# Admission to trading of the shares in Epiroc Aktiebolag on Nasdaq Stockholm

Epiroc


SEB

Deutsche Bank

## IMPORTANT INFORMATION

**Information for investors**

A prospectus (the "**Prospectus**") has been prepared due to the resolution of the annual general meeting of Atlas Copco Aktiebolag ("**Atlas Copco**") on April 24, 2018 to distribute all the shares in Epiroc Aktiebolag ("**Epiroc**" or the "**Company**") through a dividend to the shareholders of Atlas Copco and the application for admission to trading of Epiroc's shares on Nasdaq Stockholm. For definitions of certain terms used in the Prospectus, see the section "*Definitions*".

This is an English translation of the Prospectus. The English translation contains certain sections specifically directed to investors outside of Sweden, which are not included in the Swedish Prospectus. In the event of any conflict between the Swedish Prospectus and the translation, except for what is stated in the previous sentence, the Swedish Prospectus shall prevail. The Swedish Prospectus has been approved by and registered with the Swedish Financial Supervisory Authority in accordance with the provisions in Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Approval and registration does not imply that the Swedish Financial Supervisory Authority guarantees that the factual information provided is correct or complete. The Prospectus is governed by Swedish law and disputes arising out of the Prospectus and related legal matters shall be settled exclusively by Swedish courts.

The Prospectus has been prepared in connection with an application to have the shares in Epiroc admitted to trading on Nasdaq Stockholm and does not contain any offer to subscribe for, or in any other way acquire, shares or other financial instruments in Epiroc, whether in Sweden or in any other jurisdiction. The Prospectus, marketing material or other material related to the Prospectus may not be distributed or published in any jurisdiction other than in accordance with applicable laws and regulations. Recipients of the Prospectus are required to inform themselves about, and comply with these restrictions, and in particular, not publish or distribute the Prospectus in conflict with applicable laws and regulations. Any failure to comply with these restrictions may result in a violation of applicable securities regulations.

Certain risks apply when investments in securities are made (see the section "*Risk factors*"). When investors make an investment decision, they must rely on their own analysis of Epiroc, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in the Prospectus and any possible supplements to the Prospectus. No person is authorized to provide any information or make any statements other than those made in the Prospectus. Should such information or statement nevertheless be provided or made, it should not be considered to have been approved by Epiroc, and Epiroc is not responsible for such information or statements. Neither the publication or distribution of the Prospectus, nor any transaction made in respect of the Prospectus, shall be deemed to imply that the information in the Prospectus is accurate or applicable at any time other than on the date of the publication of the Prospectus or that there have been no changes in Epiroc's business since this date. If significant changes in the information in the Prospectus occur, such changes will be announced in accordance with the provisions on supplements to a prospectus under the Swedish Financial Instruments Trading Act.

The Prospectus is available at Epiroc's office and website, www.epiroc.com, as well as on SEB's website, www.seb.se.

**Information for investors in the United States**

The shares in Epiroc have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities legislation of any state or other jurisdiction in the United States and may not be offered, sold or otherwise transferred, directly or indirectly, in or into the United States except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities legislation in the relevant state or other jurisdiction of the United States. Epiroc expects to rely on the exemption from registration under Rule 12g3-2(b) of the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), and accordingly the shares in Epiroc will not be registered under the U.S. Exchange Act and Epiroc will not be subject to the reporting requirement of the U.S. Exchange Act.

The shares in Epiroc have neither been approved nor disapproved by the United States Securities and Exchange Commission, any state securities authority or any other authority in the United States. Furthermore, the foregoing authorities have not passed upon the accuracy or adequacy of the Prospectus. Any representation to the contrary is a criminal offence in the United States.

**Forward-looking information and risk factors**

The Prospectus contains certain forward-looking information that reflects Epiroc's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate", "calculate" and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.

Factors that may result in any difference in Epiroc's future results and development from those set forth in the forward-looking information statements include, but are not limited to, those described in the section "*Risk factors*". Epiroc does not undertake to announce any updates or changes in the forward-looking information as a result of new information, future events or similar circumstances other than as required by applicable laws and regulations.

**Industry and market information**

The Prospectus contains industry and market information attributable to Epiroc's operations and the market on which Epiroc operates. Such information is based on Epiroc's analysis of several different sources. Industry publications or reports usually indicate that the information inside has been obtained from sources deemed to be reliable, but that the correctness and completeness of the information cannot be guaranteed. Epiroc has not singly verified, and can therefore not guarantee the correctness of, the industry and market information in the Prospectus which is derived from these industry publications or reports. Industry and market information is inherently forward-looking, subject to uncertainty and does not necessarily reflect actual market conditions. Such information is based on market surveys, which in turn are based on selection and subjective assessments, including assessments on which type of products and transactions that should be included in the relevant market, both of those conducting the assessments and of the respondents. Information derived from a third party have been reproduced correctly and as far as Epiroc knows and can ascertain, by comparisons with other published information from the third party concerned, no information has been omitted in a way which would make the published information incorrect or misleading.

**Presentation of financial information**

Unless otherwise explicitly stated, no information in the Prospectus has been audited or reviewed by Epiroc's auditors. Certain financial and other information that is presented in the Prospectus has been rounded. Consequently, in certain columns the numbers do not exactly correspond to the stated total amount.

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## Important dates

| | |
|---|---|
| Last day of trading in Atlas Copco's shares of Class A and Class B including the right to the distribution of shares of Class A and Class B in Epiroc, respectively: | June 12, 2018 |
| Atlas Copco's shares of Class A and Class B are traded excluding the right to the distribution of shares of Class A and Class B in Epiroc, respectively: | June 13, 2018 |
| Record date for receipt of shares in Epiroc: | June 14, 2018 |
| Estimated first day of trading in Epiroc's shares of Class A and Class B on Nasdaq Stockholm: | June 18, 2018 |

## Other information

| | |
|---|---|
| ISIN code for Epiroc's shares of Class A: | SE0011166933 |
| ISIN code for Epiroc's shares of Class B: | SE0011166941 |
| Ticker symbol for Epiroc's shares of Class A: | EPI A |
| Ticker symbol for Epiroc's shares of Class B: | EPI B |

## Financial information

| | |
|---|---|
| Interim financial report January 1 – June 30, 2018 | July 19, 2018 |
| Interim financial report January 1 – September 30, 2018 | October 24, 2018 |
| Year-end report January 1 – December 31, 2018 | February 5, 2019 |

# Summary

*Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in sections A–E (A.1–E.7).*

*This summary contains all the Elements required to be included in a summary for these type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be included in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In that case a short description of the Element is included in the summary with the mention of "not applicable".*

## 1.1 Section A – Introduction and warnings

| | | |
|---|---|---|
| **A.1** | Introduction and warnings | This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on the investor's consideration of the Prospectus as a whole. Where a claim relating to the information contained in the Prospectus is brought to a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability is only attached to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or does not provide, when read together with the other parts of the Prospectus, key information in order to help investors when considering whether to invest in such securities. |
| **A.2** | Financial intermediaries | Not applicable. Financial intermediaries are not entitled to utilize the Prospectus for subsequent trading or final placement of shares. |

## 1.2 Section B – Issuer

| | | |
|---|---|---|
| **B.1** | Legal and commercial name | Epiroc Aktiebolag, corporate registration number 556041-2149. |
| **B.2** | Domicile, legal form, legislation and country of incorporation | Epiroc Aktiebolag (corporate registration number 556041-2149) is a Swedish public limited liability company (Sw. *publikt aktiebolag*) which was incorporated in March 1942 and registered with the Swedish Corporate Registration Office (Sw. *Bolagsverket*) in April 1942. The Company's current name was registered on May 19, 2017. Epiroc has its registered office in the municipality of Nacka, Sweden. The Company's activities are carried out in compliance with the Swedish Companies Act (2005:551). |
| **B.3** | Current operations and principal activities | Epiroc is a leading global provider of solutions for rock drilling and excavation, demolition and recycling, with a wide range of equipment, service offerings and related spare parts and consumables. Epiroc's products and services are sold in approximately 150 countries with principal product development and manufacturing units located in Sweden, the United States, Canada, China and India. Epiroc's headquarters are located in Stockholm, Sweden and Epiroc had 12,948 employees as at December 31, 2017.<br>Epiroc primarily operates in selected niches of the global mining, natural resources and infrastructure equipment and services industries. Epiroc focuses on applications 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. Epiroc strives to develop and enhance its strong customer relationships through collaboration and commitment to innovation, safety and sustainability. |

| | | |
|---|---|---|
| **B.4a** | Recent trends in the industry | Epiroc's revenue development from mining customers is linked to the development of the customers' expenditure associated with utilizing equipment, including consumables, maintenance, refurbishment and overhaul; collectively known as the "mining aftermarket", as well as their capital expenditure on new equipment. Key drivers affecting mining equipment and aftermarket demand include commodity price developments, depletion of ore grades resulting in increased excavation activity, the shift towards underground mining due to *inter alia* challenges associated with obtaining regulatory approvals for greenfield opens mines, as well as underground mines going increasingly deeper. Also, a major shift in the mining equipment industry is the trend towards automation, interoperability and digitalization, as part of the emergence of intelligent mining, which is focused on cost reduction, productivity increases, performance-critical technologies and safety in the mining sector.<br>Fundamentally, growth in infrastructure investment is driven by government and private sector focus on future trends such as mobility, population growth and sustainability, with a clear recognition that further investment in water, energy, transport and communications infrastructure will be required to stimulate long-term economic growth. Rapid urbanization has driven demand for infrastructure development. In addition, governments globally are increasingly focused on budget control, and therefore need to drive productivity improvements, for example through the use of new cost-efficient technologies for infrastructure construction. Furthermore, governments globally are investing in the construction of infrastructure projects to support economic development. |
| **B.5** | Group structure | Epiroc is the ultimate parent company of the Group, which, in addition to the Company, comprises 88 directly and indirectly owned companies, as well as three affiliated entities, in 58 countries. |
| **B.6** | Notifiable interests, different voting rights and controlling interests | As per the date of the Prospectus, Epiroc is a wholly-owned subsidiary of Atlas Copco. The Epiroc shares will be distributed to the shareholders of Atlas Copco in proportion to each shareholder's holding of Atlas Copco shares on the record date for the distribution, June 14, 2018. Each share in Atlas Copco entitles to one share of the same class in Epiroc. Based on the assumption that the shares of Epiroc had been distributed to Atlas Copco's shareholders with April 30, 2018 as record date, Investor Aktiebolag is the only shareholder with more than five percent of all shares or the voting rights of all shares, holding 17.1 percent of the total number of shares in the Company and 22.8 percent of the total number of votes in the Company. |
| **B.7** | Selected historical financial information | Unless otherwise stated, the selected financial information presented below has been derived from (i) Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015 which have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"), and audited by Epiroc's independent auditors, as set forth in their report included therewith and (ii) Epiroc's unaudited consolidated interim financial report for the three months period ended March 31, 2018, with comparable figures for the three months period ended March 31, 2017, which have been prepared in accordance with IAS 34, as adopted by the EU and reviewed by Epiroc's independent auditors, as set forth in their report included therewith.<br>IFRS does not specifically address the preparation of combined financial statements. The term "combined financial statements" refers to financial information prepared by aggregating financial information for entities under common control that do not meet the definition of a group according to IFRS 10. The formation of the Epiroc group comprised transactions between entities that are under common control. Since these transactions are not covered by any IFRS standard, a suitable accounting principle has been applied in accordance with IAS 8. A suitable and established method is to use the previous carrying amount (predecessor basis of accounting), which is the principle that the Epiroc group has applied. |

| B.7 | Selected historical financial information, *cont.* |
|---|---|

## Condensed combined income statement

| | For the three months ended March 31[1] | | For the financial years ended December 31[2] | | |
|---|---|---|---|---|---|
| **(SEK million)** | **2018** | **2017** | **2017** | **2016** | **2015** |
| Revenues | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| Cost of sales | –5,226 | –4,674 | –20,157 | –18,003 | –18,463 |
| **Gross profit** | **3,007** | **2,737** | **11,283** | **9,099** | **10,200** |
| | | | | | |
| Marketing and Administrative expenses | –1,164 | –1,094 | –4,401 | –4,043 | –4,194 |
| Research and development expenses | –222 | –190 | –795 | –662 | –861 |
| Other operating income and expenses | –106 | –39 | –137 | 154 | 28 |
| Share of profit in associated companies and joint ventures | 0 | 1 | –1 | 0 | 2 |
| **Operating profit** | **1,515** | **1,414** | **5,949** | **4,548** | **5,175** |
| | | | | | |
| **Net financial items** | **–57** | **–23** | **–136** | **–137** | **–220** |
| | | | | | |
| **Profit before tax** | **1,458** | **1,391** | **5,813** | **4,411** | **4,955** |
| | | | | | |
| Income tax expenses | –377 | –342 | –1,500 | –1,180 | –1,384 |
| **Net profit** | **1,081** | **1,049** | **4,313** | **3,231** | **3,571** |
| | | | | | |
| **Profit attributable to:** | | | | | |
| – owners of the parent | 1,079 | 1,049 | 4,313 | 3,235 | 3,582 |
| – non-controlling interests | 2 | 0 | 0 | –4 | –11 |
| Basic earnings per share, SEK | 0.89 | 0.87 | 3.56 | 2.67 | 2.95 |

1) Derived from Epiroc's unaudited consolidated interim financial information for the three months period ended March 31, 2018, with comparable figures derived from the unaudited combined interim financial information for the three months period ended March 31, 2017.
2) Derived from Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015.

| B.7 | Selected historical financial information, *cont.* |
|---|---|

## Condensed combined balance sheet

| | For the three months ended March 31[1] | | For the financial years ended December 31[2] | | |
|---|---|---|---|---|---|
| **(SEK million)** | **2018** | **2017** | **2017** | **2016** | **2015** |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 3,539 | 3,233 | 3,121 | 3,185 | 3,062 |
| Rental equipment | 1,205 | 1,279 | 1,215 | 1,370 | 1,404 |
| Other property, plant and equipment | 2,345 | 2,290 | 2,271 | 2,285 | 2,398 |
| Investments in associated companies and joint ventures | 94 | 32 | 94 | 15 | 16 |
| Other financial assets and receivables | 1,313 | 1,515 | 1,101 | 1,499 | 1,297 |
| Deferred tax assets | 407 | 349 | 407 | 347 | 435 |
| **Total non-current assets** | **8,903** | **8,698** | **8,209** | **8,701** | **8,612** |
| | | | | | |
| **Current assets** | | | | | |
| Inventories | 9,746 | 7,655 | 8,272 | 7,061 | 7,153 |
| Trade receivables and other receivables | 8,108 | 6,929 | 7,633 | 6,578 | 6,122 |
| Income tax receivables | 330 | 90 | 287 | 63 | 152 |
| Financial assets | 1,123 | 5,698 | 1,152 | 7,100 | 5,918 |
| Cash and cash equivalents | 2,255 | 615 | 1,808 | 481 | 461 |
| **Total current assets** | **21,562** | **20,987** | **19,152** | **21,283** | **19,806** |
| **TOTAL ASSETS** | **30,465** | **29,685** | **27,361** | **29,984** | **28,418** |

1) Derived from Epiroc's unaudited consolidated interim financial information for the three months period ended March 31, 2018, with comparable figures derived from the unaudited combined interim financial information for the three months period ended March 31, 2017.
2) Derived from Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015.

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| B.7 | Selected historical financial information, *cont.* |
|---|---|

## Condensed combined balance sheet, *cont.*

| | For the three months ended March 31[1] | | For the financial years ended December 31[2] | | |
|---|---|---|---|---|---|
| **(SEK million)** | **2018** | **2017** | **2017** | **2016** | **2015** |
| | | | | | |
| **EQUITY** | | | | | |
| Share capital | 21 | 20 | 21 | 20 | 20 |
| Retained earnings | 16,024 | 17,321 | 12,081 | 15,793 | 14,815 |
| **Total equity attributable to owners of the parent** | **16,045** | **17,341** | **12,102** | **15,813** | **14,835** |
| | | | | | |
| Non-controlling interests | 45 | 6 | 6 | 0 | 94 |
| **TOTAL EQUITY** | **16,090** | **17,347** | **12,108** | **15,813** | **14,929** |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Interest-bearing loans | 3,868 | 4,268 | 2,250 | 4,193 | 4,169 |
| Post-employment benefits | 145 | 187 | 181 | 253 | 259 |
| Other liabilities | 17 | 10 | 10 | 9 | 9 |
| Provisions | 266 | 225 | 279 | 194 | 131 |
| **Total non-current liabilities** | **4,296** | **4,690** | **2,720** | **4,649** | **4,568** |
| | | | | | |
| **Current liabilities** | | | | | |
| Interest-bearing loans | 792 | 762 | 4,808 | 3,674 | 3,043 |
| Trade payables | 4,871 | 3,038 | 3,966 | 2,446 | 2,214 |
| Income tax liabilities | 585 | 799 | 436 | 535 | 748 |
| Other liabilities | 3,564 | 2,780 | 3,053 | 2,586 | 2,561 |
| Provisions | 267 | 269 | 270 | 281 | 355 |
| **Total current liabilities** | **10,079** | **7,648** | **12,533** | **9,522** | **8,921** |
| **TOTAL EQUITY AND LIABILITIES** | **30,465** | **29,685** | **27,361** | **29,984** | **28,418** |

1) Derived from Epiroc's unaudited consolidated interim financial information for the three months period ended March 31, 2018, with comparable figures derived from the unaudited combined interim financial information for the three months period ended March 31, 2017.
2) Derived from Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015.

| B.7 | Selected historical financial information, *cont.* |
|---|---|

## Condensed combined statement of cash flows

| (SEK million) | For the three months ended March 31[1] 2018 | 2017 | For the financial years ended December 31[2] 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Operating profit | 1,515 | 1,414 | 5,949 | 4,548 | 5,175 |
| Adjustments for: | | | | | |
| Depreciation, amortization and impairment | 317 | 320 | 1,254 | 1,217 | 1,397 |
| Capital gain/loss and other non-cash items | –71 | –173 | –133 | –349 | –251 |
| Net financial items received/paid | 141 | –57 | –344 | –40 | 23 |
| Taxes paid | –321 | –86 | –666 | –511 | –294 |
| Pension funding and payment of pension to employees | –35 | –41 | –90 | –67 | –45 |
| **Cash flow before change in working capital** | **1,546** | **1,377** | **5,970** | **4,798** | **6,005** |
| ***Change in:*** | | | | | |
| Change in working capital | –465 | –79 | –423 | 895 | 417 |
| Increase in rental equipment | –178 | –120 | –793 | –677 | –899 |
| Sale of rental equipment | 76 | 77 | 422 | 386 | 335 |
| **Net cash from operating activities** | **979** | **1,255** | **5,176** | **5,402** | **5,858** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Investments in other property, plant and equipment | –129 | –108 | –424 | –293 | –368 |
| Sale of other property, plant and equipment | 10 | 13 | 70 | 58 | 453 |
| Investments in intangible assets | –103 | –49 | –289 | –287 | –313 |
| Acquisition of subsidiaries | –482 | –66 | –137 | – | – |
| Other investments, net | –137 | 1,362 | 6,323[3] | –1,283 | –2,947 |
| **Net cash from investing activities** | **–841** | **1,152** | **5,543** | **–1,805** | **–3,175** |

1) Derived from Epiroc's unaudited consolidated interim financial information for the three months period ended March 31, 2018, with comparable figures derived from the unaudited combined interim financial information for the three months period ended March 31, 2017.
2) Derived from Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015.
3) The increase in cash flow from investing activities in 2017 is mainly related to a reduction of funds placed with the Atlas Copco cash-pool.
4) Transactions with shareholders represents two main parts; the transfer of shareholdings of entities between Atlas Copco and Epiroc that has not been disclosed as external acquisitions in the cash flow, and transfer of other assets and liabilities without consideration.

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| B.7 | Selected historical financial information, *cont.* |
|---|---|

## Condensed combined statement of cash flows, *cont.*

| | For the three months ended March 31[1] | | For the financial years ended December 31[2] | | |
|---|---|---|---|---|---|
| **(SEK million)** | **2018** | **2017** | **2017** | **2016** | **2015** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Acquisition of non-controlling interest | – | 6 | 6 | –91 | – |
| Dividend paid to Atlas Copco | – | – | –5,178 | –380 | –299 |
| Change in interest-bearing liabilities | 275 | –2,854 | –889 | 510 | 433 |
| **Net cash from financing activities** | **275** | **–2,848** | **–6,061** | **39** | **134** |
| | | | | | |
| **Net cash flow for the period** | **413** | **–441** | **4,658** | **3,636** | **2,817** |
| Cash and cash equivalents (1 Jan.) | 1,808 | 481 | 481 | 461 | 530 |
| Exchange-rate difference in cash and cash equivalents | 34 | 1 | –39 | 39 | –27 |
| Other cash flow from transactions with shareholders[4] | – | 574 | –3,292 | –3,655 | –2,859 |
| **Cash and cash equivalents (end of period)** | **2,255** | **615** | **1,808** | **481** | **461** |

1) Derived from Epiroc's unaudited consolidated interim financial information for the three months period ended March 31, 2018, with comparable figures derived from the unaudited combined interim financial information for the three months period ended March 31, 2017.
2) Derived from Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015.
3) The increase in cash flow from investing activities in 2017 is mainly related to a reduction of funds placed with the Atlas Copco cash-pool.
4) Transactions with shareholders represents two main parts; the transfer of shareholdings of entities between Atlas Copco and Epiroc that has not been disclosed as external acquisitions in the cash flow, and transfer of other assets and liabilities without consideration.

## Selected key performance indicators

Some of the key performance measures presented below are so-called non-IFRS financial measures, i.e. financial measures that are not measures defined under IFRS. Epiroc believes these non-IFRS financial measures provide a better understanding of the trends of the financial performance and that such measures which are not calculated in accordance with IFRS are useful information to investors combined with other measures that are calculated in accordance with IFRS. A non-IFRS financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. These non-IFRS financial measures are unaudited and should not be considered in isolation or as an alternative to performance measures derived in accordance with IFRS. In addition, such measures, as defined by Epiroc, may not be comparable to other similarly titled measures used by other companies.

| | | |
|---|---|---|
| **B.7** | Selected historical financial information, *cont.* | see table below |

## Key performance indicators for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million unless otherwise stated** (unaudited unless otherwise stated) | **2018** | **2017[1]** | **2017** | **2016** | **2015** |
| **Orders received, revenues and profit** | | | | | |
| Orders received | 10,036 | 8,520 | 33,831 | 27,634 | 27,551 |
| Revenues[2] | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| Book to bill, % | 122 | 115 | 108 | 102 | 96 |
| Revenue growth, % | 11 | – | 16 | –5 | 4 |
| Organic revenue growth, % | 14 | – | 14 | –3 | –3 |
| EBITDA | 1,832 | 1,732 | 7,203 | 5,765 | 6,570 |
| EBITDA margin, % | 22.3 | 23.4 | 22.9 | 21.3 | 22.9 |
| EBITA | 1,608 | 1,499 | 6,286 | 4,836 | 5,548 |
| EBITA margin, % | 19.5 | 20.2 | 20.0 | 17.8 | 19.4 |
| Operating profit[2] | 1,515 | 1,414 | 5,949 | 4,548 | 5,175 |
| Operating margin, % | 18.4 | 19.1 | 18.9 | 16.8 | 18.1 |
| Profit before tax | 1,458 | 1,391 | 5,813 | 4,411 | 4,955 |
| Profit margin, % | 17.7 | 18.8 | 18.5 | 16.3 | 17.3 |
| Gross profit margin, % | 36.5 | 36.9 | 35.9 | 33.6 | 35.6 |
| | | | | | |
| **Capital structure** | | | | | |
| Average capital employed | 21,066 | – | 21,708 | 23,167 | 21,727 |
| Capital employed turnover ratio | 1.5 | – | 1.4 | 1.2 | 1.3 |
| Return on capital employed, 12 months % | 28.6 | – | 27.4 | 19.6 | 23.8 |
| Net working capital | 11,784 | 10,561 | 11,939 | 11,193 | 11,061 |
| Capital turnover ratio | 1.1 | – | 1.1 | 0.9 | 1.0 |
| Net debt | 2,550 | 420 | 5,423 | 1,986 | 2,419 |
| Net debt/EBITDA ratio | 0.35 | – | 0.75 | 0.34 | 0.37 |
| Net debt/equity ratio, % | 15.8 | 2.4 | 44.8 | 12.6 | 16.2 |
| Equity/assets ratio, % | 52.8 | 58.4 | 44.3 | 52.7 | 52.5 |
| Return on equity, 12 months % | 29.2 | – | 29.1 | 21.1 | 25.0 |
| | | | | | |
| **Cash flow** | | | | | |
| Operating cash flow | 666 | 1,111 | 4,610 | 4,880 | 5,630 |
| | | | | | |
| **Key figures per share** | | | | | |
| Operating cash flow per share, SEK | 0.5 | 0.9 | 3.8 | 4.0 | 4.6 |
| Equity per share, SEK | 13.3 | 14.3 | 10.0 | 13.0 | 12.3 |

1) Restated in accordance with IFRS 15.
2) Audited information for the years ended December 31, 2015, 2016 and 2017.

| | | |
|---|---|---|
| **B.7** | Selected historical financial information, *cont.* | see table below |

## Financial definitions

| Non-IFRS measures | Description | Reason for use |
|---|---|---|
| **Orders received** | Orders received is all orders received for immediate delivery and those orders received for future delivery for which delivery dates and quantities have been confirmed. | Gives an indication of upcoming revenues and production. |
| **Revenue growth** | Revenue growth is the increase in revenues compared to the previous period in percent of revenues of the previous period. | Revenue growth provides an understanding of the Group's revenue development. |
| **Organic revenue growth** | Organic revenue growth is sales growth that excludes translation 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. |
| **Book to bill** | Book to bill is orders received divided by revenues. | Book to bill is an indicator of demand trends. |
| **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. |
| **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 is valuable to indicate the business' cash generating ability. |
| **EBITDA margin** | EBITDA margin is EBITDA as a percentage of revenues. | EBITDA margin shows Epiroc's business' performance, adjusted for the effect of depreciation and amortization, in relation to revenues. Valuable to indicate Epiroc's underlying cash generating ability. |
| **EBITA** | EBITA is operating profit before amortization. | EBITA shows the business' performance, adjusted for the effect of amortization, in relation to sales, which is a measurement of the profitability in Epiroc's operational business. |
| **EBITA margin** | EBITA margin is EBITA as a percentage of revenues. | EBITA margin shows Epiroc's business' performance, adjusted for the effect of amortization, in relation to revenues. Valuable to indicate Epiroc's cash generating ability. |
| **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. |
| **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 of the entire Company. |

| | | Non-IFRS measures | Description | Reason for use |
|---|---|---|---|---|
| **B.7** | Selected historical financial information, *cont.* | **Average capital employed** | Average capital employed is the average total assets[1] less average non-interest-bearing liabilities/provisions. | Average capital employed shows how much of the total capital is utilized to run the operations. |
| | | **Capital employed turnover ratio** | Capital employed turnover ratio is revenues[2] divided by the average capital employed.[3] | Capital employed turnover ratio shows how efficiently Epiroc generates revenues from the capital utilized to run the operations. |
| | | **Return on capital employed** | Return on capital employed is operating profit[4] as a percentage of average capital employed.[5] | Return on capital employed measures how efficiently Epiroc generates profits from the capital utilized to run operations. |
| | | **Net working capital** | Net working capital is inventories and trade receivables less trade payables. | Net working capital measures the Company's liquidity and capital efficiency. |
| | | **Capital turnover ratio** | Capital turnover ratio is revenues[6] divided by average total assets.[7] | 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[8]. | Net debt/EBITDA ratio is a measure of financial risk which 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 helps showing 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 show how much of Epiroc's total assets that has been financed with equity. |
| | | **Return on equity** | Return on equity is net profit[9] divided by total equity, calculated as the 12 months value. | Return on equity shows the Company's abilities to generate return on the investments made by its shareholders. |

1) The average total assets for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average total assets for 2016 and 2015, respectively, is calculated as an average of two periods.
2) Revenues has been calculated based on the 12 months value.
3) The average capital employed for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average capital employed for 2016 and 2015, respectively, is calculated as an average of two periods.
4) Operating profit has been calculated based on the 12 months value.
5) The average capital employed for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average capital employed for 2016 and 2015, respectively, is calculated as an average of two periods.
6) Revenues has been calculated based on the 12 months value.
7) The average total assets for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average total assets for 2016 and 2015, respectively, is calculated as an average of two period.
8) EBITDA has been calculated based on the 12 months value.
9) Net profit has been calculated based on the 12 months value.

