality 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 to doing business ethically and to optimizing social and environmental impacts of our operations and 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. A revised CoC will be published in 2021. For the complete version of Epiroc CoC, please see www.epirocgroup.com/eng/sustainability

The Compliance Board
A Compliance Board is in place with its mission to safeguard that Epiroc's CoC is implemented and complied to. The Compliance Board guides, supports and follows-up on the process. It provides training material as appropriate.

It consists of the President and CEO, Senior Vice President General Counsel (Chair), Senior Vice President Corporate Communications, Senior Vice President Controlling and Finance, Senior Vice President Human Resource, Vice President Corporate Responsibility, Vice President Compliance and the Head of Internal Control and Assurance.

5. 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 10 (4) accidents resulting in adverse environmental effects. All accidents were addressed fully and with corrective actions. Clean-up costs amounted to KSEK 40 (26).

Permits in compliance with Swedish environmental regulations
Three production units require permits as in accordance to Swedish environmental regulations. Permits relate to areas such as emissions to water and air, as well as noise pollution. None of these permits were under revision in 2020.

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) into most of our units through our global triple certification.

Product responsibility
All products and services come with relevant product, service and safety information. Information contains instructions for service and safe use of the product. Customer training is included when relevant, to secure the safe handling of products. Any safety issues arising in the field or from service are tracked through safety campaigns followed by appropriate actions. 39 (22) incidents for non-compliance with voluntary codes concerning the health and safety impacts of products and services were reported for 2020. 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. Reporting criteria for non-compliance with voluntary codes has been updated in 2020, to include number of safety campaigns.

Conflict minerals
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 the armed groups in the Democratic Republic in Congo, e.g. that the products are conflict free. In 2020, closer to 250 suppliers were requested to declare the origin of 3TG present in their products.

Information on the presence and origin of 3TG in Epiroc products is consolidated and shared with interested parties. Approximately 85% of the suppliers of products containing 3TG responded. Approximately 370 (335) smelters of tin, tungsten, tantalum and gold were identified by our suppliers, none of which finance the armed groups in Democratic Republic of 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. Broad industry cooperation is needed to meet the challenges with conflict minerals. We are members of the Responsible Minerals Initiative (RMI) and our membership in RMI is a good source of information to keep us updated and prepared for new emerging issues.

Although it is not yet a regulated metal, cobalt is a concern for Epiroc. In 2020, about 40 suppliers of components including the cobalt metal were asked to declare the origin of the cobalt included in the products to get an understanding of supplier awareness. About 50% of the suppliers asked responded.

In 2021, we will continue to follow up with our suppliers to ensure a deeper knowledge and 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 Epiroc Declarable List must be identified and communicated to customers to facilitate safe use. 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. Compliance with the Prohibited and Declarable lists is included in the Epiroc Business Partner Criteria letter which is signed by Epiroc suppliers.

Both lists are continuously revised according to applicable legislation, including REACH, RoHS 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.

6. We invest in safety and health

Geographical spread of injuries among Epiroc's total workforce

	Number in Epiroc's workforce	Number of work-related LTIs, 2020	Number of work-related MTIs, 2020
North America	2 112	13	30
South America	1 389	6	4
Europe	5 024	25	19
Africa/Middle East	2 384	7	4
Asia/Australia	4 298	7	26
Total	15 207	58	83

The majority of injuries reported have been in North America and Europe (62% of total injuries). However compared to 2019 the amount of injuries in North America and Europe has decreased by 27%. Lost-time injuries (LTIs) from operations globally has decreased by 29%. There is a continued focus on training and activities to further reduce the number of injuries. The lost-time injury frequency rate (LTIFR) for additional workforce has decreased to 0.9 compared to 3.7 in 2019. The decrease is to some extent explained by the reductions in professional categories having higher representativeness of lost-time injuries.