<table>
<tr><td>B.7</td><td>Selected historical financial information, cont.</td><td>
<table>
<tr><th>Non-IFRS measures</th><th>Description</th><th>Reason for use</th></tr>
<tr><td>Equity per share</td><td>Equity per share is equity including non-controlling interests divided by the average number of shares outstanding.</td><td>Equity per share provides for a possibility to compare book value with market value.</td></tr>
<tr><td>Operating cash flow</td><td>Operating cash flow is cash flow from operations and cash flow from investing activities, excluding company acquisitions/divestments as well as other adjustments. Other adjustments are mainly changes in the cash-pool with Atlas Copco and currency hedges of loans.</td><td>Operating cash flow shows the business' ability to generate sufficient positive cash flow to maintain and grow operations.</td></tr>
<tr><td>Operating cash flow per share</td><td>Operating cash flow per share is operating cash flow divided by the number of shares outstanding.</td><td>Operating cash flow per share shows the operating cash flow per share.</td></tr>
</table>
<h3>Material events after March 31, 2018</h3>
Epiroc has entered into two significant credit facility agreements, a SEK 4 billion revolving credit facility agreement (the "Revolving Credit Facility") and a SEK 6 billion bridge facility agreement (the "Bridge Facility"), both arranged by Citibank N.A., London Branch and Skandinaviska Enskilda Banken AB (publ). The Revolving Credit Facility was entered into by Citibank, N.A., London Branch, Skandinaviska Enskilda Banken AB (publ), Bank of China (Luxembourg) S.A. Stockholm Branch, Danske Bank A/S, Danmark, Sverige Filial, Deutsche Bank Luxembourg S.A., Nordea Bank AB (publ), Standard Chartered Bank and Svenska Handelsbanken AB (publ) and the Bridge Facility was entered into by Citibank, N.A., London Branch, Skandinaviska Enskilda Banken AB (publ), Danske Bank A/S, Danmark, Sverige Filial and Nordea Bank AB (publ).
</td></tr>
<tr><td>B.8</td><td>Selected pro forma financial information</td><td>Not applicable. The Company has not presented any selected pro forma financial information.</td></tr>
<tr><td>B.9</td><td>Profit forecasts</td><td>Not applicable. The Company has not presented any profit/loss forecast.</td></tr>
<tr><td>B.10</td><td>Audit report qualifications</td><td>Not applicable. There are no remarks in the audit reports.</td></tr>
<tr><td>B.11</td><td>Working capital</td><td>Not applicable. In the Company's opinion, the Company's working capital is sufficient for the Company's requirements for at least the 12-months period following the date of the Prospectus.</td></tr>
</table>

## 1.3 Section C – Securities

| | | |
|---|---|---|
| **C.1** | Securities being admitted to trading | Shares of Class A (ISIN code SE0011166933) and shares of Class B (ISIN code SE0011166941) in Epiroc. The trading symbol at Nasdaq Stockholm for Epiroc's shares of class A is EPI A and the trading symbol at Nasdaq Stockholm for Epiroc's shares of class B is EPI B. |
| **C.2** | Currency | The shares are denominated in Swedish kronor (SEK). |
| **C.3** | Number of issued shares and par value | Epiroc's share capital, as of the date of the Prospectus, amounts to SEK 20,688,500, divided into 206,885 shares of Class A, each with a quota (par) value of SEK 100. |
| **C.4** | Rights attached to the securities | All shares have equal rights to the Company's assets upon liquidation and distribution of dividends. If Epiroc decides to issue new Class A and Class B shares, either through a cash issue or an issue by set-off, each shareholder of Class A shares and Class B shares shall have a preferential right to subscribe for new shares of the same class in relation to the number of shares held by the shareholder prior to the new issue (primary preferential right). Shares that are not subscribed for with primary preferential rights shall be offered for subscription by all shareholders (secondary preferential right). If the number of shares thus offered is not sufficient for the subscription made with secondary preferential rights, the shares shall be allocated among the subscribers in relation to the total number of shares (Class A and Class B) owned prior to the new issue, and to the extent this cannot be effected, the shares shall be allocated by way of drawing lots. If Epiroc decides to issue new shares of either Class A or Class B, either through a cash issue or an issue by set-off, all shareholders shall have a preferential right to subscribe for new shares in relation to the total number of shares (Class A and Class B) owned prior to the new issue regardless if their shares are Class A or Class B shares. |
| **C.5** | Transferability restrictions | Not applicable. The shares are not subject to any restrictions on transferability. |
| **C.6** | Admission to trading on a regulated market | Nasdaq Stockholm's listing committee decided on May 16, 2018 to admit Epiroc to trading on Nasdaq Stockholm, subject to customary conditions, such as that the dispersion requirements in respect of the Company's shares are fulfilled no later than the first day of trading. Trading is expected to begin on or about June 18, 2018. |
| **C.7** | Dividend policy | Epiroc's goal is to provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50 percent of net profit over the cycle. |

## 1.4 Section D – Risks

| | | |
|---|---|---|
| **D.1** | Key risks specific to the issuer and its industry | Key risks relating to Epiroc and its industry include:<br><br>**Epiroc's products are used in industries which are either cyclical or affected by general economic conditions.**<br>The demand for Epiroc's products and services is affected by changes in customers' investment plans and production levels. Customers' investment plans could change materially in the case of a widespread financial crisis and economic downturn, such as the one experienced in 2008–2009, or in the case of an economic downturn in a particular industry, country or region. In addition, changes in the political situation in a region or country, or political decisions affecting an industry or country, could materially impact investment in equipment. Also, the demand for Epiroc's products and services is significantly dependent on the replacement needs of existing production capacity, new competing technologies, competitive pressures and other economic factors in customer industries.<br>Epiroc may be affected by an economic downturn in the markets in which it operates. Hence, adverse developments involving global or regional political, economic and financial factors of the type mentioned above could have a material adverse effect on Epiroc's business, results of operations and financial condition. |

| | | |
|---|---|---|
| **D.1** | Key risks specific to the issuer and its industry, *cont.* | **Epiroc relies on third party suppliers.**<br>To be able to manufacture, sell and deliver its products, Epiroc is dependent on deliveries from its suppliers in accordance with agreed requirements, such as quantity, quality and time of delivery. Suppliers' incorrect deliveries or failure to fulfil agreed deliveries could cause delays or failures in Epiroc's deliveries, which in turn may cause reduced sales and a decline in customer confidence. In addition, the loss of, or a substantial decrease in the availability of, products from Epiroc's suppliers, or the loss of key suppliers, could have a material adverse effect on Epiroc's business, results of operations and financial condition. Furthermore, supply interruptions could arise from shortages of raw materials, labor disputes (involving Epiroc's employees or consultants as well as the employees or consultants of Epiroc's partners), weather conditions affecting products or shipments, transportation disruptions or other factors beyond Epiroc's control. Also a steep ramp up of customer demand may impact Epiroc's suppliers' ability to meet the increased demand, in particular if Epiroc fails to provide its suppliers with sufficient information and the right conditions in order to manage swift changes in volumes. A failure by suppliers to continue to supply Epiroc with components and raw materials, in sufficient quantities, in a timely manner or on commercially reasonable terms could put pressure on Epiroc's operating margins and could have a material adverse effect on Epiroc's business, results of operations and financial condition.<br><br>**Epiroc's manufacturing and production facilities may get damaged, destroyed or closed.**<br>Epiroc has a global manufacturing strategy based on manufacturing core components complemented with sourcing of other components from suppliers. The core component manufacturing is concentrated to facilities in a few locations and if these facilities are destroyed or closed for any reason, or if the equipment in the facilities is significantly damaged or there are other severe interruption in its productions, Epiroc is likely to face setbacks in its ability to manufacture and distribute its products. Epiroc holds property and business interruption insurances in amounts Epiroc believes to be appropriate, however there is a risk that Epiroc will not be able to fully recover such amounts or that recovered amounts will not be sufficient to cover Epiroc's losses. Such circumstances, to the extent Epiroc is unable to find an alternative manufacturing and production facility or repair the damaged facility or equipment in a timely and cost-efficient manner, could have a material adverse effect on Epiroc's business, results of operations and financial condition.<br><br>**Epiroc may fail to develop, launch and market new products or respond to technological development and customer demand.**<br>Several of the markets in which Epiroc operates are characterized by technological advances and changes in customer preferences. One emerging trend that Epiroc is spearheading is mining automation. Intelligent mining is a vital part of Epiroc's strategy and Epiroc's long-term growth and profitability is dependent on its ability to develop and successfully launch and market new products. There is a risk that Epiroc will not be able to keep pace with product development and technological advances, including also shifts in technology in the markets in which it operates, or meet customer demands, which could have a material adverse effect on Epiroc's business, results of operations and financial condition. |

| | | |
|---|---|---|
| **D.1** | Key risks specific to the issuer and its industry, *cont.* | **Epiroc may experience difficulties in completing acquisitions, integrating acquired businesses and achieving anticipated synergies, as well as in completing divestments.** Acquisitions play an important role in Epiroc's growth strategy. Epiroc regularly identifies and evaluates acquisition opportunities, and Epiroc intends to in the future acquire additional businesses that it expects to complement or augment its existing operations. There is a risk that suitable acquisition candidates are not identified in the future and that Epiroc will not be able to finance such acquisitions on favorable terms. Further, there is a risk that acquisitions that Epiroc has already made or future acquisitions may not be integrated successfully into Epiroc's operations and may not achieve desired financial objectives.<br>In agreeing to acquire entities, Epiroc generally makes certain assessments and assumptions on, among other things, future revenues and earnings, based on Epiroc's investigation of the respective businesses and other information available. Epiroc's assessment of, or assumptions regarding, opportunities and risks associated with acquisitions may prove to be incorrect and liabilities, contingencies or other risks previously not known to Epiroc may arise. Furthermore, Epiroc may be limited in its ability to acquire companies depending on the concentration of ownership in specific markets and Epiroc's relative market position. Such unanticipated risks, liabilities, contingencies, losses or issues, if realized, could have a material adverse effect on Epirocs's business, results of operations and financial condition.<br>Epiroc may also wish to divest operations and facilities that no longer fit into Epiroc's operations or strategy. There is a risk that Epiroc will not be able to divest such operations or facilities, or that such divestments cannot be carried out on terms favorable to Epiroc. If such a risk were to materialize, it could have a material adverse effect on Epirocs's business, results of operations and financial condition.<br><br>**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 is dependent on technical systems for collecting, processing and communicating information securely, monitoring its production and inventory and efficiently tracking its operational and financial performance on a real-time basis. Serious errors or longer periods of downtime in business critical information systems can cause delivery problems, inventory management issues or limit Epiroc's ability to receive and process orders or invoice customers.<br>In connection with the separation from Atlas Copco, Epiroc has implemented a new environment for operational and information security systems, and a number of new systems will also be implemented following the distribution and listing of Epiroc's shares. Changes in business critical systems may require considerable resources and could also affect work processes within Epiroc. Further, the implementation of new systems could be costlier than anticipated, it could be delayed with negative consequences, or it could cause business interruptions.<br>Moreover, information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication of cyber-attacks. A failure in, or a breach of, Epiroc's operational or information security systems, or those of its third party service providers, as a result of cyber-attacks or information security breaches could disrupt Epiroc's business, could cause the disclosure or misuse of confidential or proprietary information, damage its reputation, increase its costs and cause losses. Epiroc is also exposed to the risk that the customer data, including personal data, it processes could be wrongfully accessed, distributed or used, whether by employees or third parties, or otherwise lost, disclosed or processed in breach of data protection laws and regulations. Additionally, the rules and regulations regarding processing of personal data are becoming increasingly rigid. In a large number of European jurisdictions, Epiroc is affected by changes to the regulatory environment resulting from the new General Data Protection Regulation 2016/679, which entered into force on May 25, 2018. |

| | | |
|---|---|---|
| **D.3** | Key risks specific to the securities | All investments in securities involve risk. Any such risk could cause the trading price of Epiroc's shares to decline significantly and investors could lose all or part of their investment. Risk related to the Company's shares include:<br><br>**An active, liquid and orderly trading market for Epiroc's shares may not develop and the price of its shares may be volatile.**<br>Prior to the listing on Nasdaq Stockholm, no market exists for Epiroc's shares. There is a risk that an active and liquid market will not develop or, if developed, that it will not be sustained. The development of the Epiroc share price will depend on a number of factors, some of which are specific to Epiroc and others linked to the stock market as a whole. These factors could increase share price volatility. It is not possible for Epiroc to control all of the factors that could impact its share price, therefore every decision to invest in the shares should be preceded by a thorough analysis by each individual investor.<br><br>**Epiroc's ability to pay dividends is dependent on its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures, compliance with debt covenants and other factors.**<br>The amount of any future dividends that Epiroc will pay, if any, will depend upon a number of factors, such as future earnings, financial condition, cash flows, net working capital requirements, capital expenditures, compliance with debt covenants and other factors. Epiroc's performance may not allow adherence to the dividend policy and, in particular, Epiroc's ability to pay dividends may be impaired if any of the risks described in the Prospectus were to materialize. Epiroc may also not have sufficient distributable funds and Epiroc's shareholders may not resolve to pay dividends in the future. Accordingly, a dividend may not be proposed or declared or any other distribution may not be made, in any given year or at all. |

## 1.5 Section E – Offer

| | | |
|---|---|---|
| **E.1** | Net proceeds and expenses | Not applicable. Epiroc will not issue any securities in connection with the preparation of the Prospectus and the Company will thus not receive any issue proceeds or have any expenses related to the issuance of shares. Epiroc's costs attributable to the listing of its Class A and Class B shares on Nasdaq Stockholm, including payment to advisors, and other estimated transaction costs, are estimated to amount to approximately SEK 52 million. |
| **E.2a** | Reasons for the offer and use of proceeds | Not applicable. The Prospectus does not relate to any offer. The board and management believe that long-term shareholder value will be created by splitting the Atlas Copco group into two separate companies. Atlas Copco's customers are active in different industries, such as the mining-, construction-, manufacturing- and process industry with different demand drivers. A split from Atlas Copco and a distribution and listing of the shares in Epiroc is expected to increase focus, customer value and development opportunities and to enable Epiroc to successfully realize its strategies under the leadership of a separate management team, with a separate board of directors and independent access to capital. As separate companies, Atlas Copco and Epiroc are also better positioned to meet the different challenges and opportunities offered by the industries they are active in. A listing also provides opportunity for current and new shareholders to invest directly in Epiroc. |
| **E.3** | Terms and conditions of the offer | Not applicable. The Prospectus does not relate to any offer. The Epiroc shares will be distributed to the shareholders of Atlas Copco in proportion to each shareholder's holding of Atlas Copco shares on the record date for the distribution, June 14, 2018. Each Class A share in Atlas Copco entitles to one Class A share in Epiroc and each Class B share in Atlas Copco entitles to one Class B share in Epiroc. Aside from being registered as a shareholder on the record date for distribution (directly registered or nominee registered), no further actions are required in order to receive shares in Epiroc. The distribution is expected to be carried out pursuant to the requirements of the Swedish "Lex ASEA" rules regarding taxation. |

| | | |
|---|---|---|
| **E.4** | Interests material to the offer | Not applicable. The Prospectus does not relate to any offer. |
| **E.5** | Seller of the security and lock-up agreements | Not applicable. No lock-up agreements have been entered into in connection with the admission to trading of the Company's shares. |
| **E.6** | Dilution | Not applicable. The Prospectus does not relate to any offer. |
| **E.7** | Expenses charged to the investor | Not applicable. The Prospectus does not relate to any offer. No expenses are charged to the shareholders as a result of the admission to trading of the Company's shares. |

# Risk factors

*An investment in the shares involves a number of risks. Investors should carefully consider each of the risks described below and all of the other information set forth in the Prospectus before deciding to invest in the shares. If any of the risks described below or any other risk not described herein actually occurs, Epiroc's business, financial condition and results of operation could be materially adversely affected. In such case the trading price of the shares could decline and investors may lose all or part of their investment. The risks described below are not the only ones applicable to Epiroc. Additional risks that are not presently known to Epiroc or, based on its regular risk assessment, Epiroc currently considers to be immaterial, may also impair Epicoc's business operations and may have a material adverse effect on its business, financial condition and results of operation. The order in which the individual risks are presented does not provide an indication of the likelihood of their occurrence nor of their severity or relative significance.*

*The Prospectus also contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. Epiroc's actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, the risks described below and elsewhere in the Prospectus.*

## Risks related to the Epiroc's business and industry

**Epiroc's products are used in industries which are either cyclical or affected by general economic conditions.**

The demand for Epiroc's products and services is affected by changes in customers' investment plans and production levels. Customers' investment plans could change materially in the case of a widespread financial crisis and economic downturn, such as the one experienced in 2008–2009, or in the case of an economic downturn in a particular industry, country or region. In addition, changes in the political situation in a region or country, or political decisions affecting an industry or country, could materially impact investment in equipment. Also, the demand for Epiroc's products and services is significantly dependent on the replacement needs of existing production capacity, new competing technologies, competitive pressures and other economic factors in customer industries.

Epiroc may be affected by an economic downturn in the markets in which it operates. Hence, adverse developments involving global or regional political, economic and financial factors of the type mentioned above could have a material adverse effect on Epiroc's business, results of operations and financial condition.

**Mineral commodity prices are volatile and may affect the demand for Epiroc's products.**

Demand for Epiroc's equipment and services from mining customers is highly dependent on customer's investments (expenditures) in production, development and excavation. Industry experience indicates that significant reductions in mineral commodity prices cause mining expenditure to decline. There is a risk that a sustained fall in mineral commodity prices may cause a substantial reduction in mining capital expenditure, in particular in regard to exploration. While aftermarket sales in the form of services and spare parts have historically been much more resilient to macroeconomic changes than equipment sale and hence more stable over time, low cost supply of spare parts, new and improved products, changing customer needs and other trends in the market may adversely impact Epiroc's position on the aftermarket and consequently reduce Epiroc's ability to offset a decline in equipment sales. Negative developments in mineral commodity prices may cause demand for Epiroc's services and products to decline, which could have a material adverse effect on Epiroc's business, results of operations and financial condition.

**Epiroc is exposed to fluctuations in prices of certain raw materials and components in its production.**

Epiroc is exposed to component and raw material prices, some of which are volatile and subject to fluctuations arising from changes in supply and demand, economic conditions, labor costs, competition, market speculation, government regulation and trade policies. Epiroc is primarily dependent on steel, hydraulics, electronics, machining, welding and drivetrain for its manufacturing and Epiroc's financial exposure is therefore mainly related to fluctuations in prices of said components and materials. Epiroc may have a limited ability to control the timing and amount of changes to prices that it pays for components and raw materials and Epiroc may be unable to increase its prices in sufficient time to absorb increasing prices. A delay in Epiroc's ability to pass on price increases to its customers could have a material adverse effect on Epiroc's business, results of operations and financial condition.

### Epiroc is dependent on the efficiency of its distribution centers and its customer centers' sales and service organization.

Epiroc distributes its products and services directly to the end customers, but also through distributors and rental companies. The bulk of the physical distribution of products passes through a number of distribution centers. Epiroc also has a large service organization that focuses on spare parts supply, service, support solutions and training. The customer centers in each market are typically responsible for contacts with the end customers as well as the delivery of service to them. As the occurrence of downtime in the customers' operations are often associated with large costs, the quality and availability of Epiroc's equipment service is important to its customers. Should Epiroc's sales and service organization not be able to successfully sell products and perform service, or be subject to disruptions or be closed or destroyed, this could have a material adverse effect on Epiroc's business, results of operations and financial condition.

### Epiroc's manufacturing and production facilities may get damaged, destroyed or closed.

Epiroc has a global manufacturing strategy based on manufacturing core components complemented with sourcing of other components from suppliers. The core component manufacturing is concentrated to facilities in a few locations and if these facilities are destroyed or closed for any reason, or if the equipment in the facilities is significantly damaged or there are other severe interruption in its productions, Epiroc is likely to face setbacks in its ability to manufacture and distribute its products. Epiroc holds property and business interruption insurances in amounts Epiroc believes to be appropriate, however there is a risk that Epiroc will not be able to fully recover such amounts or that recovered amounts will not be sufficient to cover Epiroc's losses. Such circumstances, to the extent Epiroc is unable to find an alternative manufacturing and production facility or repair the damaged facility or equipment in a timely and cost-efficient manner, could have a material adverse effect on Epiroc's business, results of operations and financial condition.

### Epiroc relies on third party suppliers.

Epiroc's manufacturing philosophy is that those components that are critical for the performance of the equipment Epiroc produces should be manufactured in-house. For non-critical components, Epiroc leverages the capacity and the competence of its suppliers and cooperates with them to continuously achieve product and process improvements. On equipment, approximately 75 percent of the product cost consists of purchased components and about 25 percent consists of internally manufactured core components, assembly costs and overhead. Epiroc's products consist of components and raw materials from several different suppliers. To be able to manufacture, sell and deliver its products, Epiroc is dependent on deliveries from its suppliers in accordance with agreed requirements, such as quantity, quality and time of delivery. Suppliers' incorrect deliveries or failure to fulfil agreed deliveries could cause delays or failures in Epiroc's deliveries, which in turn may cause reduced sales and a decline in customer confidence.

Epiroc has several long-lasting relationships with suppliers. If a supplier is unable or unwilling to continue to make deliveries to Epiroc, or should a supplier terminate its operations, Epiroc may not be able to identify and develop a suitable relationship with a new supplier who can satisfy Epiroc's standards in terms of quality and price and Epiroc's need to access products and supplies in a timely and efficient manner. In addition, Epiroc may also be required to replace a supplier if its products do not meet Epiroc's requirements with respect to quality, price or other standards. The loss of, or a substantial decrease in the availability of, products from Epiroc's suppliers, or the loss of key suppliers, could have a material adverse effect on Epiroc's business, results of operations and financial condition.

In addition, supply interruptions could arise from shortages of raw materials, labor disputes (involving Epiroc's employees or consultants as well as the employees or consultants of Epiroc's partners), weather conditions affecting products or shipments, transportation disruptions or other factors beyond Epiroc's control. In addition, a steep ramp up of customer demand may impact Epiroc's suppliers' ability to meet the increased demand, in particular if Epiroc fails to provide its suppliers with sufficient information and the right conditions in order to manage swift changes in volumes. A failure by suppliers to continue to supply Epiroc with components and raw materials, in sufficient quantities, in a timely manner or on commercially reasonable terms could put pressure on Epiroc's operating margins and could have a material adverse effect on Epiroc's business, results of operations and financial condition.

### Epiroc may experience difficulties in completing acquisitions, integrating acquired businesses and achieving anticipated synergies, as well as in completing divestments.

Acquisitions play an important role in Epiroc's growth strategy. Epiroc regularly identifies and evaluates acquisition opportunities, and Epiroc intends to in the future acquire additional businesses that it expects to complement or augment its existing operations. There is a risk that suitable acquisition candidates are not identified in the future and that Epiroc will not be able to finance such acquisitions on favorable terms. Further, there is a risk that acquisitions that Epiroc has already made or future acquisitions may not be integrated successfully into Epiroc's operations and may not achieve desired financial objectives.

In agreeing to acquire entities, Epiroc generally makes certain assessments and assumptions on, among other things, future revenues and earnings, based on Epiroc's investigation of the respective businesses and other information available. Epiroc's assessment of, or assumptions regarding, opportunities and risks associated with acquisitions may prove to be incorrect and liabilities, contingencies or other risks previously not known to Epiroc may arise. In addition, Epiroc may be limited in its ability to acquire companies depending on the concentration of ownership in specific markets and Epiroc's relative market position. Such unanticipated risks, liabilities, contingencies, losses or issues, if realized, could have a material adverse effect on Epirocs's business, results of operations and financial condition.

Epiroc may also wish to divest operations and facilities that no longer fit into Epiroc's operations or strategy. There is a risk that Epiroc will not be able to divest such operations or facilities, or that such divestments cannot be carried out on terms favorable to Epiroc. If such a risk were to materialize, it could have a material adverse effect on Epirocs's business, results of operations and financial condition.

### Epiroc operates in highly competitive markets.

The markets for Epiroc's products are highly competitive in terms of pricing, product design and service quality, the timing of development and introduction of new products, customer service and terms of financing. Epiroc faces intense competition from significant competitors and to a lesser extent small regional companies, and also, increasingly, companies operating with lower costs and margins have started to compete on the global market, for example by providing low cost standard spare parts. If Epiroc does not compete successfully and does not anticipate and respond to changes in evolving market demands, including demand for new products, Epiroc will not be able to compete successfully in its markets, which could have a material adverse effect on Epiroc's business, results of operations and financial condition.

Additionally, Epiroc's competitors could increase production capacity and marketing efforts, which could lead to an increased supply of equipment in the markets in which Epiroc operates, thereby exposing Epiroc to pricing pressure. Furthermore, there is a risk that companies that are currently providing low cost standard spare parts start to develop products with higher quality, which to a higher extent would compete with Epiroc's products. Such a development could have a material adverse effect on Epiroc's business, results of operations and financial condition.

### Epiroc may fail to develop, launch and market new products or respond to technological development and customer demand.

Several of the markets in which Epiroc operates are characterized by technological advances and changes in customer preferences.

There are several current trends in the market. One emerging trend that Epiroc is spearheading is mining automation. By installing autonomous technology on, for example, drill rigs, mining companies can operate multiple rigs from a remote location. This saves money for the customers and provides a safe, comfortable work environment for the operators. Another trend in the market is the development of sustainable products that consume less resources, such as energy, water, steel, and that require less human effort, over the entire life cycle of the product, such as battery-powered and more fuel efficient equipment. Besides lower running costs of the machines and the creation of a safer and healthier work environment in mines, there are considerable savings to be made in underground ventilation and cooling. Intelligent mining is a vital part of Epiroc's strategy and Epiroc's long-term growth and profitability is dependent on its ability to develop and successfully launch and market new products. Additionally, a growing trend in the market is the shift toward global pricing, with an increasing number of customers requesting the application of a global pricing policy for Epiroc equipment and services.

Epiroc's revenues and market share may suffer if Epiroc is unable to successfully introduce new products in a timely fashion or if any new or enhanced products or services are introduced by its competitors that its customers find more advanced and/or better suited to their needs. There is a risk that Epiroc will not be able to keep pace with product development and technological advances, including also shifts in technology in the markets in which it operates, or meet customer demands, which could have a material adverse effect on Epiroc's business, results of operations and financial condition.

Product development efforts are also affected by national and regional legislation in the United States and the European Union 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.

### Epiroc's competitors may continue to consolidate.

In recent years, there has been some consolidation among Epiroc's competitors in the markets in which it operates. This consolidation may continue, which could cause Epiroc's markets to become more competitive as greater economies of scale are achieved by competitors. This trend could result in fewer manufacturers, as the remaining manufactures may need to become larger to compete effectively. Epiroc may fail to effectively participate in the industry consolidation for a variety of reasons, including antitrust restrictions which limit the degree to which a large market participant such as Epiroc can acquire additional competitors. Industry consolidation may result in Epiroc losing its market positions. In addition, industry consolidation could make it more difficult for Epiroc to maintain operating margins and could also increase competition for its acquisition targets and result in higher purchase price multiples. These and other changes in the markets in which Epiroc operates could have a material adverse effect on Epiroc's business, results of operations and financial condition.

### 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 is dependent on technical systems for collecting, processing and communicating information securely, monitoring its production and inventory and efficiently tracking its operational and financial performance on a real-time basis. Serious errors or longer periods of downtime in business critical information systems can cause delivery problems, inventory management issues or limit Epiroc's ability to receive and process orders or invoice customers. Material interruptions, errors or downtime affecting Epiroc's key software and systems could have a material adverse effect on Epiroc's business, results of operations and financial condition.

In connection with the separation from Atlas Copco, Epiroc has implemented a new environment for operational and information security systems, and a number of new systems will also be implemented following the distribution and listing of Epiroc's shares. Changes in business critical systems may require considerable resources and could also affect work processes within Epiroc. Further, the implementation of new systems could be costlier than anticipated, it could be delayed with negative consequences, or it could cause business interruptions. In addition, information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication of cyber-attacks. A failure in, or a breach of, Epiroc's operational or information security systems, or those of its third party service providers, as a result of cyber-attacks or information security breaches could disrupt Epiroc's business, could cause the disclosure or misuse of confidential or proprietary information, damage its reputation, increase its costs and cause losses. As a result, cyber security and the continued development and enhancement of the controls and processes designed to protect Epiroc's systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for Epiroc. Cyber threats continue to evolve, and Epiroc may be required to engage additional resources to continue to enhance its information security measures and to investigate and remediate any information security vulnerabilities.

Epiroc is also exposed to the risk that the customer data, including personal data, it processes could be wrongfully accessed, distributed or used, whether by employees or third parties, or otherwise lost, disclosed or processed in breach of data protection laws and regulations. If Epiroc or any of the third-party service providers on which it relies fails to process, store or protect such customer data in a secure and lawful manner, or if any such theft or loss of personal data were otherwise to occur, Epiroc could face liability under data protection laws and regulations. This could also result in damage to Epiroc's brands and reputation as well as the loss of existing or new business, any of which could have a material adverse effect on Epiroc's business, results of operations and financial condition. Additionally, the rules and regulations regarding processing of personal data are becoming increasingly rigid. In a large number of European jurisdictions, Epiroc is affected by changes to the regulatory environment resulting from the new General Data Protection Regulation 2016/679 ("GDPR"), which entered into force on May 25, 2018 as Epiroc processes different types of personal data, such as for instance information regarding contact persons at customers and suppliers as well as information regarding employees. Non-compliance with applicable data protection legislation could e.g. result in sanctions from the relevant authorities and damages having to be paid to affected registered persons. As the GDPR has entered into force, the level of fines for breach of data protection rules includes fines of up to four percent of a groups' annual turnover, or EUR 20,000,000, whichever is higher. Further, ensuring compliance with the GDPR may result in costs for amending processes and IT systems. In addition to increased compliance costs and the threat of more severe sanctions in the event of non-compliance, the regulatory changes may prevent Epiroc from analyzing customer needs and behaviors, which could affect Epiroc's ability to develop new products in line with customer demands and maintaining a well-functioning service organization. Such a development could have a material adverse effect on Epiroc's business, results of operations and financial condition.

### Epiroc's governance, internal controls and compliance processes may not prevent regulatory penalties, reputational harm and fraud.

Epiroc operates in a global environment, and its activities straddle multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity worldwide in areas such as competition law and anti-corruption. There is corruption in several of the jurisdictions in which Epiroc operates. Epiroc faces the risk of corruption and other illegal acts by its employees as well as violations at subsidiaries and other companies in which Epiroc has an interest, or by other owners of such companies. Epiroc has governance and compliance processes and policies in place, however, these processes and policies may fail to prevent breaches of law and governance standards at Epiroc and there is a risk that there will be acts of corruption and other illegal acts involving employees of Epiroc.

Effective internal controls are also necessary for Epiroc to provide reliable financial reports and effectively prevent and detect fraud. 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, which could have a material adverse effect on Epiroc's business, financial condition and results of operations.

Epiroc is also obliged to adhere to certain sanctions adopted by both national and international bodies. 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's failure to adhere to sanctions could subject it to, *inter alia*, fines, loss of operating licenses and reputational harm. If any such risk were to materialize, it could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc is subject to regulatory and other risks associated with international operations.

Epiroc manufactures and sells its products globally. Changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls or other governmental policies in the countries in which Epiroc conducts business may result in risks, such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in ownership or other disputes, being more difficult to obtain, (ii) a higher degree of discretion on the part of governmental authorities, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, (iv) inconsistencies or conflicts between and within various laws, regulations and decrees, or (v) relative inexperience of the judiciary and courts in such matters. Also, the protection of intellectual property rights may be less developed and less strictly enforced in some of these countries. There is a risk that Epiroc's licenses, applications or other legal arrangements or the effectiveness of the enforcement thereof may be adversely affected by the actions of government authorities or others. In addition, the uncertainty of the legal environment in certain regions could limit Epiroc's ability to enforce its rights under contracts or otherwise.

Epiroc also has operations in emerging markets. Epiroc's business operations in emerging markets may be subject to various political, economic and social conditions which may include nationalization of assets, social, political, geopolitical or economic instability, volatility in currency exchange rates and in gross domestic product or restrictions on repatriation of profits and transfers of cash, any of which could have a material adverse effect on Epiroc's business, results of operations and financial condition. Operations in emerging markets may also present risks that are not encountered in countries with well-established economic and political systems, including economic instability, which could make it difficult for Epiroc to anticipate future business conditions in these markets. In addition, new, smaller competitors continuously appear in developing markets, which may negatively affect Epiroc.

The factors described above could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Environmental compliance.

Like most industrial companies, Epiroc affects the environment in its production processes through the use of natural resources and the generation of emissions and wastes in the distribution of, as well as in the use and final disposal of, its products. Compliance with environmental requirements is a significant factor in Epiroc's operations, and substantial resources are required to maintain compliance with applicable environmental laws and regulations and to manage environmental risks. Epiroc is subject to a variety of environmental laws and regulations, in particular in relation to air emissions, waste management and the protection of natural resources. These laws and regulations, the violations of which can lead to substantial fines, injunctions, criminal penalties, loss or withdrawal of permits or temporary or permanent shutdowns of businesses, have generally become stricter in recent years and may in the future become more stringent and the cost of complying with future changes may be substantial. In addition, Epiroc could also become subject to liabilities and claims relating to personal injury and property damage.

Epiroc carries out manufacturing business and is thus exposed to risks relating to pollution and contamination on land or water and similar environmental risks. In general, Epiroc will be responsible for the remediation of any environmental contaminations on Epiroc's premises (both owned and leased), caused by Epiroc's operations, which, depending on the type and magnitude of the contaminations, may be costly.

Substantial environmental costs and liabilities are inherent in industrial operations and there is a risk that substantial costs and liabilities may be incurred in the future or that the adoption of increasingly strict environmental laws, regulations and enforcement policies may result in increased costs and liabilities in the future. Any such costs and/or liabilities could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc is subject to health and safety laws and regulations.

Epiroc is subject to a broad range of health and safety laws and regulations in the jurisdictions in which it operates. Health and safety laws and regulations are becoming increasingly stringent and the protection standards to which Epiroc must adhere are becoming more rigorous. The cost of complying with, and the liabilities and the potential sanctions imposed pursuant to, applicable health and safety laws and regulations could be significant on a Group level. Non-compliance could result in civil and criminal sanctions, loss or suspension of permits, temporary or permanent closure of operations, lawsuits and other claims by third parties (including liability for personal injury and property damage). Increased compliance costs, or a failure to adhere to increasingly demanding safety and health standards, could have a material adverse effect on Epiroc's business, financial condition and results of operations.

Given the nature of Epiroc's business, industrial accidents and other incidents, such as explosions, fires, poor air quality, contamination, gas leaks, accidents during shipping of dangerous goods and other incidents that may lead to personal injuries and fatalities, have occurred in the past and may occur in the future. In particular, service technicians working in the field are exposed to health risks and may encounter unsafe working conditions while performing their tasks. Service technicians and others may suffer from accidents or incidents from time to time. Additionally, Epiroc's products may be involved in accidents or other incidents. Accidents, incidents or other disruptions affecting employees', customers' and others' health and safety may result in serious personal injury, death, damage to property, civil and criminal liability and substantial harm to Epiroc's reputation, all of which could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc's reputation could be harmed due to negative public perceptions of Epiroc or its suppliers and customers.

Maintaining Epiroc's reputation is a key factor in establishing and maintaining its customer relationships as well as ensuring a successful business. If customers start to lose confidence in the safety and quality of the products sold or provided by Epiroc, in the ethical and legal behavior of Epiroc or any of its partners, such as suppliers, sub-contractors and joint venture partners, Epiroc's reputation and business results could be negatively affected. In addition, 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, Epiroc's reputation and business results could be damaged.

Additionally, Epiroc is dependent on partners and relies on its partners and customers to comply with applicable employment, environmental and other laws, regulations and standards of practice so as not to negatively impact Epiroc's reputation. Epiroc operates in countries where the risk, according to Amnesty International, is high of human rights abuse, including child labor, forced or compulsory labor. Epiroc encounters customers, for instance in the mining industry, who are exposed to problems concerning environmental and human rights issues. Failure by Epiroc or any of its partners or customers to comply with ethical, social, product, labor, health and safety, environmental or other standards, or related political considerations, could damage Epiroc's reputation and potentially lead to various adverse actions from its customers, including boycotts as well as termination of contracts and claims for damages.

Any reputational damage suffered by Epiroc could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc may be exposed to product liability and warranty claims.

Epiroc's manufacturing and sale of products poses the potential for warranty claims and product liability.

In addition, Epiroc also relies on its customers and other third parties to use its products according to the products' design and product manuals. Epiroc's brand name and image could be harmed due to a third party's incorrect use of Epiroc's products.

Epiroc believes that Epiroc's insurance coverage for product liability is adequate, however there is a risk that the amount of such insurance will not be sufficient to satisfy claims made against Epiroc in the future. Product liability or warranty claims could result in significant litigation costs, and a successful claim brought against Epiroc in excess of available insurance coverage, or any claim that results in significantly adverse publicity, could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc may be unable to protect its intellectual property.

Epiroc's intellectual property is important to Epiroc's business, in particular Epiroc's portfolio of trademarks and patents (comprising both patents held by Epiroc and patents licensed from external parties). There is a risk that Epiroc's actions to protect its trademarks and inventions are not or will not be sufficient to protect its intellectual property. There is a risk that Epiroc's competitors may seek to benefit from Epiroc's inventions, trademarks and logos when they manufacture and market their products and thereby infringing or challenging Epiroc's intellectual property rights. In addition, existing laws in some countries in which Epiroc operates may offer only limited protection of Epiroc's intellectual property rights, if at all. If Epiroc's intellectual property rights cannot be protected, for whatever reason, it could have a material adverse effect on Epiroc's business, results of operations and financial condition.

Moreover, Epiroc's strategy for protecting its intellectual property rights in relation to third parties or employees may be deficient in certain instances, for example if Epiroc fails to impose sufficiently rigid non-disclosure commitments on its business partners, employees or other parties in a timely manner, or if Epiroc's employees and consultants involved in the creation of intellectual property are not covered by sufficient provisions for the transferring of such intellectual property to Epiroc. The occurrence of such an event may negatively impair Epiroc's ability to protect its intellectual property rights and may also increase the risk of competitors copying Epiroc's products. Such a development could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Complaints and litigation could damage Epiroc's brand and reputation and divert management resources.

From time to time, Epiroc may be the subject to complaints and litigation from its 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. Moreover, Epiroc (or any of its senior executives, managers, employees or related parties) may be subjected to criminal investigations or other investigations by authorities. Disputes, claims, inquiries and proceedings of these types can prove time consuming, disrupt normal operations, involve considerable cost, adversely affect Epiroc's reputation and result in administrative and/or legal sanctions and measures. If Epiroc were to be found liable under any such disputes, claims, inquiries and proceedings, it could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc's insurance policies may provide insufficient protection.

Epiroc is currently covered by Atlas Copco's insurance program, and will as of June 1, 2018 be covered by its own insurance program. 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, Epiroc 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 there were to occur an accident causing damage in excess of the applicable insurance limits or not covered by insurance, this could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc may not be able to attract and retain key personnel or skilled employees.

The success of Epiroc's business and its growth strategy depend in large part on the ability to attract and retain key management and operating personnel. Epiroc's future growth and ultimately its success depends on its ability to hire and retain qualified personnel with the level of expertise and knowledge of its products or industry necessary to conduct Epiroc's operations. Given that Epiroc constantly needs to introduce new or enhanced products, it is important that it is able to attract people with expertise in its product areas, particularly its research and development divisions. If Epiroc fails to monitor its need for additional 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, which could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Work stoppages or strikes could adversely affect Epiroc's business.

Many of Epiroc's employees are covered by collective bargaining agreements. There is a risk that Epiroc will encounter strikes or other disturbances occasioned by its unionized labor force, or that, upon the expiration of existing agreements, it will not be able to reach new collective bargaining agreements on satisfactory terms or without work stoppages, strikes or similar industrial actions. Unsatisfactory terms on any bargaining agreements could cause Epiroc's labor costs to increase, which would affect its profit margins negatively. In addition, Epiroc is required to consult and seek the advice of the relevant employee organization in respect of a broad range of matters, which could delay or prevent the completion of certain corporate transactions. There is a risk that Epiroc may experience lengthier consultations or even strikes, work stoppages or other industrial actions in the future. Any industrial action could disrupt its operations, possibly for a significant period of time, and result in increased wages and benefits or otherwise have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc is subject to tax audits and potential reassessments.

Due to the international nature of its business, Epiroc is subject to the tax laws and regulations of several jurisdictions, in particular with regard to transfer pricing rules. Pursuant to such rules, related enterprises must conduct any inter-company transactions on an arm's length basis and must provide sufficient documentation thereof, subject to the applicable rules of the relevant jurisdiction. Tax authorities may challenge Epiroc's compliance with applicable transfer pricing rules. In addition, Epiroc faces the risk of increased taxes due to the implementation of new tax rules or regulations. Epiroc is also regularly subject to local tax investigations initiated by local tax authorities and faces the risk that tax authorities or other regulators have different interpretations of tax legislation than Epiroc.

In the separation of Epiroc's business from Atlas Copco, Epiroc and its tax advisors have made certain assessments in regard to tax effects pertaining to the carve-out. There is a risk that national tax authorities or regulators challenge Epiroc's and its tax advisors' interpretation of the relevant tax laws and regulations. Should such a risk materialize, this could result in supplementary taxation and fines for Epiroc, which could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc is subject to competition and antitrust laws and inspections.

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. In general, these laws are designed to preserve free and open competition in the marketplace in order to enhance competitiveness and economic efficiency. There is a risk that Epiroc's employees engage in discussions, transactions or in any other way interact with competitors or customers in breach of applicable competition and antitrust laws, any of which actions could cause Epiroc to incur civil or criminal liability, reputational damages and could result in loss of customer confidence. Epiroc may become subject to inspections, investigations and/or proceedings by national and supranational competition and antitrust authorities for alleged infringements of competition or antitrust laws. Fines and damages claims for competition and antitrust infringements can be significant and, if successfully levied or successfully claimed, could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### The distribution of Epiroc's shares may fail to realize anticipated benefits.

The distribution and listing of the shares in Epiroc is expected to increase focus, customer value and development opportunities and to enable Epiroc to successfully realize its strategies under the leadership of a separate management team, with a separate board of directors and independent access to capital. It is also expected that Epiroc, as a separate company, will be better positioned to meet the challenges and different demand drivers faced by the industries Epiroc is active in. However, there is a risk that anticipated benefits may not be realized should the assumptions underlying the decision to distribute Epiroc's shares turn out to be incorrect. If, for example, Epiroc is unable to obtain financing, on favorable terms or at all, or if Epiroc as a stand-alone group suffers from decreased revenues or additional operating costs, this could have a material adverse effect on Epiroc's business, financial condition and results of operations and could consequently lead to anticipated benefits with the distribution not being realized.

### Epiroc may fail to operate successfully due to newly implemented functions and work processes.

Prior to the distribution and the listing of the shares in Epiroc, operations that were previously carried out as part of the Atlas Copco group have been separated from Atlas Copco and transferred to Epiroc. In the capacity as a separate listed company, Epiroc will be subject to certain laws, regulations and requirements, including (but not limited to) obligations regarding information disclosure, governance and financial reporting. In view of this, several new functions and work processes have been established for Epiroc. The fact that certain functions and work processes are newly established for Epiroc may increase the risk of misunderstandings, uncertainties and governance failures, which could have a material adverse effect on Epiroc's business, financial condition and results of operations. The new functions and work processes may also cause increased costs and certain activities will be more difficult, require more time and/or become more expensive and the demands for Epiroc's systems and resources will increase. Additionally, the regulations and requirements applicable to listed companies are frequently changing, and the amendments can be difficult to survey, causing risk of infringements by Epiroc which can result in extensive fines and administrative fees. In addition, the board of directors and management may be required to devote time and effort to ensure compliance with such rules and regulations, which may entail that less time and effort can be devoted to other aspects of the business.

### Epiroc's brand is not well-known in the market.

Atlas Copco is a well-known brand in most of the markets where Epiroc conducts its operations. An important factor for Epiroc in maintaining a strong market position is for Epiroc and its brand to become well-known and associated with positive values by customers and current as well as future employees of Epiroc. Operating as a separate company, Epiroc could have difficulties in obtaining brand recognition and market position equivalent to that enjoyed by Epiroc as part of the Atlas Copco group, whose brand has been established internationally for a long time. A weakening of Epiroc's market position could lead to lower demand for its products and services, as well as higher sales and marketing costs. Additionally, a weakened market position and brand recognition could lead to difficulties in recruiting and retaining employees. These factors could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc will be dependent on Atlas Copco as a supplier for certain functions over a transitional period.

Epiroc and Atlas Copco have entered into agreements whereby Atlas Copco will provide services to Epiroc, and Epiroc will provide services to Atlas Copco, in a number of areas over a transitional period. These services include *inter alia* HR, IT, Finance and rental of facilities. Atlas Copco's or Epiroc's lack of fulfillment of their commitments in relation to each other, potential disagreements in regard to transitional services or other disturbances in the Atlas Copco-Epiroc relationship could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Indemnities under the master transfer agreement may result in unforeseen costs for Epiroc.

The master transfer agreement entered into between Atlas Copco and Epiroc stipulates that Epiroc, as a main rule, will indemnify Atlas Copco for liabilities relating to Epiroc's operations and that Atlas Copco, as a main rule, will indemnify Epiroc for liabilities relating to Atlas Copco's remaining operations. Further, the master transfer agreement stipulates that liabilities that cannot be allocated to either of the parties (including tax not directly attributable to any of the parties) shall, as a main rule, be allocated by 75 percent to Atlas Copco and by 25 percent to Epiroc. If there were to occur unforeseen liabilities pertaining to Epiroc's operations that would trigger Epiroc's indemnification liability under the master transfer agreement, or if Epiroc would be subject to claims and liabilities relating to Atlas Copco's remaining operations that would only be recoverable from Atlas Copco or otherwise from Epiroc's insurance program at a later stage, this could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc could encounter difficulties in repaying its debts and financing its operations.

Epiroc's ability to finance its operations depends on a number of factors, such as the availability of cash flows from operations and access to additional debt and equity financing, and there can be no assurance that such funds will be available. In addition, adverse developments in the credit markets, as well as other future adverse developments, such as a deterioration of the overall financial markets and a worsening of general economic conditions, may negatively impact Epiroc's ability to borrow additional funds as well as the cost and other terms of funding. Increases in market interest rates would increase Epiroc's net interest cost. The failure to obtain sufficient funding for operations or the increased costs or unfavorable terms of financing could have a material adverse effect on Epiroc's business, results of operations and financial condition. Further, difficulties that Epiroc may encounter in financing its capital investments may prevent the realization of its strategic plans and could result in Epiroc having to forego opportunities that may arise in the future. This could, in turn, have a negative impact on Epiroc's competitive position.

### Impairment of goodwill or other intangible assets impairments could adversely affect Epiroc.

The recoverability of goodwill and other intangible assets on Epiroc's combined balance sheet is, to a significant degree, based on Epiroc's management's projections of future cash flows using internal business plans and forecasts. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually and whenever there is any indication that an asset may be impaired. For other intangible assets, Epiroc estimates the recoverable amount if there are any indications of impairment. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount (i.e. the greater of the fair value less costs to sell and the value in use). Impairments of goodwill or other intangible assets, including as a result of changes in assumptions used to test impairment, could have a material adverse effect on Epiroc's business, financial condition and results of operations.

### Epiroc is dependent on the cash flow from its subsidiaries.

Epiroc's principal assets consist of its direct and indirect shareholdings in subsidiaries. Epiroc's ability to make required payments of interest on its debts and funding of Epiroc's operations, as well as its ability to pay dividends, are affected by the ability of its subsidiaries to transfer available cash resources to it. The transfer of funds to Epiroc from its subsidiaries (by way of dividends, intercompany loans or otherwise) may be restricted or prohibited by legal and contractual requirements applicable to the respective subsidiaries and their board members. Limitations or restrictions on the transfer of funds between companies within the Group may become more restrictive in the event the Group experiences difficulties with respect to liquidity and its financial position, which could have a material adverse effect on Epiroc's business, financial condition and results of operations.

**Epiroc is exposed to currency fluctuations.**

Epiroc operates globally, and, consequently, records both costs and sales in a variety of currencies. In connection with the preparation of Epiroc's consolidated financial statements, the results of operations and financial position of each of its subsidiaries, which are initially prepared in each subsidiary's functional currency, are translated into Swedish Krona. Fluctuations in exchange rates against the Swedish krona will give rise to differences, and Epiroc records these differences relating to translation adjustments in other comprehensive income. A weakening of the Swedish krona will result in translation profits being recorded and, conversely, a strengthening of the Swedish krona will result in translation losses being recorded.

Epiroc is also subject to currency transaction exposure whenever one of its subsidiaries enters into a transaction using a currency other than its operating currency. This currency transaction exposure arises in two distinct ways. Operational transaction exposure occurs when Epiroc generates revenues or costs in currencies other than those in which it incurs expenses ("Operational Transaction Exposure"). Operational Transaction Exposure affects Epiroc's cost of sales, and thus operating profits and margins. Currency transaction exposure also occurs when the relevant exchange rates move between the date of the transaction and the date of final payment for that transaction ("Transaction Exposure"). Epiroc records gains and losses related to Transaction Exposure in the gross profit line item of its consolidated income statement.

As a result of the above, currency fluctuations may have a material adverse effect on Epiroc's business, financial condition and results of operations.

**Epiroc is exposed to credit risk.**

Epiroc's products and services are sold to customers in industries that typically experience fluctuations in demand based on economic or political conditions, commodity prices and other factors beyond Epiroc's control. Epiroc may experience a loss of revenue if a significant number of customers are unable to pay amounts due to Epiroc on a timely basis, which could have a material adverse effect on Epiroc's business, financial condition and results of operations.

In addition, any derivative instruments and hedging transactions that Epiroc may enter into could expose Epiroc to counterparty credit risk if a counterparty fails to honor its obligations under a contract. Epiroc is also exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Any hedging contracts, deposits and financing arrangements that Epiroc may enter into would generally be with major financial institutions. Nevertheless, disruptions occurring in the financial or commodity markets or the adverse business development of a counterparty could lead to sudden changes in a counterparty's liquidity or solvency, which could impair its ability to perform its obligations under the terms of the contracts. If Epiroc is unable to predict changes in a counterparty's creditworthiness or ability to perform its obligations, this could cause Epiroc to suffer a loss of revenue, which in turn could have a material adverse effect on Epiroc's business, financial condition and results of operations.

**Epiroc is exposed to risks in connection with derivative instruments and hedging transactions.**

Epiroc holds derivative financial instruments (including currency and interest rate swaps, interest rate caps and interest rate floors) to help limit and control foreign exchange and interest rate risks related to borrowings. Such financial instruments involve risks, in particular, if the interest or exchange rate development differs from expectations, including if Epiroc has failed to hedge or hedged for too much or too little risk, for the wrong risk or for the wrong time period. The projections and assumptions made by Epiroc's risk management team at the time when such financial instruments are entered into could prove to be incorrect and the transactions could fail to limit the risks as intended or increase Epiroc's costs. This could have a material adverse effect on Epiroc's business, financial condition and results of operations.

**Epiroc's future results of operations may differ materially from the financial goals included in the Prospectus and investors should not place undue reliance on the financial goals.**

The financial goals adopted by the board of directors set forth in the Prospectus are objectives and targets for the medium term. Epiroc's financial goals include targets on growth, profitability, capital efficiency, capital structure and dividend policy. The financial goals, which are forward looking statements, are objectives and targets and not assurances as to future results. There is a risk that Epiroc's actual results of operations or financial condition could differ from those expressed or implied by these forward-looking statements as a result of many factors and these differences could be material. Epiroc's business plan is based on these goals and both are based upon a number of assumptions, which are inherently subject to significant business, operational, economic and other risks, many of which are outside of Epiroc's control and may turn out to be incorrect or different than expected. These assumptions may not continue to reflect the commercial, competitive, regulatory and economic environment in which Epiroc operates and may prove to be incorrect due to other factors, such as growth rates in the addressable markets not meeting expectations, inefficient and/or ineffective implementation of Epiroc's growth and efficiency initiatives, an inability to find and/or integrate acquisitions successfully. The assumptions may further change or may not materialize at all. In addition, unanticipated events may adversely affect Epiroc's actual results of operations and financial condition in future periods whether or not Epiroc's assumptions relating to the medium term or future periods otherwise prove to be correct. As a result, Epiroc's actual results of operations or financial condition may vary materially from these goals and investors should not place undue reliance on them.

## Risks related to the shares

### An active, liquid and orderly trading market for Epiroc's shares may not develop and the price of its shares may be volatile.

Prior to the listing on Nasdaq Stockholm, no market exists for Epiroc's shares. There is a risk that an active and liquid market will not develop or, if developed, that it will not be sustained. The development of the Epiroc share price will depend on a number of factors, some of which are specific to Epiroc and others linked to the stock market as a whole. These factors could increase share price volatility. It is not possible for Epiroc to control all of the factors that could impact its share price, therefore every decision to invest in the shares should be preceded by a thorough analysis by each individual investor.

### Epiroc's ability to pay dividends is dependent on its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures, compliance with debt covenants and other factors.