Hazard identification, risk assessment, and incident investigation
All Epiroc companies have procedures for risk assessments, hazard identification, incident reporting, and safety inspections. Risk assessment is a requirement of Epiroc management and OHSAS 18001. Epiroc companies are encouraged to use a reporting tool for incident reporting, e.g. risk observations, near-misses and injuries. We promote people to highlight risks and not putting themselves in a risky situation. All identified risky situations shall be mitigated or as a minimum have clear instructions how to be performed in a safe way. Work-related injuries are reported and followed up at the Company level, Divisional level and Group level. Investigations resulting in corrective and preventative actions must be deployed after each recordable injury. Some injuries, their descriptions and lessons learned are shared within the company as safety shares.

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. In some locations, health services are supported by company doctors and nurses, psychologists, physiotherapists and ergonomists. In other locations such services are supplied by third parties.

In Epiroc, workers or workers representatives are participating in risk analysis and finding solutions to mitigate risks as part of the requirements in OHSAS 18001. Any employee at any time has the freedom to come up with suggestions 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 done in the local entities. In some locations the employees are allowed to exercise during working hours. All health promotion services and programs are voluntary within Epiroc.

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
Contractors working in the Epiroc environment have the obligation to follow the same procedures and routines as direct employees and they get the same onboarding training and offered the same safety equipment. Suppliers are required to follow the Epiroc Code of Conduct and Epiroc performs regularly 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 obliged to follow local regulations and procedures. If they still face a risky situation they are told not put themselves in a hazardous situation.

7. We grow together with passionate people and courageous leaders

Number of employees, December 31, 2020	13 840
The average number of training hours per employee	30
The average number of training hours among	
- blue-collar employees	35
- white-collar employees	24

Each employee spent an average of 30 (39) hours on training during 2020. The reduction can to some extent be explained due to reduction of classroom trainings because of the Covid-19 pandemic.

Employee turnover and new hires 2020
In 2020, voluntary employee turnover was 5.5%. Employee turnover decreased compared to the 12-months period ending in December 2020 with 27%. 32% of total turnover during 2020 was in Asia/Australia, 27% in North America, 24% in Europe, 10% in South America and 7% in Africa/Middle East.

Number of new employee hires in 2020 was 1 370. New employee hires decreased in 2020 compared to the 12-months period ending in December 2019 with 7%. 43% of new hires in 2020 were represented in Asia/Australia, 19% in Europe, 15% in Africa/Middle East, 12% in North America and 11% in South America.

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 2020 a total of 44% (45) of our employees were covered by collective bargaining agreements.

8. We live by the highest ethical standards

Suppliers' commitment

	2020	2019
Significant suppliers, number	1 532	1 406
Safety, health, social and environment audited suppliers, %	3	11
Approved suppliers, %	98	95
Conditionally approved suppliers (monitored), %	2	5
Rejected suppliers, %	-	-
Significant suppliers asked for commitment to the Epiroc CoC, number	1 518	1 402
Significant suppliers that confirmed compliance with the Epiroc CoC, %	99	99

Agents, resellers and distributors' commitment

	2020	2019
Significant agents, resellers and distributors, number	370	329
Significant agents, resellers and distributors asked for commitment to the Epiroc CoC, number	361	323
Significant agents, resellers and distributors that confirmed compliance with the Epiroc CoC, %	72	81

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 2018 to September 2019. 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 2018 to September 2019. For significant agents, distributors and resellers the period is the same but the purchasing values are EUR 200 000 respective EUR 50 000 for high-risk countries. For the definition of high-risk countries, risk indices provided by an external risk indices firm are used. The list of high-risk countries has been extended in 2020 due to a revised risk-assessment.

Epiroc's significant suppliers during 2020 amounted to 1 532 (1406). Evaluations on their performance and impacts are conducted by Epiroc teams at the suppliers' site. In 2020, we performed 123 (335) audits. Several audits were canceled as a result of travel restrictions that came with Covid-19. Due to this new situation, performance of light or self-assessed audits are used as an alternative.

1 518 (1 402) were requested to commit to the CoC and Business Partner Criteria Letter. 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 taken based on the specific supplier's situation.

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: Responsible sourcing and respect for human rights in operations

In 2020, it was necessary in 0 (0) instances to withdraw from supplier agreements due to cases of non-compliance that were not adequately addressed.

Epiroc's significant agents, resellers and distributors during 2020 amounted to 370 (329). 361 (323) agents, resellers and distributors were asked to commit to the CoC.

Speak Up cases

Reported potential violations, number

	2020	2019
Fraud and corruption	10	12
Labor related matters	28	26
Safety	8	1
Discrimination	0	1
Harassment	11	2
Conflict of interest	2	0
Other	5	2
Total	64	44

In 2020, in total 64 cases were reported. 13 of these cases are still under investigation. Out of the total number of cases, 28 concern labor relations and 11 harassment. Four cases during the year were deemed to be material. In three confirmed incidents, employees were dismissed or disciplined for corruption. 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.

Speak Up can be used to report all perceived violations of Epiroc Code of Conduct, for example, non-compliance with environmental laws, human and labor rights, and diversity. It is also open for business partners, including suppliers.

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 48-49.

Knowledge about human rights is key to understanding risks

A key priority is to raise the 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 is therefore part of the CoC and the internal CoC-training sessions. One example of the latter is the internal training for the sourcing organization on the Business Partner Ten Criteria Letter and the CoC. This training session 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 UNGPs. Therefore, human rights issues are on the agenda for dialogues with Epiroc's identified stakeholders. Feedback from these consultations are 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 UNGPs. It exists where we can effect change in the wrongful practices of an entity that causes harm (principle 19, UNGPs). 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.

Remediation

Both states and companies have roles to play in ensuring that victims of business related human rights abuses have access to 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 tax 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 tax 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	2016	2017	2018	2019	2020	Targets 2020*	Targets 2021*
Direct economic value								
Revenues[2]		27 490	31 675	38 500	41 096	36 431		
Economic value distributed								
Operating costs[3]		16 145	18 651	23 399	24 326	21 024		
Employee wages and benefits, including other social costs		6 583	6 862	7 535	8 454	7 881		
Costs for providers of capital[4]		731	5 547	365	2 926	3 340		
Costs for direct taxes to governments		1 065	1 590	1 921	1 992	1 848		
Economic value retained		2 966	–975	5 280	3 398	2 338		
We live by the highest ethical standards								
Managers signed a Code Compliance Commitment, %		–	–	91	95	99		
Managers trained in Epiroc Code of Conduct, %		–	–	91	95	99		
Safety, health, social and environment audited suppliers, %	8	–	10	11	11	3		
Significant suppliers that confirmed compliance with the Epiroc Code of Conduct, %[5]	8	98	97	98	99	99	100	100
Significant agents, resellers and distributors that confirmed compliance with the Epiroc Code of Conduct, %[6]	8	–	–	75	81	72	97	95
We invest in safety and health								
Work-related Lost-time injuries, number[7]	6	91	113	99	82	58		
Lost-time injury frequency rate (LTIFR)[7]	6	3.8	4.3	3.4	2.7	2.0	2.3	1.7
Lost days due to Lost-time injuries, number per one million working hours[7]	6	158	93	97	70	55		
Work-related Medical treatment injuries, number[7]	6	–	–	158	102	83		
Work-related Medical treatment injuries, number per one million working hours[7]	6	–	–	5.4	3.3	2.8		
Total recordable injury frequency rate (TRIFR)[7]	6	–	–	8.9	6.0	4.8	5.3	4.0
Fatalities		0	1	0	1	0	0	0
Sick leave due to illness, %		2.1	2.1	2.1	2.1	2.1		
Sick leave due to illness and Lost-time injuries, %		2.3	2.2	2.2	2.1	2.1	<2.5	<2.5
We use resources responsibly and efficiently								
Renewable energy for operations, % of total energy		45	45	49	53	57		
Renewable energy for operations incl. renewable of mix, % of total energy[8]		55	55	60	63	64	64	67
Direct energy use in GWh[9]		29	27	30	29	24		
Indirect energy use in GWh[9]		124	129	142	132	122		
Total energy use in GWh[9]		153	155	172	161	146		
Total energy use in MWh/COS[9]		9.3	8.5	7.6	6.8	7.1	6.5	7.1
CO_2 emissions '000 tonnes (direct energy) – scope 1[10]		6	6	6	6	5		
CO_2 emissions '000 tonnes (indirect energy) – scope 2[10]		26	28	29	22	22		
CO_2 emissions '000 tonnes (total energy) – scope 1+2[10]		32	34	35	28	27		
Location-based CO_2 emissions '000 tonnes (indirect energy) scope 2[11]		30	31	33	28	27		
CO_2 emissions '000 tonnes (transports) – scope 3[10]		92	114	128	105	83		
CO_2 emissions tonnes (transports)/COS[10]		5.6	6.2	5.6	4.5	4.1	4.4	4.1
Proportion of reused or recycled waste, %		96	97	97	95	94		
Water consumption in water risk areas ('000 m^3)[12]		76	67	65	55	82		
Water consumption in water risk areas (in m^3)/COS[12]		4.6	3.7	2.9	2.4	4.0	2.4	4.4
We grow together with passionate people and courageous leaders								
White-collar employees, %		53	51	51	49	49		
Blue-collar employees, %		47	49	49	51	51		
Employee turnover white-collar employees, %	7	4.8	5.7	7.4	7.5	5.3		
Employee turnover blue-collar employees, %	7	4.3	4.7	7.4	7.3	5.6		
Total turnover, voluntary leave %	7	4.6	5.2	7.4	7.4	5.5		
Yearly performance and development discussion, %		90	87	88	88	87		
Women employees, period end, %		15.1	15.7	16.0	15.5	15.7	17.5	17.7
Women managers, period end, %		20.3	18.2	20.0	19.3	21.0	22.4	23.1
New hires of women into the Group, share of total external recruitments, %		15.9	18.4	17.4	16.2	19.5		
Nationalities among senior managers, number		–	–	30	32	33		
Average number of training hours per employee		–	35	39	39	30		
Leadership Index		–	–	–	69	71	73	73