The amount of any future dividends that Epiroc will pay, if any, will depend upon a number of factors, such as future earnings, financial condition, cash flows, net working capital requirements, capital expenditures, compliance with debt covenants and other factors. Epiroc's performance may not allow adherence to the dividend policy and, in particular, Epiroc's ability to pay dividends may be impaired if any of the risks described in the Prospectus were to materialize. Epiroc may also not have sufficient distributable funds and Epiroc's shareholders may not resolve to pay dividends in the future. Accordingly, a dividend may not be proposed or declared or any other distribution may not be made, in any given year or at all.

### Differences in currency exchange rates may have a material adverse effect on the value of shareholdings or dividends paid.

Epiroc's shares will be quoted in SEK only, and any dividends will be paid in SEK. As a result, shareholders outside Sweden may experience adverse effects on the value of their shareholding and their dividends, if any, when converted into other currencies if the Swedish krona depreciates against the relevant currency.

### Shareholders in the United States or other countries outside Sweden may not be able to participate in any potential future rights offerings.

If Epiroc issues new shares in a rights offering, shareholders shall, as a general rule, have preferential rights to subscribe for new shares. Shareholders in certain other countries may, however, be subject to limitations that prevent them from participating in such rights offerings, or that otherwise make participation difficult or limited. For example, shareholders in the United States may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the U.S. Securities Act is effective in respect of such subscription rights and shares or an exemption from the registration requirements of the Securities Act is available. Shareholders in other jurisdictions outside Sweden may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. Epiroc is under no obligation to file a registration statement under the U.S. Securities Act or seek similar approvals under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and shares and doing so in the future may be impractical and costly. To the extent that shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new shares in any future rights issues, their ownership in Epiroc may be diluted or reduced, possibly without such dilution being offset by any compensation received in exchange for subscription rights.

### The distribution of Epiroc's shares could be a taxable transaction for Atlas Copco's U.S. shareholders.

Atlas Copco and Epiroc intend to take the position that the distribution by Atlas Copco of Epiroc's shares should qualify under Section 355 of the Internal Revenue Code of 1986, as amended (the "U.S. Internal Revenue Code") as a tax-free transaction for U.S. federal income tax purposes. If contrary to Atlas Copco's and Epiroc's position, the distribution does not qualify under Section 355 of the U.S. Internal Revenue Code, then a U.S. person that holds Atlas Copco shares generally would be treated as receiving a taxable dividend in an amount equal to the fair market value of the Epiroc shares at the time of distribution (as determined in U.S. dollars) for U.S. federal income tax purposes.

### If Epiroc is a passive foreign investment company for U.S. federal income tax purposes for any taxable year, it could result in adverse U.S. federal income tax consequences for U.S. shareholders.

If Epiroc were a "passive foreign investment company" (a "PFIC") within the meaning of section 1297 of the U.S. Internal Revenue Code for any taxable year during which a U.S. shareholder holds shares in Epiroc, certain adverse U.S. federal income tax consequences may apply to the U.S. shareholders. Based on the present nature of Epiroc's activities and the present composition of its assets and sources of income, Epiroc does not expect to be treated as a PFIC for its current taxable year. However, PFIC status depends on the composition of Epiroc's income and assets and the fair market value of those assets from time to time. This determination is made annually and cannot be completed until the close of a taxable year. Should Epiroc be treated as a PFIC for any taxable year, it could result in adverse U.S. federal income tax consequences for U.S. shareholders.

# Background and reasons

On January 16, 2017, Atlas Copco announced its intention to separate and distribute its Mining and Rock Excavation Technique business area, as well as its Hydraulic Attachment Tools business (previously referred to as a part of the Construction Tools division), Epiroc, to its shareholders and list Epiroc on Nasdaq Stockholm. The annual general meeting of Atlas Copco held on April 24, 2018, decided to distribute all shares in Epiroc to the shareholders of Atlas Copco. The first day of trading in Epiroc shares is expected to be June 18, 2018.

The board and management believe that long-term shareholder value will be created by splitting the Atlas Copco group into two separate companies. Atlas Copco's customers are active in different industries, such as the mining-, construction-, manufacturing- and process industry with different demand drivers. A split from Atlas Copco and a distribution and listing of the shares in Epiroc is expected to increase focus, customer value and development opportunities and to enable Epiroc to successfully realize its strategies under the leadership of a separate management team, with a separate board of directors and independent access to capital. As separate companies, Atlas Copco and Epiroc are also better positioned to meet the different challenges and opportunities offered by the industries they are active in. A listing also provides opportunity for current and new shareholders to invest directly in Epiroc.

Epiroc's heritage dates back to 1873 when André Oscar Wallenberg and associates founded the company Atlas in Stockholm, producing equipment for the Swedish railway network. The first rock drill was produced in 1905 and Atlas Copco has over the years developed to be one of the leading companies in rock drilling and excavation equipment and services for mining and infrastructure. Epiroc aims to be a productivity partner to its customers and help them create value. The Group focuses on niches and applications where there is a need for performance-critical equipment and services, and where customers focus on productivity and total cost of ownership. Epiroc strives to develop strong customer relations through interaction, collaboration and commitment to innovation, safety and sustainability. The Group operates at a global scale, with sales in approximately 150 countries across the globe. In 2017, Epiroc generated revenues of SEK 31,440 million and had 12,948 employees on December 31, 2017. In 2017, Epiroc accounted for 27 percent of Atlas Copco's revenues.

*The board of directors of Epiroc is responsible for the contents of the Prospectus. Assurance is hereby given that the board of directors of Epiroc has taken all reasonable care to ensure that the information in the Prospectus, to the best of its knowledge, is in accordance with the facts and contains no omissions likely to affect the importance of such information.*

Nacka, May 25, 2018

**Epiroc Aktiebolag**
*The Board of Directors*


Epiroc

# Information regarding the distribution of Epiroc

## Resolution on distribution

In accordance with the board of directors' proposal, the annual general meeting of Atlas Copco on April 24, 2018 resolved to distribute to its shareholders all shares in the wholly owned subsidiary Epiroc. The Epiroc shares will be distributed to the shareholders of Atlas Copco in proportion to each shareholder's holding of Atlas Copco shares on the record date for the distribution, June 14, 2018. Each Class A share in Atlas Copco entitles to one Class A share in Epiroc and each Class B share in Atlas Copco entitles to one Class B share in Epiroc. Aside from being registered as a shareholder on the record date for distribution (directly registered or nominee registered), no further actions are required in order to receive shares in Epiroc. The distribution is expected to be carried out pursuant to the requirements of the Swedish "Lex ASEA" rules regarding taxation. For further information on the "Lex ASEA" rules regarding taxation, see the section "*Taxation*".

## Distribution ratio

All shares in Epiroc will be distributed to the shareholders of Atlas Copco. Each share of Class A in Atlas Copco entitles to one share of Class A in Epiroc and each share of Class B in Atlas Copco entitles to one share of Class B in Epiroc. Treasury shares held by Atlas Copco on the record date for the distribution of the Epiroc shares do not entitle to distribution. At general meetings of Epiroc, each share of Class A entitles to one vote and each share of Class B entitles to 1/10 vote. For further information, see the section "*Share capital and ownership*".

## Record date

The record date for entitlement to receive shares in Epiroc is June 14, 2018. The last day of trading in Atlas Copco shares including the right to receive shares in Epiroc is June 12, 2018. Atlas Copco's shares will be traded excluding the right to receive shares in Epiroc as from June 13, 2018.

## Receipt of shares

Those entered in the shareholders' register of Atlas Copco kept by Euroclear on the record date for the distribution will receive shares in Epiroc without taking any action. The Epiroc shares will be available on the securities account (Sw. *värdepapperskonto*) of each shareholder entitled to receive the distribution (or the securities account belonging to the party who is otherwise entitled to receive the distribution) two banking days after the record date. After this, Euroclear will send a statement containing information on the number of shares registered in the securities account of the recipient.

## Nominee-registered holdings

Shareholders whose holdings in Atlas Copco are nominee registered with a bank or other nominee will not receive an account statement from Euroclear. Notification will instead be made in accordance with the procedures of the various nominees.

## Listing of shares in Epiroc

The board of directors of Epiroc has applied for listing of Epiroc's shares of Class A and shares of Class B on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on May 16, 2018 to admit Epiroc to trading on Nasdaq Stockholm, subject to customary conditions, such as that the dispersion requirements in respect of Epiroc's shares are fulfilled no later than the first day of trading. The first day of trading is expected to be June 18, 2018. Epiroc's trading symbol on Nasdaq Stockholm will be EPI A for shares of Class A and EPI B for shares of Class B. The ISIN code for the Epiroc shares of Class A is SE0011166933. The ISIN code for the Epiroc shares of Class B is SE0011166941.

## Holders of Atlas Copco American Depositary Receipts

Pursuant to the terms of the deposit agreements under which the American Depositary Receipts representing Class A shares and Class B shares of Atlas Copco were issued, it is expected that Citibank, N.A., as depositary, will sell the shares in Epiroc distributed in respect of the Class A and Class B shares of Atlas Copco deposited in the American Depositary Receipt facilities. The net cash proceeds from the sale of the shares in Epiroc will be distributed by the depositary to the holders of American Depositary Receipts representing Class A shares and Class B shares of Atlas Copco, respectively, on a *pro rata* basis.

## Entitlement to dividends

The shares of Epiroc will entitle to dividends for the first time on the record date for dividends occurring immediately after the distribution of the shares of Epiroc. Any dividends will be paid following a resolution by a general meeting. The payment of any dividends will be administered by Euroclear or, should the shares be nominee registered, in accordance with the procedures of the individual nominee. Entitlement to dividends is limited to shareholders registered in the share register kept by Euroclear on the record date for the dividend set by the general meeting. For information regarding Swedish preliminary tax, see the section "*Taxation*". Also see the section "*Business description – Financial goals and dividend policy*".

# Market overview

*Information provided in the Prospectus on the market environment, market developments, growth rates, market trends and on the competitive situation in the markets and regions in which Epiroc operates is based on data, statistical information and reports by third parties and/or prepared by Epiroc based on its own information and information derived from such third-party sources, including McKinsey (which has provided management consulting services, including conducting market research and undertaking studies for Epiroc. Such research and studies have been carried out on Epiroc's request against consideration), Arthur D. Little (which has provided a benchmark of historical organic growth rates and EBIT margins) and other publicly available sources including IMF (International Monetary Fund, World Economic Outlook Database) October 2017, Wood Mackenzie ("Global Copper Mine Supply Summary" report, Q1 2018) 2018 and International Tunneling and Underground Space Association ("ITA") (Tunnel Market Survey 2016) July 2017. Epiroc compiled the market and competitive data in part on the basis of this historical data and in part on the basis of assumptions, estimates and methods which it believes to be reasonable. As far as Epiroc is aware, and as far as Epiroc can ensure through comparison with other information published by relevant sources, no information has been omitted which would lead to the reproduced information being incorrect or misleading. Additional factors, which should be considered in assessing the usefulness of the market and competitive data, are described elsewhere in the Prospectus, including in the section "Risk factors".*

## Epiroc's industry

Epiroc operates in selected niches of the global mining and infrastructure equipment and services markets and primarily focuses on hard rock drilling and excavation, demolition and recycling. A few key features characterize Epiroc's addressed niches, including, but not limited to:

- benefiting from markets with multiple structural growth drivers;
- the requirement for performance-critical technology and solutions;
- being a relatively small part of its customers' overall expenditures with high impact on customer productivity;
- the requirement for customer closeness and collaboration;
- significant aftermarket requirements over equipment lifecycle;

Epiroc is exposed to both mining and infrastructure capital expenditure through its equipment, as well as operating expenditure, such as costs of production and services, through its consumables and services. Approximately one-third of Epiroc's revenues are driven by customer capital expenditure, and two-thirds by customer operating expenditure.

## General market drivers and trends

Epiroc benefits from an array of structural drivers across its end-markets, which are expected to support long-term sustainable growth in Epiroc's addressable market.

### Macroeconomic and demographic trends driving higher demand for minerals and infrastructure

The global economy is projected to show strong and relatively synchronized growth in the coming years according to sources including IMF. In addition, global population growth is expected to exhibit continued growth in the coming years, with urban population growth expected to outgrow overall population growth. These developments are projected to drive additional demand for resources such as metals and minerals, including copper, iron, nickel, zinc and other minerals to which Epiroc is exposed, therefore driving demand for Epiroc's solutions for the mining industry. In addition, these developments are also expected to drive growth in infrastructure development, for example, power, sewage, transit and other facilities, thereby driving demand for Epiroc's solutions for the infrastructure industry.

### Increasing environmental, health and safety regulations

In recent years, there has been an increased focus on reducing the adverse environmental effects of industries including mining and infrastructure, resulting in the adoption of a number of legislative initiatives globally. These regulations seek to reduce $CO^2$ and $NO_X$ emissions, industrial waste and other negative impacts on the environment driven by industrial activity. Examples of such regulations include the Tier-4 regulations to reduce emissions from non-road diesel engines, the Work Health and Safety (Mines) Regulation in Australia which seeks to reduce diesel emissions particularly in underground mines, and the EU Directive 2017/164 which seeks to protect the health of workers by limiting their occupational exposure to certain chemicals including $NO_X$. Epiroc's customers are increasingly looking for cleaner solutions offering opportunities to reduce their adverse environmental footprints and address emissions regulations, for example through battery-powered equipment.

At the same time, there is a focus on improving safety conditions for employees in the mining and construction industries. This development supports demand for products that enhance the working conditions and safety of these employees, such as ventilation systems in mines, rock reinforcement solutions, solutions for autonomous operations and remote control, and mechanized equipment. This trend has been observed in both developed and emerging markets – for example, in some markets, the number of people permitted at the front line during a drilling operation is restricted, which is driving the transition from hand held to mechanized drilling.

### Customer focus on total cost of ownership

In recent years, mining and infrastructure companies and contractors working in these industries have intensified their focus on controlling costs and prioritizing solutions with lower lifecycle costs, including costs associated with services, spare parts, fuel and all other costs. In addition, these companies are increasingly looking towards comprehensive solutions, including high efficiency equipment with performance contracts for services and consumables, as well as consultancy and support services. This trend is beneficial for equipment and service providers that offer high quality equipment with longer and more optimized lifecycles, as well as the aforementioned performance contracts and solutions.

## Mining market

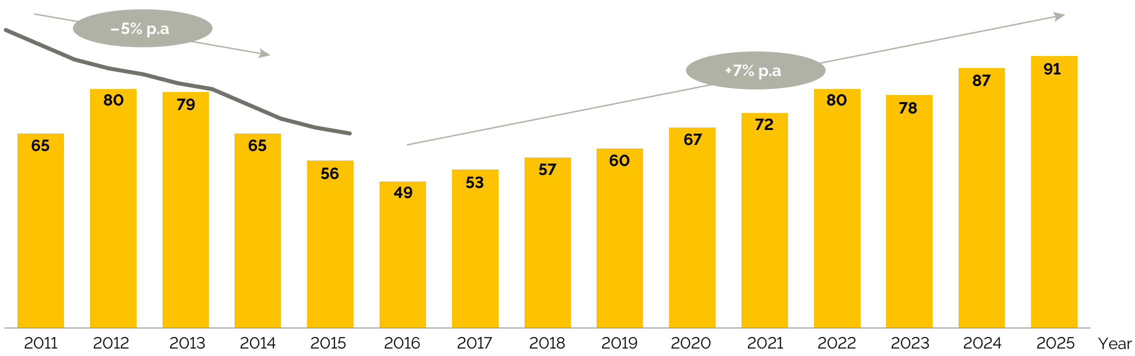
Epiroc's revenue development from mining customers is linked to the development of the customers' expenditure associated with utilizing equipment, including consumables, maintenance, refurbishment and overhaul; collectively known as the "mining aftermarket", as well as their capital expenditure on new equipment. The majority of Epiroc's revenues generated in the mining market is linked to the mining aftermarket and customers' operational expenditure.

The mining aftermarket is primarily driven by the total fleet of equipment in operation, as well as equipment utilization levels. As mining equipment is frequently used for abrasive applications in harsh environments, there is a need for regular maintenance and replacement of parts and consumables. In addition, as the utilization of mining equipment tends to be higher when mine production increases, the requirement to increase maintenance and replacement of equipment also becomes greater. The expected increase in extraction and production of commodities such as copper, nickel and gold in the coming years is therefore expected to drive growth in the mining aftermarket as well as drive higher demand for mining equipment. The need for maintenance and parts replacement is further enhanced because of the ongoing decline in ore grades.

In general, the development of this market tends to be less volatile than mining capital expenditure. For example, during the 2012 to 2016 period when miners reduced capital investment in new equipment, a similar reduction was not observed in expenditure on repair, refurbishment or overhaul of equipment in order to extend the life of equipment already within their fleet. The growth in capital expenditure on new mining equipment that was observed from 2017 will increase the total fleet of equipment in operation, and is therefore expected to drive growth in the mining aftermarket in the coming years.

An additional trend driving growth in the mining aftermarket is the increased focus from mining companies on comprehensive solutions that offer higher productivity and efficiency with low lifecycle costs.

**Total mining capital expenditure drill-to-mill (billion USD)**




Source: McKinsey (2017).

The mining capital expenditure shown in the chart on the previous page includes total expenditure on equipment as well as mine development and infrastructure. Within the overall equipment capital expenditure, Epiroc only addresses equipment for selected niche applications in underground and open pit mining.

Between 2012 and 2016, overall mining capital expenditure declined from USD 80 billion in 2012 to USD 49 billion in 2016 as based on McKinsey's estimates as shown in the chart on the previous page, with the decline driven by decreased commodity demand from end users. The resulting commodity price decline lowered profitability and cash flows for mining companies, who subsequently reduced investment in new equipment and other capital expenditure. This also lead to a reduction in total output from mines because of shutdown or production decline in various mines, causing some equipment to be parked and therefore decreasing the need for new equipment. In addition, some mining companies were more hesitant to make investments in new equipment during this period because of uncertainty on future commodity prices.

Mining capital expenditure on new equipment resumed growth in 2017, with strong demand for equipment supported by expansions of existing mines and replacement investments. As shown in the chart on the previous page, McKinsey projects a compound annual growth rate of 7 percent for mining capital expenditure between 2017 and 2025. This projected recovery is driven by multiple factors, including an increase in the prices of various commodities since the trough in early 2016, such as copper and iron ore, and an ageing fleet of mining equipment deployed in mines globally.

Within this market, capital expenditure for underground mining equipment is expected to grow at a higher rate than surface mining equipment. This trend is expected to benefit Epiroc, which has a higher exposure to underground mining than surface mining.

## Key drivers affecting mining equipment and aftermarket demand

### Commodity price development

Every mine has a different cost of production, which is determined by a number of factors such as ore grades, the depth of a mine and the efficiency of operations. For each mine, there is a trade-off between the cost to produce a ton and the market price of the same ton of the mineral that is extracted, which determines profitability. If market prices drop below the production cost, a mine will become unprofitable. Similarly, it might become profitable to invest in mines that have previously had a cost above the market price when commodity prices increase. Thus, mining companies tend to expand and invest in equipment during periods of high commodity prices and reduce their investments, focus on efficiency and cost-savings, and sometimes reduce production in times of lower commodity prices. Exploration for natural resources exhibits a similar trend, where exploration companies tend to expand and prospect when commodity prices are high. Between 2012 and early 2016, the key commodities to which Epiroc is exposed exhibited price declines, driving a decline in investment in new equipment, while demand in the mining aftermarket remained relatively robust. The subsequent recovery in commodity prices has been a key driver of the recovery in investment in new mining equipment. In general, commodity prices have a more significant impact on demand for new equipment relative to the mining aftermarket.

### Depletion of ore grades

Ore grades, which measure the percentage of a mineral content in ore, have steadily declined in recent years; for example average copper grades have declined from 1.6 percent in 1990 to 1.0 percent in 2016 according to Wood Mackenzie, "Global Copper Mine Supply Summary" report, Q1 2018. The decline in ore grades requires more rock to be excavated for any given quantity of a mineral. The resulting requirement to increase the total level of rock excavation implies higher demand for mining consumables and services given higher utilization and wear and tear of equipment, as well as higher demand for new equipment to support the increased excavation activity.

### Shift towards underground mining

There is a clear trend towards underground mining for certain minerals as open pit mines become increasingly depleted, and because of the challenges associated with obtaining regulatory approvals for greenfield open pit mines. In addition, underground mines are going increasingly deeper underground, at a rate of 30 meters per year, according to management estimates. This trend is driving a clear increase in demand for underground mining equipment and solutions to increase safety in these underground mines, for example rock reinforcement solutions and automation solutions. These trends are beneficial for those equipment players with a strong offering of underground mining equipment, such as Epiroc.

### Technological trends: Intelligent mining


A major shift in the mining equipment industry is the trend towards automation, interoperability and digitalization, as part of the emergence of intelligent mining, which is focused on cost reduction, productivity increases, performance-critical technologies and safety in the mining sector.

A higher level of automation reduces labor costs and health and safety risks. Automation frequently drives higher equipment utilization rates through more reliable and better control of equipment and a higher amount and quality of data. For example, miners can increase the efficiency of equipment usage through predictive maintenance, better fuel economy, mine traffic management and automated navigation, amongst other areas. In addition, remote control of equipment reduces the health and safety risks faced by employees in the mining industry.

The growth in underground mining and the increased depth of underground mines are also drivers of higher automation in mining equipment and services, as it is more challenging to have employees in deep underground mines for health and safety reasons.

Another key technological trend linked to automation is the commercialization of mechanical rock excavation for certain applications, which enables continuous excavation and reduces the need for drilling and blasting. Mechanical rock excavation equipment can be automated and controlled remotely, increasing safety for employees. In addition, these machines increase efficiency of mining operations through easier scheduling and planning of excavation activities.

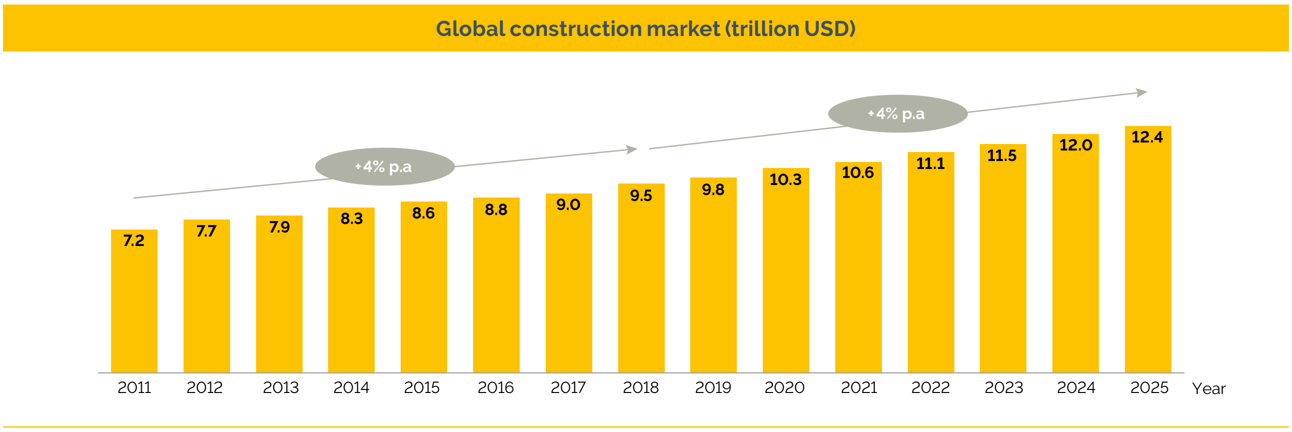
Intelligent mining also accelerates the shift in the role of equipment providers to integrated solutions providers, enabling mining equipment players to capture a higher wallet share of the overall value chain.

These technological trends lead to a shift in demand towards suppliers who can provide integrated digital platforms that provide greater process control, and have also increased the scope for collaboration with customers, benefiting those mining equipment and service providers who have longstanding, trusted customer relationships.

### Consolidation of customers

In general, Epiroc's mining customer universe has consolidated in recent years, partially driven by a period of declining commodity prices in recent years. Consolidation of customers has led to a narrower supply chain, as these larger customers drive procurement synergies through reducing their supplier bases. This trend benefits the larger equipment and service providers such as Epiroc who are able to address the requirement to service customers on a global basis, provide integrated solutions including services and consumables, and supply significant equipment volumes.

## Infrastructure market




Source: McKinsey (2017).

As shown in the above chart, McKinsey projects growth of 4 percent per annum between 2016 and 2025 in the total global construction market. Within this market, Epiroc is primarily exposed to infrastructure applications. Fundamentally, growth in infrastructure investment is driven by government and private sector focus on future trends such as mobility, population growth and sustainability, with a clear recognition that further investment in water, energy, transport and communications infrastructure will be required to stimulate long-term economic growth.

In addition, a low interest rate environment and availability of relatively inexpensive credit have encouraged growth in infrastructure investment in recent years, and have contributed to a significant pipeline of large infrastructure projects globally, such as new airports, bridges and roads.

Epiroc's revenue development is linked to the development of the infrastructure market, including its customers' expenditure associated with utilizing equipment, including consumables, maintenance, refurbishment and overhaul; collectively known as the "infrastructure aftermarket", as well as their capital expenditure on new equipment. The majority of Epiroc's revenues is linked to the infrastructure aftermarket and customers' operational expenditure.

## Key drivers affecting infrastructure equipment and aftermarket demand

### Investment in urban infrastructure facilities

Rapid urbanization has driven demand for infrastructure development. Particularly in many large cities, population growth has outstripped growth in the supporting infrastructure, resulting in the requirement to make further infrastructure investments in power plants, healthcare, sanitation and transit facilities, amongst others.

In addition, governments globally are increasingly focused on budget control, and therefore need to drive productivity improvements, for example through the use of new cost-efficient technologies for infrastructure construction. This has driven an increase in demand for telematics-enabled equipment and remote monitoring, including systems to increase precision. In addition, customers are focused on data-driven solutions to drive predictive maintenance and prevent bottlenecks. This trend benefits those players that can provide solutions that address the productivity challenge faced by customers.

### Growth in tunneling

Tunneling is used for applications including road, railway and dam construction and other infrastructure projects. The International Tunneling and Underground Space Association ("ITA") estimated that the annual market for tunnel and underground space construction was EUR 86 billion in 2017, growing at around 7 percent per annum, i.e. significantly higher than the growth of the overall construction market.

### Government expenditure on infrastructure "mega projects"

Governments globally are investing in the construction of infrastructure projects to support economic development. For example, in the US, a new infrastructure plan was announced in June 2017, which includes significant public spending over 10 years, further supported by investments expected to come from the private sector. In China, the new Belt and Road Initiative was announced in 2013. Examples in Europe include the French government's Grand Paris infrastructure initiative. The increased infrastructure spending is driving demand for infrastructure equipment, such as Epiroc's products and solutions.

## Competitive landscape

Within the broader mining and infrastructure equipment and services value chain, Epiroc primarily addresses the segment focused on hard rock drilling and excavation technologies. In general, this is a relatively consolidated segment of the market with a limited number of competitors on a global scale. In addition, this segment of the value chain tends to be characterized by relatively higher scale and technological capabilities.

Epiroc is a leading player globally in most of its product areas.

Epiroc's key competitor in most products is Sandvik. To a lesser extent, other competitors include Caterpillar in the market for underground drilling and open pit mining equipment, Furukawa in surface drilling equipment and hydraulic attachments, Boart Longyear for exploration drilling equipment and rock drilling tools, Komatsu in the market for underground drilling and open pit mining equipment and hydraulic attachments. The Group also competes with several players operating locally, regionally and in certain niche areas.