* 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 2020. 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 136 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 5, 2021

Deloitte AB

Thomas Strömberg	**Lennart Nordqvist**
Authorized Public Accountant	Expert Member of FAR

Footnotes to page 144

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.
3) Operating costs include cost of sales, marketing expenses, administration expenses, research and development expenses, other operating expenses, deducted for employee wages and benefits. COS when presented in relation to sustainability information refers to cost of sales at standard cost in MSEK.
4) Costs for providers of capital include financial costs and dividend, but exclude redemption of shares and repurchase of own shares.
5) Since 2017, the scope of business partner reporting in the annual KPIs includes distribution centers in addition to the previous scope including only production units. The change in scope does not have a significant impact on the KPI:s compared with previous years.
6) Agents, resellers and distributors data covers customer centers, distribution centers and production units.
7) In 2018, the Safety reporting changed from accidents and incidents to Lost-time injuries and Medical treatment injuries to better be aligned with the rest of the mining industry. Lost-time injury has same definition as previous accidents. Medical treatment injuries replaced incidents with its new definition. Medical treatment does not include first aid treated injuries, which incidents did. Restatement of 2019 number to 3.3 compared to 2.7 in previous year's annual report.
8) 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.
9) 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, bio-fuel, propane and natural gas. Target for 2021 reflects that extended heat treatment in own operations is planned.
10) Greenhouse gas emission reporting is done in accordance with the GHG Protocol (ghgprotocol.org). Standardized conversion factors published by the Greenhouse Gas Protocol Initiative and International Energy Agency are used to calculate CO_2 emissions, see www.ghgprotocol.org and www.iea.org. When emission data is not provided by transport companies, factors from NTM (transportmeasures.org) are used. Target for 2021 reflects that more shipments by sea are planned in 2021.
11) 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).
12) Water risk mapping was carried out using the water risk maps generated by a third-party risk analytics firm.

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 2020, the price of the A share increased 30.9% (36.4% in 2019) to SEK 149.65 and the price of the B share increased 25.2% (40.8) to SEK 139.00. The corresponding development for OMXSPI, i.e. all shares, and OMX Stockholm Industrials (SX2000PI) was 12.9% and 13.4%, respectively. Epiroc's market capitalization at the end of 2020 was MSEK 177 483 (137 504).

Trading
Epiroc was the 24th (26th) most traded name on Nasdaq Stockholm during the year. The total turnover in Epiroc shares was BSEK 68.4 (53.6), corresponding to average daily turnover of MSEK 271.3 (214.3). Nasdaq Stockholm accounted for 34% (39) of the total trading in Epiroc in 2020. Around 44% (23) 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.

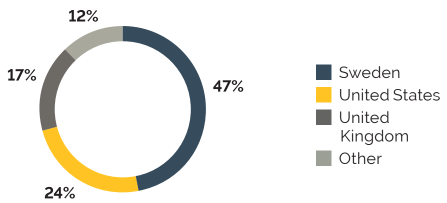
Ownership structure
At the end of 2020, Epiroc had 67 162 (70 717) shareholders. The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 35.0% (33.5) of the voting rights and 33.5% (33.0) of the number of shares. Swedish investors held 47% (47) of the voting rights and 46% (46) of number of shares.

Personnel stock option program and repurchase of own shares
The Board of Directors will propose to the Annual General Meeting 2021 a similar performance based long-term incentive program to previous years. The intention is to cover the plan through the repurchase of the company's own shares. The company's holding of own shares on December 31, 2020 appears in the table on the next page.

Dividend, redemption and dividend policy
The Board of Directors proposes a distribution to shareholders of SEK 5.50 per share for the fiscal year 2020 through:
– A dividend of SEK 2.50 (2.40) per share
– A distribution of SEK 3.00 per share through mandatory redemption.

The dividend is proposed to be paid in two equal installments. 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 56% (49) of earnings per share.

Shareholders by country, December 31, 2020, % of capital



Ten largest shareholders*

December 31, 2020	A shares	B shares	Total shares	% of votes	% of capital
Investor AB	194 915 960	12 841 885	207 757 845	22.7	17.1
Alecta Pensionsförsäkring	29 447 000	40 706 588	70 153 588	3.9	5.8
Swedbank Robur Fonder	12 886 883	14 140 970	27 027 853	1.7	2.2
Handelsbanken fonder	15 020 187	8 886 966	23 907 153	1.8	2.0
AMF Försäkring och Fonder	706 856	15 272 646	15 979 502	0.3	1.3
Folksam	9 075 645	5 031 353	14 106 998	1.1	1.2
Didner & Gerge	1 802 415	11 885 973	13 688 388	0.4	1.1
SEB Investment Management	13 116 543	205 298	13 321 841	1.5	1.1
Första AP-fonden	7 896 070	4 463 671	12 359 741	1.0	1.0
Nordea Investment Funds	5 394 911	3 067 253	8 462 164	0.7	0.7
Other	*533 503 384*	*273 470 246*	*806 973 630*	*65.0*	*66.5*
Total	**823 765 854**	**389 972 849**	**1 213 738 703**	**100.0**	**100.0**
Whereof shares held by Epiroc	*7 814 213*	-	*7 814 213*	*0.9*	*0.6*

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

Key figures per share

SEK	2019	2020
Market capitalization, year end, MSEK	137 504	177 483
Basic/diluted earnings per share	4.89	4.48
Dividend per share	2.40	2.50*
Dividend as % of earnings	49	56*
Operating cash flow per share	5.57	5.80
Equity per share, year end	19.02	19.71
A/B Share price, year end	114.35 /111.05	149.65/139.0
A/B Highest share closing price	118.55/115.00	152.05/142.7
A/B Lowest share closing price	82.42/77.51	79.52/78.54
A/B Average closing price	99.11/94.61	120.54/117.08
A/B Price/Earnings ratio, year end	23.4/22.7	33.4/31.0

* As proposed by the Board of Directors. In addition, the Board proposes a mandatory redemption of SEK 3.00 per share.