In general, the competitive landscape for mining and infrastructure consumables is more fragmented, with several smaller or local players focused on individual product lines.

### Factors affecting the market position

- *Installed base*: companies in Epiroc's industry require a substantial installed base of equipment in order to drive the relatively stable and profitable earnings streams from services and consumables. As sales of new equipment in Epiroc's industry tend to be more sensitive to movements in commodity prices or infrastructure budgets, less cyclical revenues from the installed base-driven aftermarket business enable larger and more established players to remain profitable even when equipment demand is low.
- *Customer closeness through deep global manufacturing, direct sales and service footprint*: the extensive, global nature of Epiroc's customers' operations requires suppliers with a similar global sales and service footprint. Epiroc's direct sales network creates significant customer intimacy and has contributed to its long-term collaborative customer relationships. The direct sales and service network contrasts with some market participants who primarily sell equipment, consumables and services through third-party distributors. In addition, most of Epiroc's customers require service providers who can offer quick and efficient solutions, making a dense and global service network a necessity.
- *R&D competence*: the issues faced by Epiroc's customers today, such as compliance with environmental legislation, the requirement to reduce energy costs, and operating in increasingly harsh environments, require innovative and performance-critical technological solutions and that are enabled by R&D investment. Mining and infrastructure equipment providers with a track record of innovation and R&D competence, and a substantial intellectual property portfolio, are well-positioned to develop solutions that address these issues. In particular, Epiroc has a heritage of innovation that stretches back over a century, with its R&D function supported by dedicated engineering centers.
- *Continuous equipment utilization*: certain mining and infrastructure equipment is often utilized on a 24/7 basis and it can be very costly if the equipment is not operative at any point, as this can lead to a stoppage of production. In particular, on the basis that the cost of equipment and services is a relatively small proportion of overall expenditure but critical to overall performance and productivity, mining and infrastructure companies have a preference for equipment and service providers who have a track record of high quality and reliability.
- *Wide customer offering*: customers in Epiroc's industries have a clear preference for providers that can offer an extensive range of equipment, consumables, parts and services, and also who can offer performance contracts which enable a lower total cost of ownership. There are very few providers who are able to offer an integrated offering.
- *Hard rock capabilities*: hard rock mining is becoming increasingly prevalent. The equipment required for hard rock mining is only provided by a small number of companies as the technological requirements to develop mines and excavate hard rock are significantly more advanced than the requirements for soft rock mining.
- *Customer consolidation*: as Epiroc's customers particularly in the mining industry continue to consolidate to form larger companies, they are increasingly focused on driving synergies by narrowing the range of equipment providers, which benefits larger and more stable players and full-service providers such as Epiroc.


BC 3700
Epiroc

# Business description

## Overview

Epiroc is a leading global provider of solutions for rock drilling and excavation, demolition and recycling, with a wide range of equipment, service offerings and related spare parts and consumables. Epiroc's products and services are sold in approximately 150 countries with principal product development and manufacturing units located in Sweden, the United States, Canada, China and India. Epiroc's headquarters is located in Stockholm, Sweden, and the Group had 12,948 employees as at December 31, 2017.

Epiroc primarily operates in selected niches of the global mining, natural resources and infrastructure equipment and services industries. Epiroc focuses on applications 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. Epiroc strives to develop and enhance its strong customer relationships through collaboration and commitment to innovation, safety and sustainability.

Approximately two thirds of Epiroc's revenues are attributable to mining and natural resources industries. Applications include production and development work for both underground and open-pit mines, mineral exploration and drilling for water, energy, oil and gas. Epiroc provides rock drilling equipment, equipment for mechanical rock excavation and rock reinforcement, rock drilling tools, hydraulic attachments and tools, loading and haulage equipment, ventilation systems, exploration drilling equipment, solutions for automation, rig control and telematics, as well as related spare parts and services.

Infrastructure applications represent approximately one third of Epiroc's revenues. Applications include blasthole drilling for tunneling, road, railway and dam construction, aggregate production and other construction work, demolition of buildings, bridges and industrial plants as well as applications for ground engineering. For infrastructure applications, Epiroc provides rock drilling equipment, equipment for mechanical rock excavation and rock reinforcement, rock drilling tools, hydraulic attachments and tools, ventilation systems, ground engineering equipment, solutions for automation, rig control and telematics, as well as related spare parts and services.

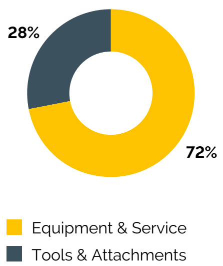
The equipment is primarily sold directly to the end user through Epiroc's extensive global sales network and to a lesser extent through distributors and to equipment rental companies. In addition, Epiroc has a large global service organization supplying services and spare parts. Equipment sales are often bundled with contracts that include services, spare parts and consumables, in order to ensure availability as well as optimize customer productivity and total cost of ownership.

Epiroc has two reporting segments – Equipment & Service and Tools & Attachments. Equipment & Service provides a wide range of equipment for mining and rock excavation, exploration and infrastructure and has a large service organization. Tools & Attachments mainly provides tools that are attached to larger machines that are used for drilling, demolition, and recycling as well as rock excavation. Furthermore, Tools & Attachments provides service for the tools sold by the segment.

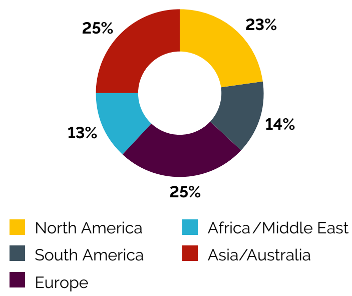
During 2017, Equipment & Service accounted for 72 percent of revenues and Tools & Attachments accounted for 28 percent of revenues. Epiroc's sales in North America accounted for 23 percent of revenues, South America accounted for 14 percent of revenues, Europe accounted for 25 percent, Africa and the Middle East accounted for 13 percent and Asia and Australia accounted for 25 percent of revenues.

### Share of revenues 2017 by reporting segment* and geography*

**Revenues by segment**




**Revenues by region**




* Excluding common group functions and eliminations. For further information, see note 4 in "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015*".

## Epiroc's history

Atlas Copco's board proposed to spin-off Epiroc as a separate entity in 2017. Epiroc has a long history as a part of Atlas Copco (see historical overview below).

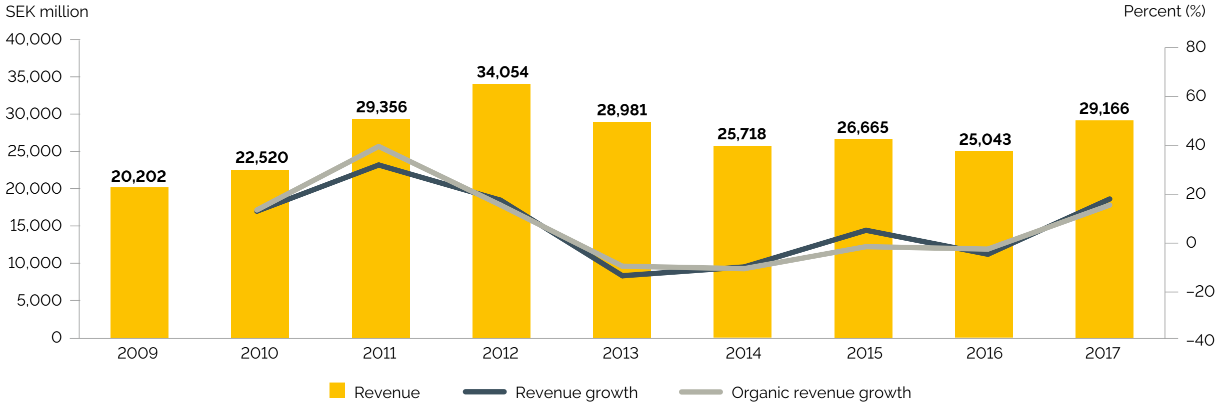
| Year | Event |
|---|---|
| **1873** | André Oscar Wallenberg and associates founded the company Atlas in Stockholm, Sweden, producing equipment for the Swedish railway network |
| **1905** | First rock drill produced, soon followed by Cyklop, a lightweight, handheld rock drill, which was produced well into the 1930s |
| **1920** | Atlas Copco AB was listed on the Stockholm Stock Exchange |
| **1936** | The Swedish Method was introduced, meaning that lighter and mobile equipment was used. This meant that drilling could be conducted by one man with one machine compared to the previous method that required more labor. The groundbreaking method revolutionized the drilling industry and laid the ground for the company's international activity |
| **1951** | Manufacturing company "Växlar och Signaler" (En. *"railways maintenance and repair"*) in Örebro, Sweden, was acquired. Örebro is today Epiroc's largest manufacturing site |
| **1963** | Rig-mounted hydraulic breaker patented, changing the demolition industry |
| **1988** | Rock drilling tools specialist Secoroc in Fagersta, Sweden, was acquired |
| **1992** | Final assembly of machines and production of rock drills moved from Stockholm to Örebro, Sweden |
| **1995** | The Group provides drill rigs and drill bits for construction of the 24.5 km long Lærdalstunneln in Norway. At the time, it was the longest road tunnel ever built |
| **1995** | Production of surface crawlers moved from Bremen, Germany, to Örebro, Sweden |
| **1997** | Move of rock drills central functions from Sickla to Örebro, Sweden, following the production move in 1992 |
| **2004** | Ingersoll-Rand Drilling Solutions, a manufacturer of large blasthole drill rigs, was acquired |
| **2004** | Production of loaders and mining trucks were moved from Portland, Oregon, United States, to Örebro, Sweden |
| **2005** | The first almost silent surface drill was launched, enabling work around the clock in densely populated areas |
| **2009** | Global financial crisis leading to low customer demand and employee reductions |
| **2011** | New Mining and Rock Excavation R&D center opened in Nanjing, China |
| **2017** | Atlas Copco announced a split of the group to form Epiroc |
| **2018** | The formal decision to separate Epiroc through a Lex Asea[1)] spin-off was taken at the AGM of Atlas Copco AB |

1) Lex ASEA is a Swedish tax law exemption for dividend of shares in subsidiaries in certain cases. The exemption enables companies to separate and distribute shares of the new company without tax implications for the existing shareholders.

Epiroc's business mainly stems from Atlas Copco's business area Mining and Rock Excavation Technique ("MR"). MR accounted for the majority of Epiroc's revenues in 2017 (93 percent). On the following page is an overview of MR's revenues, operating profit and operating margin development during the last nine years' period. MR's compounded annual growth rate during 2009–2017 (eight years) was 4.7 percent and the organic compounded annual growth rate was approximately 5 percent during the same period.

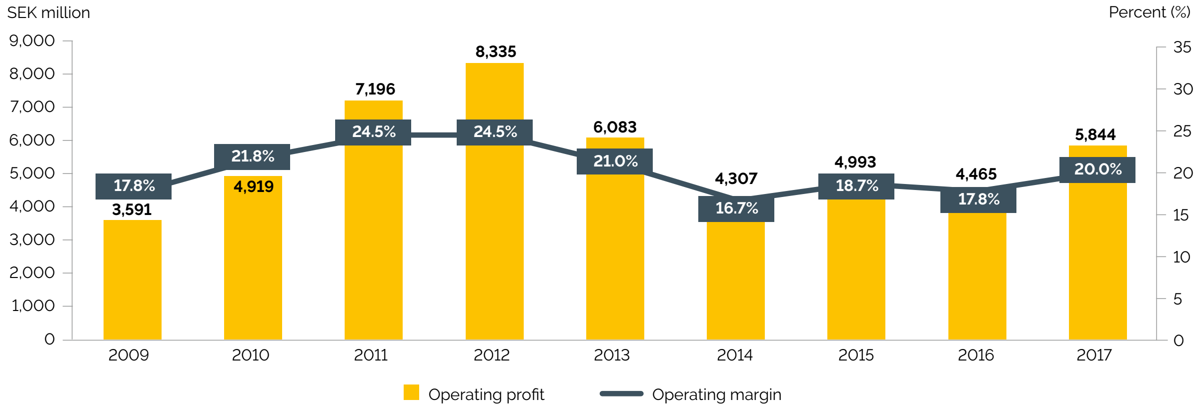
Since MR represents the majority of Epiroc's revenues in 2017, it is the Group's assessment that MR is a good indicator of how Epiroc would have performed during the same period. During 2009–2017, MR generated an average operating margin of 20.3 percent.

## Mining and Rock Excavation Technique's revenue development 2009–2017*




* Revenues, revenue growth and organic revenue growth have been collected from the latest available Atlas Copco annual report. 2009–2010 financials have been restated in the 2011 annual report. Prior to 2011, Atlas Copco reported different business areas. Atlas Copco uses the same method for calculating organic revenue growth as Epiroc. Atlas Copco has historically separated organic revenue growth into price and volume. In this chart total organic growth is shown. The definition for organic revenue growth can be found in the section "*Selected financial information*".

## Mining and Rock Excavation Technique's operating profit and operating margin development 2009–2017*




* Operating profit and operating margin have been collected from the latest available Atlas Copco annual report. Operating margin is calculated as operating profit divided by revenues. 2009–2010 financials been restated in the 2011 annual report. Prior to 2011, Atlas Copco reported different business areas.

## Vision, mission and strategy

**Profitable growth**

**Innovation and expertise** | **Safety and sustainability** | **Presence and penetration** | **Operational and service excellence**

**People and leadership**

### Vision and mission

Epiroc's vision is to be the customers' first choice and the mission is to be the leading global productivity partner and to deliver profitable revenue growth.

### Strategy

Epiroc's strategy is focused on four areas (Innovation and expertise, Safety and sustainability, Presence and penetration and Operational and service excellence) in order to achieve the Group's mission.

#### *Innovation and expertise*

Epiroc works continuously to have a leading position in the niche segments in which the Group is present. With focus on innovation, which is core in achieving and maintaining Epiroc's leading positions, the Group aims to be at the forefront of developing groundbreaking new ideas. By continuously developing new and improved products and services that add value to customers and address their key challenges, e.g. increased long-term productivity, safety and sustainability, Epiroc can strengthen its leading positions.

Focus on intelligent mining is a vital part of Epiroc's strategy and is centered around new technology that can improve the customer offering while doing it in a way which is environmentally and economically constructive. Intelligent mining innovation include different initiatives such as battery-powered equipment, real time positioning, and autonomous and remote controlled equipment.

Electric vehicles and equipment in the mine will reduce the need and thus cost for ventilation and improve the air quality significantly, while also lowering energy consumption of the equipment (for further information, see "*Market overview*"). Epiroc is developing an increasing amount of battery-powered equipment which can be recharged quickly to minimize downtime in production. The ambition is that most equipment in the underground mine should be fossil free, driven either by battery or cable. Today, Epiroc offers a range of battery- and electricity-powered equipment and will continue to develop even more applications to fulfil this ambition.

Autonomous and remote controlled equipment is already a part of Epiroc's offering (see further in "*Business description – Strengths and competitive advantages – Driving the future in intelligent mining and infrastructure*") and the Group plans to continue to focus on expanding its autonomous mining offering.

Epiroc believes that the Group can play an important part in the automation of mines – both as a supplier of equipment and as a business-improvement partner for customers. The Group aims to increase customer safety, productivity, reliability and predictability.

Epiroc is continuously working on innovation within predictive maintenance, where Epiroc's equipment is fitted with the Group's Certiq system – a system that checks the status of equipment in real time and which will form the basis for Epiroc's development of predictive maintenance solutions.

An additional initiative which caters to Epiroc's intelligent mining offering is the acquisition of a 34 percent stake in Mobilaris MCE in 2017. Mobilaris is a Swedish company specializing in positioning systems that can be used underground to position both people and machines in real time, increasing both safety and productivity in the mine and will also form a base for Epiroc's autonomous underground equipment in the future.

An additional area of focus for Epiroc's innovation is mechanical rock excavation, which is an enabler for more cost efficient underground mining. The mechanical rock excavation has the ability to continuously excavate through hard rock without the need for blasting. This in combination with automation makes the operation safer, cleaner and reduces costs.

#### *Safety and sustainability*

Safety is important for Epiroc's customers as the Group is engaged in industries where work-related accidents are a reality. The Group strives to improve customer safety by providing equipment which is designed with the safety of the user in mind. Moreover, the development of autonomous and remote-controlled equipment significantly improves work safety since it removes operators away from hazardous areas.

Epiroc is also constantly working to reduce its environmental footprint across the value chain by taking a life cycle approach to innovation. The Company continuously looks for ways to make the operations more sustainable and contribute to the customer's increased sustainability. It is important for Epiroc to safeguard its reputation as a reliable and trustworthy company, and the Company believes in creating value for all stakeholders. Being a trustworthy company also encompasses a strong commitment to respecting human rights and taking a clear stance against corruption. This is embedded in Epiroc's Code of Conduct and also applies to the Group's business partners – suppliers, subcontractors, agents and distributors, who are expected to act with the same level of integrity.

#### *Presence and penetration*

Epiroc aims to expand its leadership in selected niches with a focus on performance-critical applications. The Group enjoys a strong market position in several of the markets where it is present, but strives to continuously improve and push the development in a market which is changing. Epiroc continuously works to improve the customer offering and strengthen the Group's position where it is strategically important to have a strong presence.

Epiroc's ambition is to further develop the relationships with end-customers and to help them increase their productivity in a sustainable way. The Group achieves strong relationships by primarily operating with direct sales and service, having staff on customer's sites and involving customers in product and process development. Thereby, Epiroc forms an understanding of customer preferences and requirements and needs, which means that the Group can help customers improve their processes and increase their productivity.

#### *Operational and service excellence*

In Epiroc, there is a culture of continuously looking for ways to improve and make good things better. The Group aims to improve resilience by growing the service business and continue developing scalable and lean manufacturing.

Epiroc aims to be agile in the manufacturing process of equipment and tools in order to meet demand fluctuations. The Group has defined certain activities as core and other as non-core. Thus, Epiroc products are designed internally, but only components which are critical for equipment performance are produced internally. Non-critical components are purchased from suppliers. The Company strives to have an efficient operational footprint with scalable and lean manufacturing as well as a best-in-class quality assurance.

Epiroc's aftermarket business is of great importance for the Group and is an integral part of the customer offering. By servicing the equipment, Epiroc can maintain and further develop strong relationships with its customers and better understand their needs and their usage of Epiroc's equipment, which helps increase customers' productivity and improve future offerings. Epiroc intends to strengthen its aftermarket business, by increasing penetration on consumables, spare parts and service as well as expanding the current offering. The aftermarket business is more stable over time than equipment sales and improves the Group's resilience (see further under "*Business description – Strengths and competitive advantages – Resilience driven by high aftermarket exposure*").

Epiroc's organization is based on the principle of decentralized responsibilities and authorities, which the Group's sees as a facilitator for quick decision-making and motivated employees, which leads to better operating performance. Epiroc is currently divided into seven different divisions where each is responsible for a selected offering and focused on delivering results in line with the strategies and objectives set by the Group. Epiroc aims to maintain the decentralized organization.

### People and leadership

A talented workforce is essential to execute on Epiroc's strategy. Epiroc has a long-term view on its recruiting to make sure that the Group has the right expertise and leadership competences. Epiroc encourages employees to try different positions, take on new challenges and continuously develop both through on-the-job training, personal education and courses. Epiroc strives to attract and develop hard working, curious, passionate and dedicated employees and leaders that are focused on results. Ensuring that Epiroc has the right leaders also involves activities such as succession planning. Furthermore, Epiroc strives to have a diversified workforce in terms of nationality, gender, age, experience and education. The Group also has an ambition to increase the number of female employees.

## Strengths and competitive advantages

### Leadership in attractive, structural growth niches in the mining and infrastructure markets

Epiroc operates in what the Epiroc management considers to be selected attractive niches of the global mining and infrastructure equipment and services markets and is a leading player globally in most of its product areas. A few key features characterize Epiroc's addressed markets. These include, but are not limited to:

*Multiple structural growth drivers*: global economic growth and the trend towards urbanization are driving secular growth in demand for minerals, and the ongoing decline in ore grades requires more ore to be excavated for any given quantity of a mineral. These trends increase the demand for mining and infrastructure equipment globally. In addition, growth in underground mining is projected to be higher than surface mining in the coming years, which benefits companies with a strong offering of underground mining solutions, such as Epiroc. Furthermore, the increasing environmental, health and safety regulations in Epiroc's addressed markets create demand for innovative solutions that reduce noxious emissions and improve employee health and safety conditions, which drives growth in demand for Epiroc's solutions.

*High impact on customer productivity*: Epiroc adds value to its customers by supporting them to increase productivity in a sustainable way, rather than by driving capacity growth. In the current environment, customers are increasingly focused on driving improvements in productivity through better utilization of equipment and more efficient use of employees – this is enabled by systems that are automated, interoperable and digitalized, for example those solutions provided by Epiroc. In addition, while playing a significant role in improving customer productivity, Epiroc's solutions represent a relatively small part of their overall expenditure.

*Requirement for customer closeness and collaboration*: Epiroc's customers require partners who have similar global sales and service footprints and the technological capabilities to be able to collaborate with them on future solutions. In addition, given the critical nature of Epiroc's equipment to the performance of mining and infrastructure systems, and the high cost of equipment being inoperative at any point, its customers require partners who are able to offer quick and effective solutions across the globe.

*Significant aftermarket requirements over the equipment lifecycle*: Epiroc's equipment is primarily used for abrasive applications in harsh environments, which creates significant maintenance requirements and the regular replacement of parts most exposed to "wear and tear".

Epiroc believes that its leading competitive position results from numerous factors. The Company's direct sales network creates significant customer intimacy and contributes to its deep and longstanding customer relationships, which are further enhanced through its extensive global service network. Epiroc's customer productivity-focused solutions are driven by proprietary technology and unique know-how in highly demanding hard-rock applications. In addition, Epiroc's strong position in the aftermarket is reinforced by its large global installed base.

### Strong and proven operating model

Epiroc's operating model is characterized by focused and decentralized businesses, a global direct presence, a strong services business and a flexible manufacturing setup.

Epiroc's mission is to be the global productivity partner for its customers; i.e. to help customers increase their productivity in a sustainable way. This is enabled by Epiroc's strong direct sales and services footprint globally, as well as the ability to create customer value through innovative solutions targeted to address the customers' key challenges. The direct sales footprint ensures that equipment is sold by engineers with strong application knowledge and is the most suitable solution for the customer's specific application. Through its direct services footprint, Epiroc reinforces its close relationship with end customers.

Epiroc's asset-light manufacturing and logistics set-up have been organized to be able to adapt quickly and effectively to changes in demand. Epiroc's manufacturing philosophy is to outsource production of components that are not critical to equipment performance, and to manufacture in-house only the critical components. Therefore, the majority of production cost of equipment represents purchased components while the smaller part represents internally manufactured core components, assembly cost and overheads. Additionally, Epiroc continuously looks for the ways to enhance efficiency, reduce the cost base and improve earnings and cash flows. For example, at several of the production locations there has been a shift from assembly stations to assembly lines to increase efficiency and agility in the in-house production.

In addition, equipment is primarily manufactured on the basis of customer orders, with only some standard, high volume equipment being manufactured on the basis of projected demand. The assembly of equipment is to a large degree carried out in Epiroc's own facilities. Assembly is typically lean and flow-oriented and the final product is normally shipped directly to Epiroc's end customers.

As a result of Epiroc's asset-light manufacturing philosophy, management believes that capital expenditure requirements related to property, plant and equipment are moderate, and can be adapted in the short and medium term based on changes in demand.

Epiroc's management believes that these guiding principles are an important driver of the Company's long-term success in its addressed markets.

### Resilience driven by high aftermarket exposure

Today, approximately two-thirds of Epiroc's revenues are driven by the mining and infrastructure aftermarket; i.e. its' customers' operating expenditure on consumables, maintenance, refurbishment and overhaul. Epiroc has a substantial installed base of equipment which requires frequent maintenance, as well as the replacement of tools and attachments; particularly those used in harsh applications such as drilling, demolition and rock excavation.

As a result, customers' operating expenditure on consumables and services tends to be recurring and relatively stable through the cycle, and generally less discretionary than capital expenditure on equipment. For example, when capital expenditure is reduced during a downturn, maintenance, refurbishment and overhaul of equipment is even more important to extend equipment life. When there is growth in capital expenditure on equipment, this drives growth in the aftermarket because of a larger fleet of equipment.

Epiroc's strength in the aftermarket is enabled by its global services network with a workforce in service of more than 5,100 people, employees and additional workforce, as at December 31, 2017. This corresponds to more than 35 percent of the total workforce. The service network density enables fast response times by service technicians, which Epiroc management believes is a critical criterion for customers given equipment often being utilized on a 24/7 basis, and the potentially high cost of equipment being inoperative at any point.

Epiroc's management believes that the Company's strong services business is a key driver of the relatively more resilient earnings and cash flow performance in recent years relative to other mining and infrastructure equipment companies.

### Driving the future in intelligent mining and infrastructure

Through its long heritage of technology and innovation with leading R&D competence, Epiroc's management considers Epiroc to be at the forefront of breakthrough technologies in its addressed markets. Epiroc's solutions are targeted towards solving its customers' key challenges, including their requirements to reduce operating costs, increase productivity, increase utilization of their equipment, reduce their negative environmental impact, and enhance health and safety conditions for their employees.

Epiroc has developed and commercialized a number of disruptive technologies to meet its customers' challenges. For example, in order to improve health and safety conditions of its customers' employees, Epiroc has developed a fleet of battery-powered equipment. As a result, the harmful emissions associated with diesel engines, as well as the need for mine ventilation, are significantly reduced.

Epiroc has also developed a range of technologies, such as mechanized drilling and rock reinforcement, to increase automation and interoperability of its equipment. This allows customers to increase safety, productivity and reliability, as well as equipment utilization and predictability and therefore reduce costs. Epiroc's innovations have also driven higher connectivity across the equipment fleet enabling predictive maintenance, real-time asset positioning, and a higher degree of process controls.

To ensure continuous innovation, Epiroc continues to invest in advanced technologies and product development, with 6.7 percent of the total workforce employed in research and development. In addition, Epiroc collaborates with a number of equipment and service providers, technology companies and universities to drive further innovation in the industry – some of these providers include Mobilaris, ABB, Saab Combitech and Dassault Systems.

### Value creation potential as a standalone company

As an independent company, Epiroc will be able to increase focus, customer value and development opportunities under the leadership of a dedicated management team and board of directors. The increased focus will also facilitate faster decision making as well as greater accountability throughout the organization.

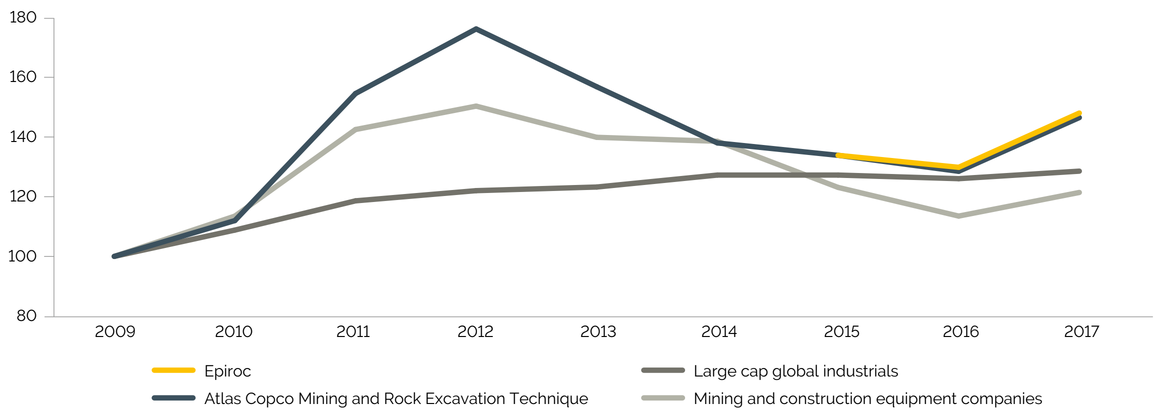
Epiroc's management brings significant individual experience to the overall team, and together represents a strong combination of skills, management experience and relevant business and market knowledge to deliver Epiroc's strategy. President and CEO Per Lindberg was the President and CEO of BillerudKorsnäs AB, a leading supplier of renewable packaging materials and solutions, prior to joining Epiroc. Senior Executive Vice President Mining and Infrastructure of Epiroc Helena Hedblom was Senior Executive Vice President of Atlas Copco's Mining and Rock Excavation Technique business area before being appointed to the current role, and therefore ensures continuity in Epiroc's leadership. Senior Vice President Controlling and Finance (CFO) Anders Lindén was Vice President Business Control for Atlas Copco's Mining and Rock Excavation Technique business area before being appointed to his current role. Epiroc's management team is further supported by a board of directors with significant relevant experience, including the chairman of the board of directors, Ronnie Leten, who was President and CEO of Atlas Copco from 2009 to 2017.

In addition, with independent access to capital, Epiroc will be in a better position to deploy capital towards selected value-creating acquisitions, further building upon its strong track record in identifying and integrating bolt-on opportunities.

### Industry-leading financial performance

As a result of Epiroc's various strengths, the business has demonstrated a strong track record of growth, profitability and cash generation over time. Compound annual organic growth since 2009 has been approximately 5 percent for Atlas Copco Mining and Rock Excavation Technique, which the management team considers to be a good proxy for Epiroc performance. Epiroc had an annual revenue growth of 4.7 percent in the period 2015–2017. Atlas Copco Mining and Rock excavation Technique achieved an average operating margin of 20.3 percent during the period 2009–2017, while Epiroc achieved an average operating margin of around 18 percent in the years 2015–2017. In recent years, Atlas Copco Mining and Rock Excavation Technique and Epiroc have outperformed the index of mining and construction equipment companies and the broader index of global large cap industrial players in terms of organic growth and profitability. Epiroc's management team believes that this financial outperformance provides evidence of its key strengths.

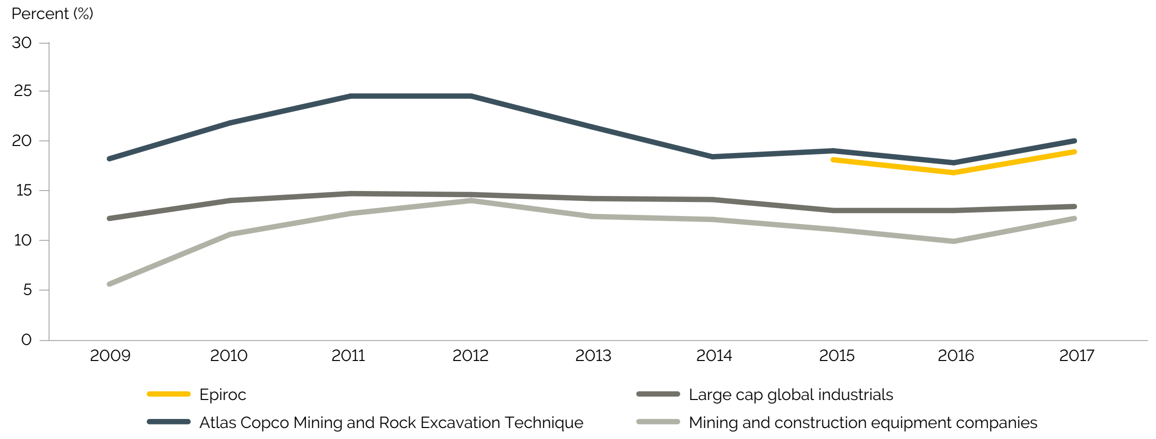
**Historical benchmarking of organic revenue development for benchmarking companies, Atlas Copco Mining and Rock Excavation Technique (base year 2009) and Epiroc (base year 2015) (Indexed to 100)**




Source: Arthur D. Little (benchmarking data), and Atlas Copco annual reports (Atlas Copco Mining and Rock Excavation Technique data), and the section "*Selected financial information*" for Epiroc data.
Large cap global industrials: 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Geberit, General Electric, Graco, Honeywell, Illinois Tool Works, Kone, Legrand, Nordson, Parker-Hannifin, Rockwell Automation, Rolls-Royce, Roper Technologies, Sandvik, Schindler, Schneider Electric, Siemens, SKF, Smiths Group, Trelleborg, United Technologies, Volvo, Wärtsilä, Weir and Xylem.
Mining and construction equipment companies: Caterpillar, Metso, Sandvik and Weir.

Note: The benchmarking figures for large cap global industrials and mining and construction equipment companies represent the median of the companies in the respective group.

**Historical benchmarking of adjusted EBIT margin development for benchmarking companies, Atlas Copco Mining and Rock Excavation Technique and Epiroc***




Source: Arthur D. Little (benchmarking data), Atlas Copco annual reports (Atlas Copco Mining and Rock Excavation Technique data), and the section "*Selected financial information*" for Epiroc data.
Large cap global industrials: 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Geberit, General Electric, Graco, Hitachi, Honeywell, Illinois Tool Works, Komatsu, Kone, Legrand, Mitsubishi Heavy Industries, Nordson, Parker-Hannifin, Rockwell Automation, Rolls-Royce, Roper Technologies, Sandvik, Schindler, Schneider Electric, Siemens, SKF, Smiths Group, Trelleborg, United Technologies, Volvo, Wärtsilä, Weir and Xylem.
Mining and construction equipment companies: Caterpillar, Komatsu, Metso, Sandvik and Weir.

* Epiroc's figures correspond to operating margin – no adjustments have been made.

Note: The benchmarking figures for large cap global industrials and mining and construction equipment companies represent the median of the companies in the respective group.

## Financial goals and dividend policy

Epiroc's goal is to provide superior value creation through a combination of strong operating performance, efficient use of capital, and stable and rising dividends to its shareholders. This will be achieved through agile adaption to cyclical capital equipment demand, combined with a resilient and growing aftermarket business.

| Target | Description | 2015–2017 |
|---|---|---|
| **Growth** | Epiroc's goal is to achieve an annual revenue growth of eight percent over a business cycle, and to grow faster than the market. Growth will be organic and supported by selective acquisitions.[1] | 4.7%[2] |
| **Profitability** | Epiroc's goal is to have an industry-best operating margin, with strong resilience over the cycle.[3] | 17.9%[4] |
| **Capital efficiency** | Epiroc's goal is to improve capital efficiency and resilience. Investments and acquisitions shall create value.[5] | 23.6%[6] |
| **Capital structure** | Epiroc is to have an efficient capital structure and have the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating. | – |
| **Dividend policy** | Epiroc's goal is to provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50 percent of net profit over the cycle. | – |

1) For evaluation, and supported by third party suppliers, Epiroc follows the development of investments made by customers in the mining and infrastructure industry and compares these investments with Epiroc's revenues from equipment over time. The Company also follows the development of competitors' revenues and compares these with the Company's revenues.
2) Revenue CAGR (compounded annual growth rate).
3) For evaluation purposes, Epiroc's operating margin is compared with operating margins of other mining and construction equipment companies, such as Caterpillar, Komatsu, Metso, Sandvik and Weir.
4) Average operating margin.
5) This means that the return on capital employed from investments and acquisitions shall exceed the capital costs. For evaluation, the Company follows and monitors, *inter alia*, the working capital in the operations, as well as the development of the operating margin and capital turnover ratio for capital employed for investments and acquisitions.
6) Average ROCE (return on capital employed).

## Segments

Epiroc 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 and parts that are attached to machines and used mainly for drilling, demolition and recycling as well as rock excavation. Tools & Attachments also provides related service and spare parts.

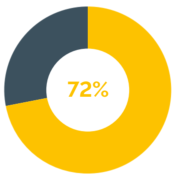
### Equipment & Service

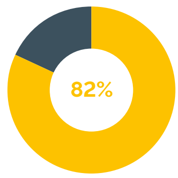
Epiroc's Equipment & Service segment provides rock drilling equipment, equipment for mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, exploration drilling equipment, drilling equipment for water, energy, oil and gas, as well as related spare parts and service for the mining, infrastructure and natural resources industries. The segment develops products and services for surface and underground mining, infrastructure, well drilling and geotechnical applications.

Equipment & Service generated revenues of SEK 22,459 million in 2017, corresponding to 72 percent of Epiroc's revenues. At the end of 2017, Equipment & Service had 8,896 employees and production in seven facilities at six different locations in Europe, North America and Asia. Epiroc's main competitor in most product areas is Sandvik. To a lesser extent, other competitors include Caterpillar in the market for underground drilling and open pit mining equipment, Furukawa in surface drilling equipment, Boart Longyear for exploration drilling equipment and rock drilling tools, Komatsu in the market for underground drilling and open pit mining equipment. The Group also competes with several players operating locally, regionally and in certain niche areas.

*Share of the Group* 2017*

| Revenues | Operating profit |
| --- | --- |

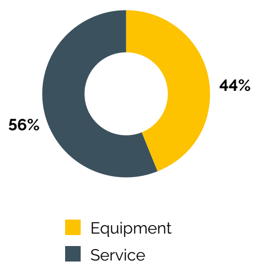


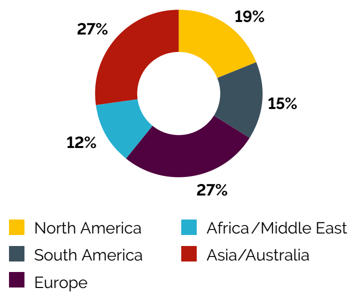




* Excluding common group functions and eliminations. For further information, see note 4 in "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015*".

*Revenues by type and by region**

| Revenues by type | Revenues by region |
| --- | --- |




* For further information, see note 4 in "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015*".

### Product offering

The segments' main product groups are rock drilling equipment, equipment for mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, exploration drilling equipment, and drilling equipment for water, energy, oil and gas.

***Overview of an underground drill and blast cycle***


***Underground equipment***

Epiroc offers a wide range of equipment for underground applications. The offering ranges from face- and production drill rigs, equipment for rock reinforcement and loading and haulage, mechanical rock excavation and ventilation systems.

*Underground drill rigs*

Epiroc manufactures a wide range of drill rigs for underground mining and infrastructure applications.

***Face drill rigs***
*Hydraulic rigs for blast hole drilling in underground mining and tunneling*

***Production drill rigs***
*Long-hole drilling rigs for underground production drilling*

*Rock reinforcement*

The offering consists of rock reinforcement equipment for underground mining and tunneling, including a comprehensive range of rigs for rock bolting, cable bolting as well as concrete spraying equipment and grouting equipment.

***Rock bolting rigs***
*Bolting rigs and cable bolting machines for small to large size underground mining and tunneling operations*

***Concrete spraying equipment***
*Mobile concrete sprayer for medium to large size tunneling and mining operations*

*Mechanical rock excavation equipment*

The offering includes equipment for raiseboring, boxhole boring, and down reaming as well as mechanical rock excavation equipment (mobile miner) for continuous rock excavation in mining and tunneling.

***Raiseboring equipment***
*Raiseboring machines for civil engineering and mining applications*

***Mechanical rock excavation equipment***
*Mechanical rock excavation machines for continuous mining and tunneling*

### *Loaders & trucks*

The product offering includes electric loaders, diesel loaders and continuous loaders as well as diesel trucks for underground applications.

***Underground loaders***
*Electric cable- and battery-powered, and diesel-powered load, haul & dump (LHD) machines for underground applications*

***Continuous loaders***
*Loaders enabling rapid excavation in narrow drifts during underground operations*

***Haulage trucks***
*Diesel-powered haulage trucks for underground mining and tunneling applications*

### *Ventilation*

The offering includes ventilation solutions for tunneling and underground mining operations, including system design and installation.


***Serpent ventilation fans***
*High pressure Serpent fans for underground mining and tunneling projects*

### *Surface drill rigs*

Epiroc manufactures a wide range of drill rigs for blast-hole drilling in surface mining and infrastructure applications.

***Surface drill rigs***
*Surface drill rigs for construction, mining and quarrying*

***Rotary blast hole drill rigs***
*Drill rigs for rotary and down-the-hole drilling*

***Equipment for other applications***

Epiroc offers equipment for other applications related to rock excavation, such as exploration drilling, and dimension stone industry, and offers also equipment for water well drilling and for extraction of oil and gas.

***Dimension stone equipment***
*Drill rigs and wire-cutting machines for extraction of marble, granite, limestone and sandstone*

***Well drilling rigs***
*Water well drilling rigs for DTH, rotary air and mud drilling applications*

***Exploration drill rigs***
*Drill rigs for surface and underground core and reverse circulation drilling*

***Oil and gas drill rigs***
*Drill rigs for drilling vertical, directional, horizontal wells in oil, coal bed methane and natural gas basins*

## Service and spare parts

Service and spare parts is an integral part of Equipment & Service's offering and the segment provides a wide range of services and spare parts for the mining, natural resources and infrastructure industries. The service organization focuses on spare parts supply, service, support solutions and training. Epiroc's service offering spans from complete service contracts that essentially takes care of the entire equipment operation to pay-as-you-go solutions.

In 2017, Equipment & Service had service revenues of SEK 12,610 million. A large part of the service employees are technicians working on site. Other service employees work in workshops or with service marketing and sales or administrative related tasks. There are three distribution centers in China, Sweden and the United States, which are responsible for spare parts distribution globally. The service organization has mining and rock excavation service hubs where employees with certain competences are placed in proximity to Epiroc's production facilities.

Epiroc's service offering enables customers to be more productive by ensuring high availability of the equipment. Epiroc's service technicians are specialized and have deep knowledge about the equipment and their applications. Depending on contract, Epiroc's service personnel can be more or less permanently stationed in connection to a production facility (e.g. a mine) and work with a fleet of equipment both proactively and reactively to sustain high levels of productivity for the customer.

In addition, Epiroc provides a wide range of spare parts for the equipment sold by Epiroc, as well as a range of universal spare parts that are considered as standard in the industry. Since much of the operations performed by the equipment is demanding, the use of spare parts is common and some parts can even be changed on daily intervals. Spare parts can either be changed over pre-defined cycles (predicative maintenance), or changed when needed (reactive maintenance). Epiroc's Certiq system (telematics) facilitates predictive maintenance which enables customers to be more productive and avoid down-time. The Certiq system proactively scans the equipment (rig control) and sends a signal to the operator and Epiroc when it is time to plan for service or change parts.

Furthermore, the service organization helps customers with training and support solutions. This offering includes operator training for how to use Epiroc's equipment, support in training of technicians, and automation solutions to create new ways of using the equipment through cutting-edge technology. This offering bridges the difference between customers who need Epiroc service personnel constantly on site and customers who prefer to take care of the equipment themselves, as well as helping customers taking the next steps in terms of digital solutions and increased productivity.

The service organization helps Epiroc understand how the equipment is used among customers while providing resilience for the Group. This helps Epiroc develop better products which helps customers solve their problems and be more productive, and the service offering complements the equipment sales by evening out revenues over time, as equipment sales can be more cyclical.

***Service and spare parts***
*Service and spare parts to enable high productivity for Epiroc's customers*

***Automation, rig control systems and telematics***
*Solutions for automation, equipment for rig control and remote diagnostics, and telematics for remote operation*

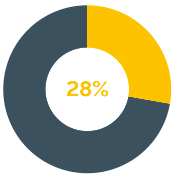
## Tools & Attachments

The Group's Tools & Attachments segment provides rock drilling tools and hydraulic attachments and tools that are attached to machines and used mainly for drilling, demolition and recycling as well as rock excavation. Tools & Attachments also provides related service and spare parts. The segment also serves the mining, infrastructure and natural resources industries and similar types of applications and customers as the Equipment & Service segment. The rock drilling tools and some of the hydraulic attachments and tools can be attached to the equipment provided by the Equipment & Service segment, but can also be attached to other manufacturers' equipment.

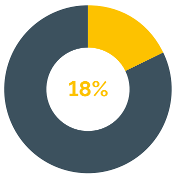
Tools & Attachment generated revenues of SEK 8,738 million in 2017, corresponding to 28 percent of Epiroc's revenues. At the end of 2017, Tools & Attachment had 3,934 employees and 16 production facilities at 16 different locations in Europe, North America, Africa, Asia and Australia. The main competitors in this segment are Sandvik, Furukawa and Boart Longyear.

### *Share of the Group* 2017*

**Revenues**



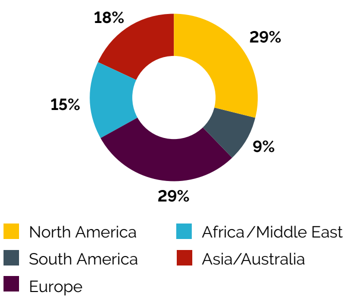

**Operating profit**




* Excluding common group functions and eliminations. For further information, see note 4 in "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015*".

### *Revenues by region**

**Revenues by region***



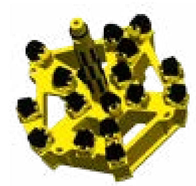

For further information, see note 4 in "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015*".

### *Rock drilling tools*

The rock drilling tools offering includes products which are used in underground, surface and exploration mining as well as underground- and surface infrastructure, and quarrying and ground engineering for the natural resources industry.

***Rock drilling tools***
*Drill bits, rods, tubes, shank adapters, couplings and grinding equipment for underground as well as surface drilling*

***Handheld rock drilling equipment***
*Underground and surface rock drills and pusher legs*



***Raiseboring tools***
*Raiseboring rock drilling tools including drill strings, reamers, stems, cutters and pilot bits*

***Rotary drilling tools***
*Rotary drilling tools and pipes for rotary blast hole drilling*

***Down-the-hole drilling tools***
*Down-the-hole hammers, bits, pipes, and accessories for all rock types and applications*

***Exploration drilling tools***
*Wireline and conventional core drilling tools as well as reverse circulation drill strings for exploration drilling*

***Geotechnical drilling tools***
*Drilling tools for foundation drilling, anchoring, horizontal directional drilling and other geotechnical applications*

***Oil and gas drilling tools***
*Oil and gas drilling tools, including rotary PDC (polycrystalline diamond compact) drill bits and klaw bits*

***Rock support***
*Rock bolting systems for efficient rock support in mining and infrastructure applications*

*Hydraulic attachments and tools*

Epiroc also provides a wide range of hydraulic attachments and tools that are attached to excavators and other carriers. Applications include rock breaking and excavation, demolition of buildings, concrete and steel structures, and asphalt, separation of material, recycling and waste handling.

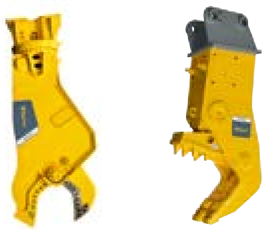
***Hydraulic breakers***
*Hydraulic breakers for concrete and asphalt demolition work, and for rock breaking and scaling*

***Concrete busters and cutters***
*Concrete busters and cutters for demolition of concrete structures*

***Drum cutter***
*Drum cutters used in rock excavation, demolition and trenching*

***Bucket crusher***
*Bucket crusher for on-site crushing of all types of material*

***Excavator magnet***
*Hydraulic magnet for demolition sites, scrap yards and recycling facilities*



***Hydraulic shears and pulverizers***
*Hydraulic shears and pulverizers for demolition of concrete and steel structures*

## Payment Solutions

The Group has an in-house customer finance operation as a means of supporting equipment sales called Payment Solutions. Financing can range from single equipment purchases of smaller equipment used by small family-owned firms to larger projects where financing can cover equipment and service for an entire mine or an infrastructure project. The level of financing of a project is dependent on the size of the project, the company's relation to Epiroc, the underlying project's security and other risk factors. As at December 31, 2017, the portfolio of Payment Solutions totaled approximately SEK 3 billion including approximately SEK 700 million related to operational leases (for further information, see the section "*Operational and financial review – Liquidity and capital resources – Payment Solutions*").

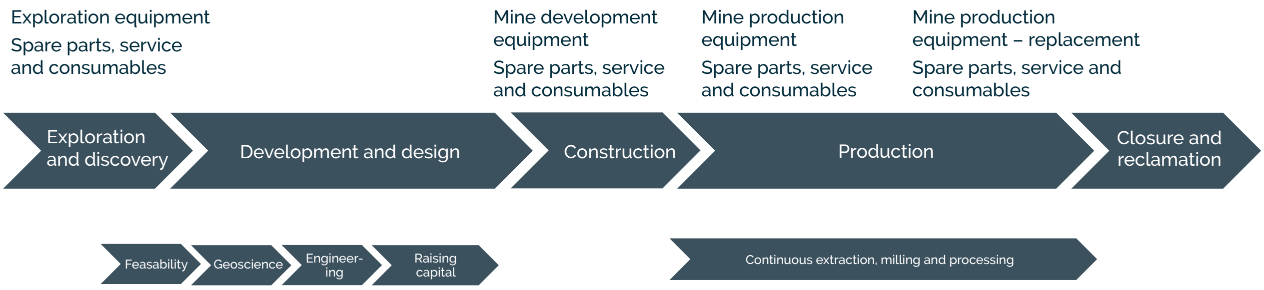
Payment Solutions is reported under Common Group Functions together with Group management costs and common functions as well as eliminations.

## Customers

Epiroc's customers can be separated into the following industries: mining and natural resources, and infrastructure. The mining and natural resources customers are provided products and services for underground and surface mining, exploration, geotechnical ground engineering and well drilling for oil and gas as well as for water. The infrastructure customers are provided products and services for underground- and surface infrastructure, urban development and quarrying.

Epiroc's customers consist of mining companies, construction companies, drill and blast contractors in the mining and infrastructure industries, quarrying companies and quarrying contractors. Customer examples include Anglo American, Astaldi, Boliden, BHP Billiton, Dragados, Freeport-McMoRan, Glencore, Goldcorp, Heidelberg Cement, Hochtief, Imergilo, LKAB, Rio Tinto, Vale and Votorantim. In 2017, Epiroc's ten largest customers accounted for 16 percent of the Group's revenues. These all have multiple worksites that buy equipment, spare parts and service, as well as consumables from Epiroc. None of the ten largest customers is dominating.

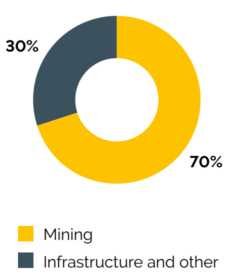
### *Epiroc revenue streams during a life cycle of a mine*



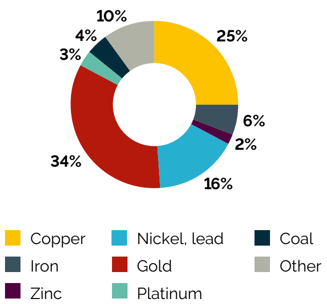

In 2017, mining accounted for 70 percent of orders received and infrastructure and other accounted for 30 percent. The mining orders in 2017 can be split into the following minerals: copper 25 percent; iron 6 percent; zinc 2 percent; nickel and lead 16 percent; gold 34 percent; platinum 3 percent; coal, 4 percent and other minerals, 10 percent.

### *Share of orders received by customer category and by mineral for the Group 2017**

**Orders received by customer category**




**Mining orders received by mineral**




* Based on Epiroc's internal reporting system and has not been audited.

### *Overview of mining and natural resources applications and product offering*

| Application | Underground mining | Surface mining | Exploration | Geotechnical, well drilling, oil and gas |
|---|---|---|---|---|
| Offering | • Underground drill rigs<br>• Underground loading and haulage<br>• Mechanical rock excavation<br>• Ground support equipment<br>• Ventilation systems<br>• Rock drilling tools<br>• Hydraulic attachments<br>• Service and spare parts | • Surface drill rigs<br>• Rock drilling tools<br>• Hydraulic attachments<br>• Service and spare parts | • Underground core drill rigs<br>• Surface core drill rigs<br>• Reverse circulation drill rigs<br>• Rock drilling tools<br>• Service and spare parts | • Water well drill rigs<br>• Oil and gas drill rigs<br>• Rock drilling tools<br>• Hydraulic attachments<br>• Service and spare parts |
| Product example |  |  |  |  |

*Overview of infrastructure applications and product offering*

| Application | Underground civil engineering | Surface civil engineering and urban development | Quarrying | Deconstruction and recycling |
|---|---|---|---|---|
| Offering | • Underground drill rigs<br>• Underground loading and haulage<br>• Ground support equipment<br>• Ventilation systems<br>• Rock drilling tools<br>• Hydraulic attachments<br>• Underground core drill rigs<br>• Service and spare parts | • Surface drill rigs<br>• Well drill rigs<br>• Rock drilling tools<br>• Hydraulic attachments<br>• Service and spare parts | • Surface drill rigs<br>• Diamond wire cutting machines<br>• Hydraulic dimensional stone drill rigs<br>• Hydraulic attachments<br>• Service and spare parts | • Hydraulic attachments<br>– Breakers, cutters, pulverizers, grapples, magnets, compactors, bucket crushers etc.<br>• Service and spare parts |
| Product example |  |  |  |  |

## Research and development

### Process

A key factor for Epiroc's success is its ability to develop new innovative products that serve the customers' needs and increase their productivity. The development process starts with Epiroc's customers and their needs. The Group's sales organization has a continuous interaction with customers in order to understand their needs. Epiroc has customer centers in more than 60 countries that capture the demand and the competitive situation in the market where they operate. The sales organization is also active in scanning the market in order to understand trends and what competitors are doing. The customer demand can vary greatly based on different conditions in their respective market and is also based on equipment usage traditions. The purchasing organization is also active in the product development process in order to find a suitable supplier and the right parts for the product being developed and with the service organization which is involved to map the potential and demand for service.

### Case study – battery-powered vehicles

The development of battery-powered vehicles started in 2013, when one of Epiroc's customers was looking for a solution to the problem with too little air in one of their underground mines. Together with the customer, Epiroc started to develop a loader run by battery power instead of diesel. Based on the successful outcome of that project, Epiroc has continued to develop more loaders, trucks, boomers and drilling equipment based on battery power. For the first generation of products, Epiroc used external suppliers of both battery and battery management, but since battery management system competence is a core competence in the new products, Epiroc has moved on to handle that internally. In the development process of the second generation of machines, Epiroc manages most of the battery management system internally.

The development project has obtained funding from EU and the first products from the second generation will be on the market in 2019. Epiroc aims to develop more products powered by battery, due to increased safety and decreased pollution, noise and heat. In addition to all the advantages with improved operation sustainability, battery-powered equipment saves costs for the customers, mainly by lowering the need of ventilation.

### Innovations during 2017

A surface drilling rig with Power Eco function, reducing fuel consumption by up to 10 percent.

A new Powerbit range that provides improved wear resistance and increased productivity.

An electrically powered product line for continuous mechanical mining, offering increased efficiency and safety.

A high capacity mine truck in a compact design prepared for automation.

### Organization

The research and development ("R&D") activities are integrated into Epiroc's different divisions. Within the R&D organizations, there are employees that are specialized both by product and by category, for example hydraulics or electronics. There is a R&D council in place to coordinate the R&D work between the divisions. The divisions have yearly common meetings where customer demands are presented. The outcomes of these meetings are priorities and preferences from each divisions which are brought forward for product development.