Share information

December 31, 2020	A share	B share
Nasdaq Stockholm	EPI A	EPI B
ISIN code	SE0011166933	SE0011166941
Total number of shares	823 765 854	389 972 849
– % of votes	95.5	4.5
– % of capital	67.9	32.1
Whereof shares held by Epiroc	7 814 213	–
– % of votes	0.9	–
– % of capital	0.6	–

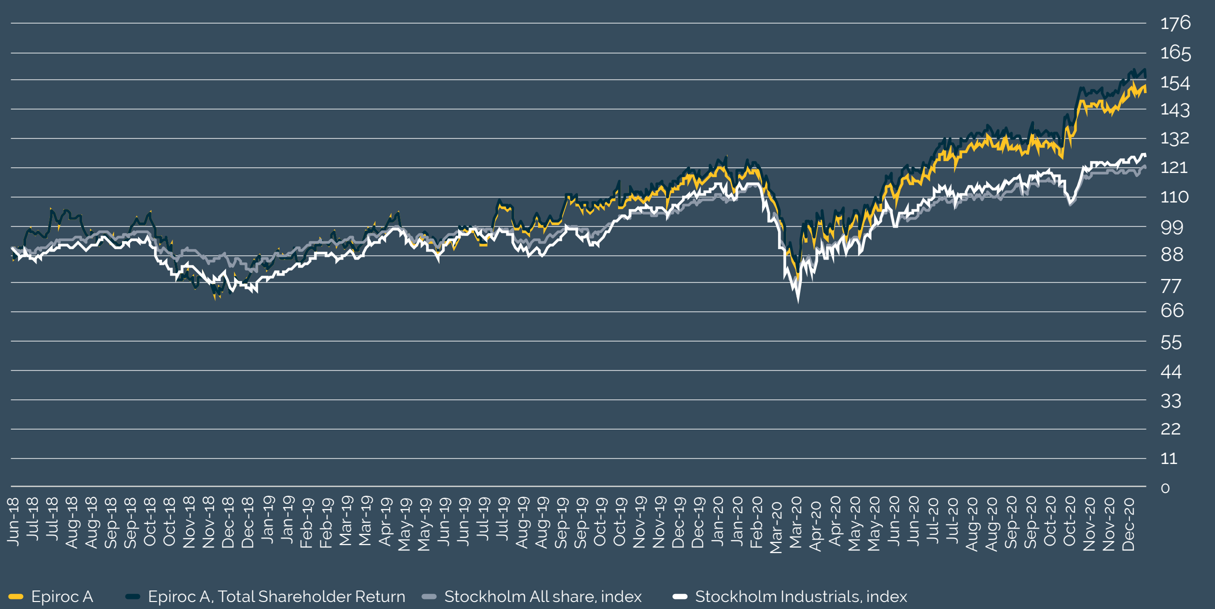
Important dates

April 28, 2021	Q1 2020
April 28, 2021	Annual General Meeting in Nacka, Sweden
July 20, 2021	Q2 2020
October 21, 2021	Q3 2020