Epiroc has its principal R&D units located in Sweden, the United States, Canada, China and India and at December 31, 2017 there were 866 employees in total that work with R&D. During the years 2015–2017, Epiroc's expenditure for R&D has totaled SEK 2,318 million, corresponding to 2.7 percent of revenues generated during the period.

### Current trends

A significant share of Epiroc's current R&D expenditures is focused around four trends: connectivity, interoperability between machines, battery powered equipment and continuous mining (for further information see "*Market overview*" and "*Business description – Vision, mission and strategy – Strategy*"). These trends aim to solve the needs of the future where mines are getting deeper, ore grades are deteriorating and mining companies look to improve productivity, safety and reduce environmental impact. It is the Group's assessment that Epiroc has a good position in relation to its competitors regarding these trends and that the Group can benefit from them based on its application knowledge and presence in the market.

### Intellectual property rights

Epiroc holds approximately 1,450 patents, which are important to protect core technology and to maintain the Group's leading position in its markets. The divisions are responsible for handling Epiroc's patent portfolio and screening the market for other patents that could be of interest or that could potentially cause a conflict for the Group.

Epiroc is the Group's main brand and is used globally. Epiroc also owns a few additional brands for selected products and markets, which are used as complementary brands to increase presence in the market. Examples of these brands are Shenyang, Shandong, GIA and Erkat.

## Production

### Process

Epiroc in-house production mainly consists of assembly. The Group continuously evaluates its production processes to determine which processes that should be conducted in-house and which ones that could be outsourced to business partners. As a general rule, components that are critical for equipment performance, such as rock drills, are manufactured in-house and non-critical components are outsourced to business partners. The manufacturing is primarily based on customer orders, however, manufacturing of some standard, high volume equipment is based on projected demand. Approximately 75 percent of Epiroc's product costs are based on purchased components and approximately 25 percent of the product costs are based on in-house manufacturing and assembly. Due to the fact that a majority of the production is conducted by sub-contractors, the production is flexible. With the aim to increase efficiency in the in-house production, there has been a shift from assembly stations to assembly lines in recent years.

### Manufacturing footprint

Epiroc's production is concentrated to seven Equipment production facilities and 16 Tools & Attachments production facilities, as can be seen in the figure on the following page. The production is decentralized and there is a common production council to enhance the sharing of process knowledge and best practices within the Group.

Epiroc has consolidated its manufacturing footprint over time. One production facility in Switzerland was closed and the manufacturing was partly outsourced to business partners and the production in two facilities in Sweden was moved to Örebro, Sweden. Epiroc continuously evaluates its manufacturing footprint to decide if manufacturing should be moved or consolidated to improve efficiency, flexibility and/or delivery performance. In recent years, the production in North America and China has been consolidated as well. There is no, and has not been, any overlap in terms of production facilities between Epiroc and Atlas Copco.

*Overview of Epiroc's production facilities – March 31, 2018*


## Purchasing

Epiroc purchases a wide range and large volumes of raw materials and components from external suppliers. The majority of purchases are direct material and some of the largest categories are steel, hydraulics, electronics and drivetrain. Purchasing decisions are often made hand-in-hand with the Group's R&D department that has a close relationship with suppliers in the development phase of new products. Due to Epiroc's highly specialized products and close collaboration with R&D, supplier relationships tend to be long. Epiroc works strategically to minimize supplier risk in order not to be dependent on one supplier for a specific component or raw material, especially for critical components the absence of which may hinder the production process. Epiroc works continuously to reduce purchasing costs, however, always with quality in mind.

Epiroc's purchasing organization is integrated in each division, and has its own organization for the procurement of direct material, which is organized into different categories. However, there is a central organization for the sourcing of indirect material and there is a purchasing council in place for coordinating the purchasing process and ensuring that the purchasing work is cost efficient. There is also an ERP system in place for visibility of the purchasing behavior between the divisions and ensuring that suppliers have reasonable terms towards the entire Group.

For the year ending on December 31, 2017, Epiroc's direct material purchasing costs amounted to approximately SEK 9 billion and the ten largest suppliers accounted for 29 percent of the Group's total spending on suppliers. Epiroc had a total of approximately 2,300 suppliers in 2017. The largest categories of raw material or components purchased where steel, machining (subassembly) and welding (subassembly) with 18, 13 and 13 percent of the total purchasing spend respectively.

Most of Epiroc's purchasing is made in foreign currencies, with US dollars and Euro being the most common. The Group's hedging policy recommends leaving transaction exposures unhedged on an ongoing basis and currency hedging to lower risk is made on a group level in combination with other group operations.

## Logistics

Epiroc's supply chain strategy is to provide customers around the world with high availability of products through lean and cost efficient logistics. Epiroc's goal is that the Group's supply chain should be a competitive advantage towards competitors.

Customers are mainly served through Epiroc's customer centers in more than 60 countries. In addition to Epiroc's own network, a number of distributors are used in areas where the Group does not have a presence. Epiroc's supply chain can be divided into three parts; equipment, spare parts and consumables with different characteristics and logistic set up.

Equipment spread from large serpent ventilation systems, face drilling rigs with a weight of 10 ton, 50 ton mine trucks, and 175 ton rotary blasthole drill rigs. The majority of the equipment is too heavy and bulky for a container shipment and is therefore often shipped by sea, road or rail. Transport solutions are arranged via a limited number of freight forwarders and carriers to secure a high frequency of departures to the lowest possible cost and to minimize the environmental impact.

The majority of the spare parts for Epiroc drill rigs are purchased from external suppliers around the world. Three regional distribution centers (Europe, US, China) distribute components and spare parts to customer centers and customers. Each distribution center cater for their own respective region.

Consumables are almost exclusively manufactured by Epiroc. Raw materials such as high-grade steel or carbides are purchased and supplied to ten manufacturing sites around the world, where they are refined to finished consumables products such as drill rods, bits, rotary heads and pipes for example. Each production site has distribution center on its premises that distributes the products within their region, and occasionally to other parts of the world when needed.

## IT

Epiroc has a global IT organization with approximately 200 employees supporting Epiroc in over 60 locations. One of the main objectives and strategies for Epiroc IT is to align with the business to be able to support Epiroc's core processes. At an IT governance level this is accomplished by having business representatives taking part in the Epiroc IT steering committee, process councils and programs. In an IT operational perspective, this is illustrated by having the business engaged in IT programs and projects and taking on the application ownership.

Each region has its own Regional IT manager who manages a team of direct reporting IT employees to support the business. To be able to secure that all employees in Epiroc IT are working in the same direction, all Regional IT managers report to a "head of regional IT managers" who is safeguarding that Epiroc IT policies and strategies are adhered to globally.

Planning and prioritization of project development is made by the Epiroc IT steering committee, the heads of regional IT managers and strategic IT-managers together with the process councils. In the selection process of new applications there is a focus on standard applications. A mandatory process has been implemented to support the selection process of new applications. Furthermore, Epiroc has chosen three strategic vendors, which are the first hand choice for providing requested applications.

### IT Security

Epiroc protects its IT assets, processes and information from a confidentiality and integrity perspective, while ensuring availability in line with business requirements and compliance with applicable laws and regulations. In order to fulfill these requirements, Epiroc has created an IT security organization and a security council.

The security council has developed a set of IT- and information security policies, which describes the overall requirements for security within Epiroc. The organization covers the areas of IT- and Information security as well as IT risk.

The compliance with the IT- and information security policies and the General Data Protection Regulation (GDPR) are measured and coordinated through the department of Internal Control, where there is a dedicated resource focusing on IT security and GDPR compliance. The individual is directly reporting to the head of internal control and the global IT security manager.

## Safety and sustainability

Safety and sustainability is an integrated part in all of Epiroc's strategies and activities. Four key topics have been identified and related key performance indicators have been set and are continuously followed up. The topics relate to safety and well-being, developing people and leaders, responsible and efficient use of resources, and living by the highest ethical standards.

Safety is important for Epiroc's customers as the Group is engaged in industries where work-related accidents are a reality. The Group strives to improve customer safety by providing equipment, which is designed with the safety of the user in mind.

Epiroc's Code of Conduct covers the well-being of the employees and a safe and healthy working environment in Epiroc's operations. The ambition is to continuously reduce the number of accidents and not to have any fatalities. The Group also recognizes labor practices such as the right to representation by trade unions and collective bargaining as well as non-discrimination. A fundamental belief at Epiroc is that diversity inspires innovation and gives insights that help to create a better understanding of customer needs. Epiroc companies establish local diversity policies and guidelines in alignment with Group policy, local laws and regulations, and local ambitions. The Group is committed to promoting equal opportunity in its hiring and promotion processes. A wide range of efforts to attract a diversified workforce is in place globally and the Group has the ambition to increase the share of women in the organization.

Epiroc believes in reduction of the environmental footprint across the value chain by taking a life cycle approach to innovation and focus on resource efficiency. The Group targets to improve sustainability performance in areas such as energy usage, the use of renewable energy, $CO^2$, emissions from transport, water usage in water risk areas, and waste that are reused, recycled or recovered. The largest footprint for Epiroc, however, is the energy consumption from use of its products. Therefore, Epiroc's product development projects have targets to reduce energy consumption of the equipment and, in addition, large investments are made in developing battery-powered equipment. The challenge is to continue to meet the customers' need for equipment and service that increase their productivity and, at the same time, are sustainable. In the mining sector, this is closely linked to operator safety and customer productivity. Through the autonomous Pit Viper drill rig productivity gains of up to 30 percent in safe and accurate drilling have been experienced, leading to corresponding energy savings. The automation means that the drill rig runs an operation with fewer stops and for longer hours. Through a tele-remote system, the operator can perform the drill function remotely, as far as 1,300 km away from the site, which also improves work safety. This decreases resource consumption and energy from transports.

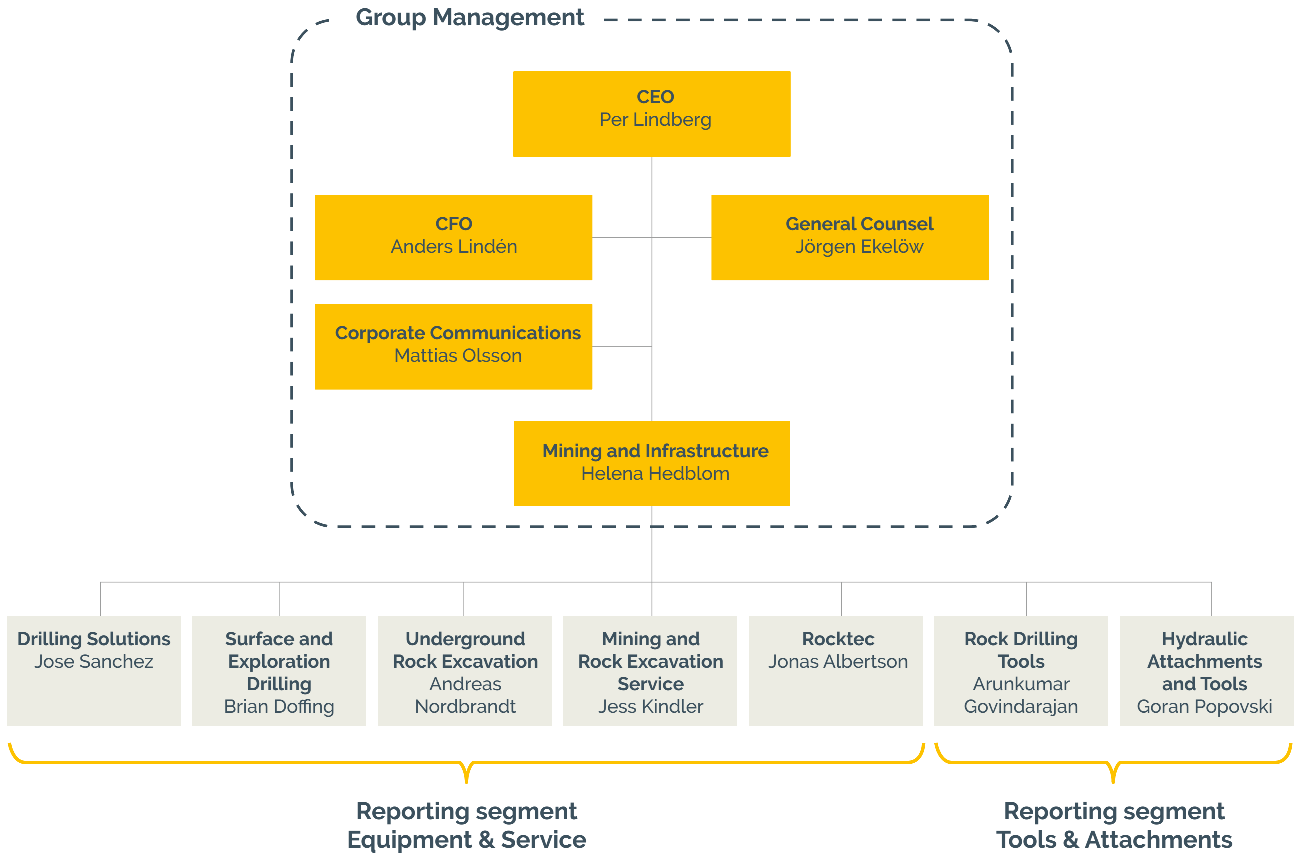
Epiroc is a good and reliable corporate citizen observing the spirit of, and as a minimum, comply with laws and regulations of the countries in which the Group operate. The Group continuously looks for ways to make the operations more sustainable and contribute to the customer's increased sustainability. It is important for Epiroc to safeguard its reputation as reliable and trustworthy and believes in creating value for all stakeholders. Being a trustworthy company also encompasses a strong commitment to respecting human rights and taking a clear stance against corruption. This is embedded in Epiroc's Code of Conduct and also applies to the Group's business partners – suppliers, subcontractors, agents and distributors, who are expected to act with the same level of integrity as Epiroc and confirm compliance with Epiroc's Code of Conduct.

## Organizational structure and employees

Epiroc's headquarters is located in Stockholm, Sweden. The Group follows the global mining and infrastructure markets, with sales in approximately 150 countries and had 12,948 employees as at December 31, 2017. Epiroc is organized into the following divisions: Drilling Solutions, Surface and Exploration Drilling, Underground Rock Excavation, Mining and Rock Excavation Service, Rocktec, Rock Drilling Tools and Hydraulic Attachment Tools.

Although the principle of decentralized responsibilities and authorities is highly regarded in Epiroc, there are councils for coordinating the work between the divisions for the Group's main functions. There are different councils in the areas of communication, R&D, supply chain, human resources, production, purchasing and general processes. The councils ensure that synergies can be achieved, that best practices are shared between the divisions and also reduce the amount of unnecessary parallel work in the different divisions.

The chart below illustrates the Group's organizational structure and executive management team as well as the divisional heads.



## Employees

Epiroc had 12,948 employees as at December 31, 2017. Equipment & Service had 8,896 employees, Tools & Attachments had 3,934 employees and Common Group Functions 118 employees. Due to certain cyclicality in the mining and infrastructure industry, the Group uses an additional workforce in addition to its permanent employees to handle temporary fluctuations in demand. The additional workforce is primarily hired in the Group's manufacturing and assembly plants, but also in research and development. The Group had an additional workforce of 1,397 workers as at December 31, 2017. Of the total number of employees of 12,948 at the end of 2017, approximately 23 percent are located in Sweden.

The following table describes the average number of employees in 2015, 2016 and 2017 by geography and gender.

| **Average number of employees** | **2017** | | | **2016** | | | **2015** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Women** | **Men** | **Total** | **Women** | **Men** | **Total** | **Women** | **Men** | **Total** |
| **Parent company** | | | | | | | | | |
| Sweden | 3 | 2 | 5 | – | – | – | – | – | – |
| **Subsidiaries** | | | | | | | | | |
| North America | 267 | 1,555 | 1,822 | 237 | 1,445 | 1,682 | 244 | 1,600 | 1,844 |
| South America | 160 | 1,245 | 1,405 | 151 | 1,183 | 1,334 | 153 | 1,296 | 1,449 |
| Europe | 801 | 3,538 | 4,339 | 687 | 3,350 | 4,037 | 691 | 3,428 | 4,119 |
| *– of which Sweden* | *496* | *2,213* | *2,709* | *442* | *2,112* | *2,554* | *453* | *2,185* | *2,638* |
| Africa/Middle East | 196 | 1,194 | 1,390 | 187 | 1,269 | 1,456 | 192 | 1,290 | 1,482 |
| Asia/Australia | 509 | 2,885 | 3,394 | 484 | 2,756 | 3,240 | 529 | 2,960 | 3,489 |
| **Total** | **1,936** | **10,419** | **12,355** | **1,746** | **10,003** | **11,749** | **1,809** | **10,574** | **12,383** |

# Selected financial information

*The financial information should be read in conjunction with the sections "Operational and financial review", "Capital structure and other financial Information" and the financial statements contained in the section "Historical financial information". Figures recognized in this section have in some cases been rounded and therefore the tables do not always add up exactly.*

## Presentation of selected financial information

Unless otherwise stated, the selected financial information presented below has been derived from (i) Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015 which have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"), and audited by Epiroc's independent auditors, as set forth in their report included therewith and (ii) Epiroc's unaudited consolidated interim financial report for the three months period ended March 31, 2018, with comparable figures for the three months period ended March 31, 2017, which have been prepared in accordance with IAS 34, as adopted by the EU and reviewed by Epiroc's independent auditors, as set forth in their report included therewith.

IFRS does not specifically address the preparation of combined financial statements. The term "combined financial statements" refers to financial information prepared by aggregating financial information for entities under common control that do not meet the definition of a group according to IFRS 10. The formation of the Epiroc group comprised transactions between entities that are under common control. Since these transactions are not covered by any IFRS standard, a suitable accounting principle has been applied in accordance with IAS 8. A suitable and established method is to use the previous carrying amount (predecessor basis of accounting), which is the principle that the Epiroc group has applied. For additional information regarding accounting procedures, see note 1 in the section "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015*".

### Condensed combined income statement

| | For the three months ended March 31[1] | | For the financial years ended December 31[2] | | |
|---|---|---|---|---|---|
| **(SEK million)** | **2018** | **2017** | **2017** | **2016** | **2015** |
| Revenues | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| Cost of sales | –5,226 | –4,674 | –20,157 | –18,003 | –18,463 |
| **Gross profit** | **3,007** | **2,737** | **11,283** | **9,099** | **10,200** |
| | | | | | |
| Marketing and Administrative expenses | –1,164 | –1,094 | –4,401 | –4,043 | –4,194 |
| Research and development expenses | –222 | –190 | –795 | –662 | –861 |
| Other operating income and expenses | –106 | –39 | –137 | 154 | 28 |
| Share of profit in associated companies and joint ventures | 0 | 1 | –1 | 0 | 2 |
| **Operating profit** | **1,515** | **1,414** | **5,949** | **4,548** | **5,175** |
| | | | | | |
| **Net financial items** | **–57** | **–23** | **–136** | **–137** | **–220** |
| | | | | | |
| **Profit before tax** | **1,458** | **1,391** | **5,813** | **4,411** | **4,955** |
| | | | | | |
| Income tax expenses | –377 | –342 | –1,500 | –1,180 | –1,384 |
| **Net profit** | **1,081** | **1,049** | **4,313** | **3,231** | **3,571** |
| | | | | | |
| **Profit attributable to:** | | | | | |
| – owners of the parent | 1,079 | 1,049 | 4,313 | 3,235 | 3,582 |
| – non-controlling interests | 2 | 0 | 0 | –4 | –11 |
| Basic earnings per share, SEK | 0.89 | 0.87 | 3.56 | 2.67 | 2.95 |

1) Derived from Epiroc's unaudited consolidated interim financial information for the three months period ended March 31, 2018, with comparable figures derived from the unaudited combined interim financial information for the three months period ended March 31, 2017.
2) Derived from Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015.

## Condensed combined balance sheet

| | For the three months ended March 31[1] | | For the financial years ended December 31[2] | | |
|---|---|---|---|---|---|
| **(SEK million)** | **2018** | **2017** | **2017** | **2016** | **2015** |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 3,539 | 3,233 | 3,121 | 3,185 | 3,062 |
| Rental equipment | 1,205 | 1,279 | 1,215 | 1,370 | 1,404 |
| Other property, plant and equipment | 2,345 | 2,290 | 2,271 | 2,285 | 2,398 |
| Investments in associated companies and joint ventures | 94 | 32 | 94 | 15 | 16 |
| Other financial assets and receivables | 1,313 | 1,515 | 1,101 | 1,499 | 1,297 |
| Deferred tax assets | 407 | 349 | 407 | 347 | 435 |
| **Total non-current assets** | **8,903** | **8,698** | **8,209** | **8,701** | **8,612** |
| | | | | | |
| **Current assets** | | | | | |
| Inventories | 9,746 | 7,655 | 8,272 | 7,061 | 7,153 |
| Trade receivables and other receivables | 8,108 | 6,929 | 7,633 | 6,578 | 6,122 |
| Income tax receivables | 330 | 90 | 287 | 63 | 152 |
| Financial assets | 1,123 | 5,698 | 1,152 | 7,100 | 5,918 |
| Cash and cash equivalents | 2,255 | 615 | 1,808 | 481 | 461 |
| **Total current assets** | **21,562** | **20,987** | **19,152** | **21,283** | **19,806** |
| **TOTAL ASSETS** | **30,465** | **29,685** | **27,361** | **29,984** | **28,418** |
| | | | | | |
| **EQUITY** | | | | | |
| Share capital | 21 | 20 | 21 | 20 | 20 |
| Retained earnings | 16,024 | 17,321 | 12,081 | 15,793 | 14,815 |
| **Total equity attributable to owners of the parent** | **16,045** | **17,341** | **12,102** | **15,813** | **14,835** |
| | | | | | |
| Non-controlling interests | 45 | 6 | 6 | 0 | 94 |
| **TOTAL EQUITY** | **16,090** | **17,347** | **12,108** | **15,813** | **14,929** |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Interest-bearing loans | 3,868 | 4,268 | 2,250 | 4,193 | 4,169 |
| Post-employment benefits | 145 | 187 | 181 | 253 | 259 |
| Other liabilities | 17 | 10 | 10 | 9 | 9 |
| Provisions | 266 | 225 | 279 | 194 | 131 |
| **Total non-current liabilities** | **4,296** | **4,690** | **2,720** | **4,649** | **4,568** |
| | | | | | |
| **Current liabilities** | | | | | |
| Interest-bearing loans | 792 | 762 | 4,808 | 3,674 | 3,043 |
| Trade payables | 4,871 | 3,038 | 3,966 | 2,446 | 2,214 |
| Income tax liabilities | 585 | 799 | 436 | 535 | 748 |
| Other liabilities | 3,564 | 2,780 | 3,053 | 2,586 | 2,561 |
| Provisions | 267 | 269 | 270 | 281 | 355 |
| **Total current liabilities** | **10,079** | **7,648** | **12,533** | **9,522** | **8,921** |
| **TOTAL EQUITY AND LIABILITIES** | **30,465** | **29,685** | **27,361** | **29,984** | **28,418** |

1) Derived from Epiroc's unaudited consolidated interim financial information for the three months period ended March 31, 2018, with comparable figures derived from the unaudited combined interim financial information for the three months period ended March 31, 2017.
2) Derived from Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015.

## Condensed combined statement of cash flows

| | For the three months ended March 31[1] | | For the financial years ended December 31[2] | | |
|---|---|---|---|---|---|
| **(SEK million)** | **2018** | **2017** | **2017** | **2016** | **2015** |
| **Cash flows from operating activities** | | | | | |
| Operating profit | 1,515 | 1,414 | 5,949 | 4,548 | 5,175 |
| Adjustments for: | | | | | |
| Depreciation, amortization and impairment | 317 | 320 | 1,254 | 1,217 | 1,397 |
| Capital gain/loss and other non-cash items | –71 | –173 | –133 | –349 | –251 |
| Net financial items received/paid | 141 | –57 | –344 | –40 | 23 |
| Taxes paid | –321 | –86 | –666 | –511 | –294 |
| Pension funding and payment of pension to employees | –35 | –41 | –90 | –67 | –45 |
| **Cash flow before change in working capital** | **1,546** | **1,377** | **5,970** | **4,798** | **6,005** |
| ***Change in:*** | | | | | |
| Change in working capital | –465 | –79 | –423 | 895 | 417 |
| Increase in rental equipment | –178 | –120 | –793 | –677 | –899 |
| Sale of rental equipment | 76 | 77 | 422 | 386 | 335 |
| **Net cash from operating activities** | **979** | **1,255** | **5,176** | **5,402** | **5,858** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Investments in other property, plant and equipment | –129 | –108 | –424 | –293 | –368 |
| Sale of other property, plant and equipment | 10 | 13 | 70 | 58 | 453 |
| Investments in intangible assets | –103 | –49 | –289 | –287 | –313 |
| Acquisition of subsidiaries | –482 | –66 | –137 | – | – |
| Other investments, net | –137 | 1,362 | 6,323[3] | –1,283 | –2,947 |
| **Net cash from investing activities** | **–841** | **1,152** | **5,543** | **–1,805** | **–3,175** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Acquisition of non-controlling interest | – | 6 | 6 | –91 | – |
| Dividend paid to Atlas Copco | – | – | –5,178 | –380 | –299 |
| Change in interest-bearing liabilities | 275 | –2,854 | –889 | 510 | 433 |
| **Net cash from financing activities** | **275** | **–2,848** | **–6,061** | **39** | **134** |
| | | | | | |
| **Net cash flow for the period** | **413** | **–441** | **4,658** | **3,636** | **2,817** |
| Cash and cash equivalents (1 Jan.) | 1,808 | 481 | 481 | 461 | 530 |
| Exchange-rate difference in cash and cash equivalents | 34 | 1 | –39 | 39 | –27 |
| Other cash flow from transactions with shareholders[4] | – | 574 | –3,292 | –3,655 | –2,859 |
| **Cash and cash equivalents (end of period)** | **2,255** | **615** | **1,808** | **481** | **461** |

1) Derived from Epiroc's unaudited consolidated interim financial information for the three months period ended March 31, 2018, with comparable figures derived from the unaudited combined interim financial information for the three months period ended March 31, 2017.
2) Derived from Epiroc's audited combined financial statements for the financial years ended December 31, 2017, 2016 and 2015.
3) The increase in cash flow from investing activities in 2017 is mainly related to a reduction of funds placed with the Atlas Copco cash-pool.
4) Transactions with shareholders represents two main parts; the transfer of shareholdings of entities between Atlas Copco and Epiroc that has not been disclosed as external acquisitions in the cash flow, and transfer of other assets and liabilities without consideration.

## Selected key performance indicators

Some of the key performance measures presented below are so-called non-IFRS financial measures, i.e. financial measures that are not measures defined under IFRS. Epiroc believes these non-IFRS financial measures provide a better understanding of the trends of the financial performance and that such measures which are not calculated in accordance with IFRS are useful information to investors combined with other measures that are calculated in accordance with IFRS.
A non-IFRS financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. These non-IFRS financial measures are unaudited and should not be considered in isolation or as an alternative to performance measures derived in accordance with IFRS. In addition, such measures, as defined by Epiroc, may not be comparable to other similarly titled measures used by other companies. For a description of the calculation of the non-IFRS financial measures and the reason for use, see the section "*Selected financial information – Financial definitions*".