Epiroc's strengths

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

Share price development



Further information

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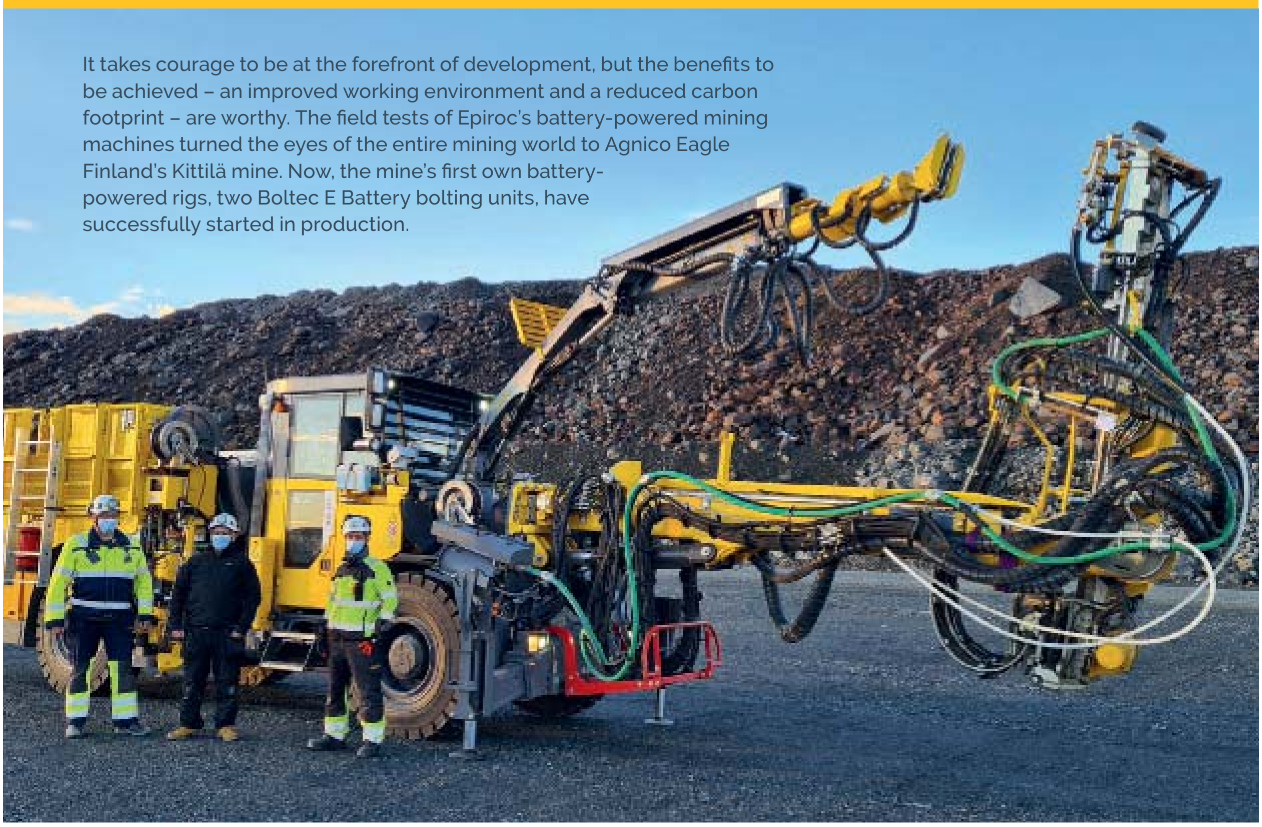

It takes courage to be at the forefront of development, but the benefits to be achieved – an improved working environment and a reduced carbon footprint – are worthy. The field tests of Epiroc's battery-powered mining machines turned the eyes of the entire mining world to Agnico Eagle Finland's Kittilä mine. Now, the mine's first own battery-powered rigs, two Boltec E Battery bolting units, have successfully started in production.

Water for All

Access to clean water is a human right. Since 1984, our main community engagement project, Water for All, has funded projects which empower people through access to clean drinking water, sanitation and hygiene, thereby contributing to healthy societies.

There is a focus on women and girls since they are particularly affected. The local Water for All organization 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 Atlas Copco Group. Employee donations are matched with twice the amount as much by the companies.

In 2020, more than 60 water and sanitation projects were implemented with Water for All funding in 34 countries, in total reaching more than 220 000 people.

For more information, see www.water4all.org

Production: Epiroc in cooperation with Oxenstierna Kommunikation and Purple-Ivy
Photo: Epiroc Image bank
Print: BrandFactory

Epiroc's strengths

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

Epiroc's sustainability focus areas

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

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United in performance. Inspired by innovation.

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