### Key performance indicators for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million unless otherwise stated** (unaudited unless otherwise stated) | **2018** | **2017[1]** | **2017** | **2016** | **2015** |
| **Orders received, revenues and profit** | | | | | |
| Orders received | 10,036 | 8,520 | 33,831 | 27,634 | 27,551 |
| Revenues[2] | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| Book to bill, % | 122 | 115 | 108 | 102 | 96 |
| Revenue growth, % | 11 | – | 16 | –5 | 4 |
| Organic revenue growth, % | 14 | – | 14 | –3 | –3 |
| EBITDA | 1,832 | 1,732 | 7,203 | 5,765 | 6,570 |
| EBITDA margin, % | 22.3 | 23.4 | 22.9 | 21.3 | 22.9 |
| EBITA | 1,608 | 1,499 | 6,286 | 4,836 | 5,548 |
| EBITA margin, % | 19.5 | 20.2 | 20.0 | 17.8 | 19.4 |
| Operating profit[2] | 1,515 | 1,414 | 5,949 | 4,548 | 5,175 |
| Operating margin, % | 18.4 | 19.1 | 18.9 | 16.8 | 18.1 |
| Profit before tax | 1,458 | 1,391 | 5,813 | 4,411 | 4,955 |
| Profit margin, % | 17.7 | 18.8 | 18.5 | 16.3 | 17.3 |
| Gross profit margin, % | 36.5 | 36.9 | 35.9 | 33.6 | 35.6 |
| | | | | | |
| **Capital structure** | | | | | |
| Average capital employed | 21,066 | – | 21,708 | 23,167 | 21,727 |
| Capital employed turnover ratio | 1.5 | – | 1.4 | 1.2 | 1.3 |
| Return on capital employed, 12 months % | 28.6 | – | 27.4 | 19.6 | 23.8 |
| Net working capital | 11,784 | 10,561 | 11,939 | 11,193 | 11,061 |
| Capital turnover ratio | 1.1 | – | 1.1 | 0.9 | 1.0 |
| Net debt | 2,550 | 420 | 5,423 | 1,986 | 2,419 |
| Net debt/EBITDA ratio | 0.35 | – | 0.75 | 0.34 | 0.37 |
| Net debt/equity ratio, % | 15.8 | 2.4 | 44.8 | 12.6 | 16.2 |
| Equity/assets ratio, % | 52.8 | 58.4 | 44.3 | 52.7 | 52.5 |
| Return on equity, 12 months % | 29.2 | – | 29.1 | 21.1 | 25.0 |
| | | | | | |
| **Cash flow** | | | | | |
| Operating cash flow | 666 | 1,111 | 4,610 | 4,880 | 5,630 |
| | | | | | |
| **Key figures per share** | | | | | |
| Operating cash flow per share, SEK | 0.5 | 0.9 | 3.8 | 4.0 | 4.6 |
| Equity per share, SEK | 13.3 | 14.3 | 10.0 | 13.0 | 12.3 |

1) Restated in accordance with IFRS 15.
2) Audited information for the years ended December 31, 2015, 2016 and 2017.

### Key performance indicators per segment

| SEK million unless otherwise stated (unaudited unless otherwise stated) | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| | 2018 | 2017[1] | 2017 | 2016 | 2015 |
| **Equipment & Services** | | | | | |
| Orders received | 7,442 | 6,200 | 24,574 | 19,413 | 19,213 |
| Revenues[2] | 5,943 | 5,220 | 22,459 | 18,898 | 20,317 |
| Revenue growth, % | 14 | – | 19 | –7 | – |
| Organic revenue growth, % | 16 | – | 17 | –5 | – |
| Organic revenue growth (Equipment), % | 21 | – | 26 | –7 | – |
| Organic revenue growth (Service), % | 12 | – | 9 | –2 | – |
| Operating profit[2] | 1,364 | 1,166 | 5,127 | 3,802 | 4,370 |
| Operating margin, % | 22.9 | 22.3 | 22.8 | 20.1 | 21.5 |
| | | | | | |
| **Tools & Attachments** | | | | | |
| Orders received | 2,550 | 2,341 | 9,047 | 7,947 | 8,109 |
| Revenues[2] | 2,245 | 2,161 | 8,738 | 7,925 | 8,088 |
| Revenue growth, % | 4 | – | 10 | –2 | – |
| Organic revenue growth, % | 7 | – | 8 | 0 | – |
| Operating profit[2] | 287 | 321 | 1,146 | 937 | 957 |
| Operating profit margin, % | 12.8 | 14.8 | 13.1 | 11.8 | 11.8 |

1) Restated in accordance with IFRS 15.
2) Audited information for the years ended December 31, 2015, 2016 and 2017.

## Reconciliation tables

The following tables provide a reconciliation of certain performance measures that are not defined under IFRS (alternative performance measures). For a description of the calculation of non-IFRS financial measures and the reason for the application, see section "*Selected financial information – Financial definitions*".

### Orders received for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017[1]** | **2017** | **2016** | **2015** |
| Orders received, previous period | 8,520 | – | 27,634 | 27,551 | – |
| Change in orders received, organic, % | 21 | – | 20 | 3 | – |
| Change in orders received, currency, % | –5 | – | 1 | –3 | – |
| Change in orders received, structure, % | 2 | – | 1 | 0 | – |
| Change in orders received, % | 18 | – | 22 | 0 | – |
| **Orders received** | **10,036** | **8,520** | **33,381** | **27,634** | **27,551** |

1) Restated in accordance with IFRS 15.

## Orders received per segment

| SEK million (unless otherwise stated) | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| | **2018** | **2017[1)]** | **2017** | **2016** | **2015** |
| **Equipment & Services** | | | | | |
| Orders received, previous period | 6,200 | – | 19,413 | 19,213 | – |
| Change in orders received, organic % | 22 | – | 24 | 4 | – |
| Change in orders received, currency, % | –5 | – | 3 | –3 | – |
| Change in orders received, structure % | 3 | – | 0 | 0 | – |
| Change in orders received, % | 20 | – | 27 | 1 | – |
| **Orders received** | **7,442** | **6,200** | **24,574** | **19,413** | **19,213** |
| | | | | | |
| **Tools & Attachments** | | | | | |
| Orders received, previous period | 2,341 | – | 7,947 | 8,109 | – |
| Change in orders received, organic % | 13 | – | 11 | 0 | – |
| Change in orders received, currency, % | –5 | – | 2 | –2 | – |
| Change in orders received, structure % | 1 | – | 1 | 0 | – |
| Change in orders received, % | 9 | – | 14 | –2 | – |
| **Orders received** | **2,550** | **2,341** | **9,047** | **7,947** | **8,109** |
| | | | | | |
| **Equipment** | | | | | |
| Orders received, previous period | 3,147 | – | 8,505 | 7,776 | – |
| Change in orders received, organic % | 30 | – | 42 | 11 | – |
| Change in orders received, currency, % | –5 | – | 1 | –2 | – |
| Change in orders received, structure % | 4 | – | 1 | 0 | – |
| Change in orders received, % | 29 | – | 44 | 9 | – |
| **Orders received** | **4,054** | **3,147** | **12,245** | **8,506** | **7,776** |
| | | | | | |
| **Service** | | | | | |
| Orders received, previous period | 3,053 | – | 10,907 | 11,437 | – |
| Change in orders received, organic % | 15 | – | 11 | –2 | – |
| Change in orders received, currency, % | –6 | – | 2 | –3 | – |
| Change in orders received, structure, % | 2 | – | 0 | 0 | – |
| Change in orders received, % | 11 | – | 13 | 5 | – |
| **Orders received** | **3,388** | **3,053** | **12,328** | **10,907** | **11,437** |

1) Restated in accordance with IFRS 15.

## Revenues for the Group

| SEK million (unless otherwise stated) | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| | **2018** | **2017[1)]** | **2017** | **2016** | **2015** |
| Revenues, previous period | 7,411 | – | 27,102 | 28,633 | – |
| Organic revenue growth, % | 14 | – | 14 | –3 | – |
| Currency, % | –5 | – | 1 | –2 | – |
| Structure, % | 2 | – | 1 | 0 | – |
| Revenue growth, % | 11,1 | – | 16 | –5 | – |
| **Revenues** | **8,233** | **7,411** | **31,440** | **27,102** | **28,663** |

1) Restated in accordance with IFRS 15.

## Revenues per segment

| SEK million (unless otherwise stated) | For the three months ended March 31 2018 | 2017[1)] | For the financial years ended December 31 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Equipment & Services** | | | | | |
| Revenues, previous period | 5,220 | – | 18,898 | 20,317 | – |
| Organic revenue growth, % | 16 | – | 17 | –5 | – |
| Currency, % | –5 | – | 2 | –2 | – |
| Structure, % | 3 | – | 0 | 0 | – |
| Revenue growth, % | 14 | – | 19 | –7 | – |
| **Revenues** | **5,943** | **5,220** | **22,459** | **18,898** | **20,317** |
| | | | | | |
| **Tools & Attachments** | | | | | |
| Revenues, previous period | 2,161 | – | 7,925 | 8,088 | – |
| Organic revenue growth, % | 7 | – | 8 | 0 | – |
| Currency, % | –4 | – | 1 | –2 | – |
| Structure, % | 1 | – | 1 | 0 | – |
| Revenue growth, % | 4 | – | 10 | –2 | – |
| **Revenues** | **2,245** | **2,161** | **8,738** | **7,925** | **8,088** |
| | | | | | |
| **Equipment** | | | | | |
| Revenues, previous period | 2,219 | – | 7,710 | 8,510 | – |
| Organic revenue growth, % | 21 | – | 26 | –7 | – |
| Currency, % | –4 | – | 1 | –2 | – |
| Structure, % | 4 | – | 1 | 0 | – |
| Revenue growth, % | 21 | – | 28 | –9 | – |
| **Revenues** | **2,678** | **2,219** | **9,849** | **7,710** | **8,510** |
| | | | | | |
| **Service** | | | | | |
| Revenues, previous period | 3,001 | – | 11,188 | 11,807 | – |
| Organic revenue growth, % | 12 | – | 9 | –2 | – |
| Currency, % | –5 | – | 4 | –3 | – |
| Structure, % | 2 | – | 0 | 0 | – |
| Revenue growth, % | 9 | – | 13 | –5 | – |
| **Revenues** | **3,265** | **3,001** | **12,610** | **11,188** | **11,807** |

1) Restated in accordance with IFRS 15.

## Book to bill for the Group

| SEK million (unless otherwise stated) | For the three months ended March 31 2018 | 2017[1)] | For the financial years ended December 31 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Orders received | 10,036 | 8,520 | 33,831 | 27,634 | 27,551 |
| Revenues | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| **Book to bill, %** | **122** | **115** | **108** | **102** | **96** |

1) Restated in accordance with IFRS 15.

## EBITA and EBITDA for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017[1)]** | **2017** | **2016** | **2015** |
| Operating profit | 1,515 | 1,414 | 5,949 | 4,548 | 5,175 |
| Amortization and impairment of intangibles | 93 | 85 | 337 | 288 | 373 |
| EBITA, operating profit before amortization | 1,608 | 1,499 | 6,286 | 4,836 | 5,548 |
| Depreciation of rental equipment | 109 | 118 | 457 | 470 | 498 |
| Depreciation of machinery and buildings | 115 | 115 | 460 | 459 | 524 |
| Total depreciation | 224 | 233 | 917 | 929 | 1,022 |
| **EBITDA** | **1,832** | **1,732** | **7,203** | **5,765** | **6,570** |

1) Restated in accordance with IFRS 15.

## EBITDA margin

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017[1)]** | **2017** | **2016** | **2015** |
| EBITDA | 1,832 | 1,732 | 7,203 | 5,765 | 6,570 |
| Revenues | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| **EBITDA margin, %** | **22.3** | **23.4** | **22.9** | **21.3** | **22.9** |

1) Restated in accordance with IFRS 15.

## EBITA margin

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017[1)]** | **2017** | **2016** | **2015** |
| EBITA | 1,608 | 1,499 | 6,288 | 4,836 | 5,548 |
| Revenues | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| **EBITA margin, %** | **19.5** | **20.2** | **20.0** | **17.8** | **19.4** |

1) Restated in accordance with IFRS 15.

## Operating margin for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017[1)]** | **2017** | **2016** | **2015** |
| Operating profit | 1,515 | 1,414 | 5,949 | 4,548 | 5,175 |
| Revenues | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| **Operating margin, %** | **18.4** | **19.1** | **18.9** | **16.8** | **18.1** |

1) Restated in accordance with IFRS 15.

## Operating margin per segment

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017**[1] | **2017** | **2016** | **2015** |
| **Equipment & Services** | | | | | |
| Revenues | 5,943 | 5,220 | 22,459 | 18,898 | 20,317 |
| Operating profit | 1,364 | 1,166 | 5,127 | 3,802 | 4,370 |
| **Operating margin, %** | **22.9** | **22.3** | **22.8** | **20.1** | **21.5** |
| | | | | | |
| **Tools & Attachments** | | | | | |
| Revenues | 2,245 | 2,161 | 8,738 | 7,925 | 8,088 |
| Operating profit | 287 | 321 | 1,146 | 937 | 957 |
| **Operating margin, %** | **12.8** | **14.8** | **13.1** | **11.8** | **11.8** |

1) Restated in accordance with IFRS 15.

## Profit margin for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017**[1] | **2017** | **2016** | **2015** |
| Profit before tax | 1,458 | 1,391 | 5,813 | 4,411 | 4,955 |
| Revenues | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| **Profit margin, %** | **17.7** | **18.8** | **18.5** | **16.3** | **17.3** |

1) Restated in accordance with IFRS 15.

## Gross profit margin for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017**[1] | **2017** | **2016** | **2015** |
| Gross profit | 3,007 | 2,737 | 11,283 | 9,099 | 10,200 |
| Revenues | 8,233 | 7,411 | 31,440 | 27,102 | 28,663 |
| **Gross profit margin, %** | **36.5** | **36.9** | **35.9** | **33.6** | **35.6** |

1) Restated in accordance with IFRS 15.

## Average capital employed for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017**[1] | **2017** | **2016** | **2015** |
| Total assets | 30,465 | 29,685 | 27,361 | 29,984 | 28,418 |
| Average total assets[2] | 29,257 | – | 29,052 | 29,201 | 27,626 |
| Non-interest-bearing liabilities and provisions | –9,570 | –7,121 | –8,014 | –6,051 | –6,019 |
| Average non-interest-bearing liabilities and provisions[3] | –8,191 | – | –7,344 | –6,034 | –5,899 |
| Capital employed | 20,895 | 22,564 | 19,347 | 23,933 | 22,400 |
| **Average capital employed**[4] | **21,066** | **–** | **21,708** | **23,167** | **21,727** |

1) Restated in accordance with IFRS 15.
2) The average total assets for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average total assets for 2016 and 2015, respectively, is calculated as an average of two periods.
3) The average non-interest-bearing liabilities and provisions for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average non-interest-bearing liabilities and provisions for 2016 and 2015, respectively, is calculated as an average of two periods.
4) The average capital employed for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average capital employed for 2016 and 2015, respectively, is calculated as an average of two periods.

## Capital employed turnover ratio for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017** | **2017** | **2016** | **2015** |
| Revenues, 12 months | 32,186 | – | 31,440 | 27,102 | 28,663 |
| Average capital employed[1] | 21,066 | – | 21,708 | 23,167 | 21,727 |
| **Capital employed turnover ratio** | **1.5** | **–** | **1.4** | **1.2** | **1.3** |

1) The average capital employed for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average capital employed for 2016 and 2015, respectively, is calculated as an average of two periods.

## Return on capital employed for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017** | **2017** | **2016** | **2015** |
| Operating profit, 12 months | 6,031 | – | 5,949 | 4,548 | 5,175 |
| Average capital employed[1] | 21,066 | – | 21,708 | 23,167 | 21,727 |
| **Return on capital employed, %** | **28.6** | **–** | **27.4** | **19.6** | **23.8** |

1) The average capital employed for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average capital employed for 2016 and 2015, respectively, is calculated as an average of two periods.

## Net working capital

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017[1]** | **2017** | **2016** | **2015** |
| Inventories | 9,746 | 7,655 | 8,272 | 7,061 | 7,153 |
| Trade receivables | 6,909 | 5,944 | 7,633 | 6,578 | 6,122 |
| Trade payables | –4,871 | –3,038 | –3,966 | –2,446 | –2,214 |
| **Net working capital** | **11,784** | **10,561** | **11,939** | **11,193** | **11,061** |

1) Restated in accordance with IFRS 15.

## Capital turnover ratio for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017** | **2017** | **2016** | **2015** |
| Revenues, 12 months | 32,186 | – | 31,440 | 27,102 | 28,663 |
| Average total assets[1] | 29,257 | – | 29,052 | 29,201 | 27,626 |
| **Capital turnover ratio** | **1.1** | **–** | **1.1** | **0.9** | **1.0** |

1) The average total assets for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average total assets for 2016 and 2015, respectively, is calculated as an average of two periods.

## Net debt, net debt/equity ratio and net debt/EBITDA ratio for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017**[1] | **2017** | **2016** | **2015** |
| Interest-bearing liabilities and post-employment benefits | 4,805 | 5,216 | 7,239 | 8,120 | 7,471 |
| Cash and cash equivalents | –2,255 | –615 | –1,808 | –481 | –461 |
| Other financial assets (receivables Atlas Copco) | – | –4,181 | –7 | –5,653 | –4,591 |
| **Net debt** | **2,550** | **420** | **5,423** | **1,986** | **2,419** |
| Total equity | 16,090 | 17,347 | 12,108 | 15,813 | 14,929 |
| **Net debt/equity ratio, %** | **15.8** | **2.4** | **44.8** | **12.6** | **16.2** |
| EBITDA, 12 months | 7,284 | – | 7,203 | 5,765 | 6,566 |
| **Net debt/EBITDA ratio** | **0.35** | **–** | **0.75** | **0.34** | **0.37** |

1) Restated in accordance with IFRS 15.

## Equity/assets ratio for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017**[1] | **2017** | **2016** | **2015** |
| Total equity | 16,090 | 17,347 | 12,108 | 15,813 | 14,929 |
| Total assets | 30,465 | 29,685 | 27,361 | 29,984 | 28,418 |
| **Equity/assets ratio, %** | **52.8** | **58.4** | **44.3** | **52.7** | **52.5** |

1) Restated in accordance with IFRS 15.

## Return on equity

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017** | **2017** | **2016** | **2015** |
| Net profit, 12 months | 4,328 | – | 4,313 | 3,231 | 3,571 |
| Average total equity[1] | 14,818 | – | 14,806 | 15,324 | 14,306 |
| **Return on equity, %** | **29.2** | **–** | **29.1** | **21.1** | **25.0** |

1) The average total equity for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average total equity for 2016 and 2015, respectively, is calculated as an average of two periods.

## Operating cash flow and Operating cash flow per share for the Group

| | For the three months ended March 31 | | For the financial years ended December 31 | | |
|---|---|---|---|---|---|
| **SEK million** (unless otherwise stated) | **2018** | **2017**[1] | **2017** | **2016** | **2015** |
| Cash flow from operating activities | 979 | 1,255 | 5,176 | 5,402 | 5,858 |
| Net cash from investing activities | –841 | 1,152 | 5,543 | –1,805 | –3,175 |
| Acquisitions of subsidiaries | 482 | 66 | 137 | – | – |
| Other adjustments[2] | 46 | –1,362 | –6,246 | 1,283 | 2,947 |
| **Operating cash flow** | **666** | **1,111** | **4,610** | **4,880** | **5,630** |
| Number of shares, million | 1,212 | 1,212 | 1,212 | 1,212 | 1,212 |
| **Operating cash flow per share, SEK** | **0.5** | **0.9** | **3.8** | **4.0** | **4.6** |

1) Restated in accordance with IFRS 15.
2) Mainly changes in the cash-pool with Atlas Copco and currency hedges of loans.

## Financial definitions

| Non-IFRS measures | Description | Reason for use |
|---|---|---|
| **Orders received** | Orders received is all orders received for immediate delivery and those orders received for future delivery for which delivery dates and quantities have been confirmed. | Gives an indication of upcoming revenues and production. |
| **Revenue growth** | Revenue growth is the increase in revenues compared to the previous period in percent of revenues of the previous period. | Revenue growth provides an understanding of the Group's revenue development. |
| **Organic revenue growth** | Organic revenue growth is sales growth that excludes translation 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. |
| **Book to bill** | Book to bill is orders received divided by revenues. | Book to bill is an indicator of demand trends. |
| **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. |
| **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 is valuable to indicate the business' cash generating ability. |
| **EBITDA margin** | EBITDA margin is EBITDA as a percentage of revenues. | EBITDA margin shows Epiroc's business' performance, adjusted for the effect of depreciation and amortization, in relation to revenues. Valuable to indicate Epiroc's cash generating ability. |
| **EBITA** | EBITA is operating profit before amortization. | EBITA shows the business' performance, adjusted for the effect of amortization, in relation to sales, which is a measurement of the profitability in Epiroc's operational business. |
| **EBITA margin** | EBITA margin is EBITA as a percentage of revenues. | EBITA margin shows Epiroc's business' performance, adjusted for the effect of amortization, in relation to revenues. Valuable to indicate Epiroc's cash generating ability. |
| **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. |
| **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 of the entire Company. |
| **Average capital employed** | Average capital employed is the average total assets[1] less average non-interest-bearing liabilities/provisions. | Average capital employed shows how much of the total capital is utilized to run the operations. |
| **Capital employed turnover ratio** | Capital employed turnover ratio is revenues[2] divided by the average capital employed.[3] | Capital employed turnover ratio shows how efficiently Epiroc generates revenues from the capital utilized to run the operations. |

1) The average total assets for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average total assets for 2016 and 2015, respectively, is calculated as an average of two periods.
2) Revenues has been calculated based on the 12 months value.
3) The average capital employed for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average capital employed for 2016 and 2015, respectively, is calculated as an average of two periods.

| Non-IFRS measures | Description | Reason for use |
|---|---|---|
| **Return on capital employed** | Return on capital employed is operating profit[1] as a percentage of average capital employed.[2] | Return on capital employed measures how efficiently Epiroc generates profits from the capital utilized to run operations. |
| **Net working capital** | Net working capital is inventories and trade receivables less trade payables. | Net working capital measures the Company's liquidity and capital efficiency. |
| **Capital turnover ratio** | Capital turnover ratio is revenues[3] divided by average total assets.[4] | 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[5]. | Net debt/EBITDA ratio is a measure of financial risk which 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 helps showing 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 show how much of Epiroc's total assets that has been financed with equity. |
| **Return on equity** | Return on equity is net profit[6] divided by total equity, calculated as the 12 months value. | Return on equity shows the Company's abilities to generate return on the investments made by its shareholders. |
| **Equity per share** | Equity per share is equity including non-controlling interests divided by the average number of shares outstanding. | Equity per share provides for a possibility to compare book value with market value. |
| **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. Other adjustments are mainly changes in the cash-pool with Atlas Copco and currency hedges of loans. | Operating cash flow shows 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) Operating profit has been calculated based on the 12 months value.
2) The average capital employed for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average capital employed for 2016 and 2015, respectively, is calculated as an average of two periods.
3) Revenues has been calculated based on the 12 months value.
4) The average total assets for the three months ended 31 March 2018 and the financial year ended 31 December 2017 is calculated as an average of five quarters, and the average total assets for 2016 and 2015, respectively, is calculated as an average of two periods.
5) EBITDA has been calculated based on the 12 months value.
6) Net profit has been calculated based on the 12 months value.

# Operational and financial review

*The following information should be read together with the Group's selected consolidated financial and operating data and the combined financial statements and notes included elsewhere in this Prospectus. The following discussion contains forward looking statements that reflect the Group's plans, estimates and beliefs. The Group's actual results could differ materially from those discussed in these forward looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in "Risk Factors".*

*Forward-looking information refers to all statements in the Prospectus which do not refer to historical facts and events, and statements which are attributable to the future, such as expressions as "deem", "assess", "expect", "await", " judge", "assume", "predict", "can", "will", "shall", "should or ought to", "according to estimates", "consider", "may", "plan", "potential", "calculate", "as far as is known" or similar expressions suitable for identifying information that refers to future events. Forward-looking statements are based on current estimates and assumptions. Such forward-looking statements are subject to risks, uncertainties and other factors which may result in actual results deviating considerably from the results which expressly or indirectly form the basis of, or are described in, statements, or may result in the expectations which, expressly or indirectly, form the basis of or are described in statements not being met or turning out to be less advantageous.*

*Unless otherwise stated, the selected financial information presented below has been derived from (i) Epiroc's audited combined financial statements as of and for the financial years ended 31 December 2017, 2016 and 2015 which have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"), and audited by Epiroc's independent auditors, as set forth in their report included therewith and (ii) Epiroc's unaudited consolidated interim financial report as of and for the three months period ended 31 March 2018, with comparable figures for the three months period ended 31 march 2017, which have been prepared in accordance with IAS34, as adopted by the EU, and reviewed by Epiroc's independent auditors, as set forth in their review report included therewith.*

*Financial terms not defined in the following section have the same meaning as defined in the sections "Selected financial information" and "Definitions".*

## Factors affecting Epiroc's operating results

Epiroc's results have been, and will continue to be, affected by a number of factors, some of which are beyond Epiroc's control. Presented below is a description of the key factors that Epiroc considers to have affected the results of operations during the periods addressed in this section and which can be expected to continue to affect Epiroc's results in the future:

- Demand, market conditions and commodity prices
- Sales volume, pricing and mix
- Aftermarket business
- Research and development
- Market positions
- Efficiency and cost control
- Production capacity
- Currency effects
- Financing costs
- Acquisitions and divestments
- Epiroc as an independent company

### Demand, market conditions and commodity prices

Epiroc's earnings and cash flow is affected by the demand for the Group's products and services. Demand is driven by the development of the global mining, infrastructure and natural resources industries and the penetration of service. The majority of Epiroc's revenues is linked to the aftermarket and customers' operational expenditure.

The development of the mining industry is dependent on the global economy, commodity prices and demand for the natural resources produced by mines. Every mine has a different cost of production, which is determined by a number of factors such as ore grades, the depth of a mine and the efficiency of operations. For each mine, there is a trade-off between the cost to produce and the market price of the mineral that is extracted, which determines profitability. If market prices drop below the production cost, a mine will become unprofitable. Similarly, it might become profitable to invest in mines that have previously had a cost above the market price when commodity prices increase. Thus, mining companies tend to expand and invest in equipment during periods of high commodity prices and reduce their investments, focus on efficiency and cost-savings, and sometimes reduce production in times of lower commodity prices. Exploration for natural resources resembles the mining industry, where exploration companies tend to expand and prospect when commodity prices are high.

The infrastructure industry is driven by government and private sector focus on trends such as mobility, population growth, urbanization and sustainability with required investments in water, energy, transport and communications infrastructure. As an example, rapid urbanization leads to a rise of "megacities" where population growth has outstripped growth in the supporting infrastructure, resulting in the requirement to make further infrastructure investments. Furthermore, infrastructure needs renewal every now and then, which drives the infrastructure industry. These trends, in combination with government spending on large infrastructure projects to support economic development are major demand drivers in the industry.

For a more detailed description of central market drivers that are expected to impact Epiroc's earnings in the future, see the section "*Market overview*".

### Sales volume, pricing and mix

The sales volume is driven by the market conditions described in "*Operational and financial review – Demand, market conditions and commodity prices*" and has an effect on revenues, earnings and cash flow. Epiroc conducts strategic reviews of prices, which also have an effect on revenues, earnings and cash flow, in order to determine the right pricing policy. Epiroc's products are affected by changes to cost inputs such as commodity prices. In general, the Group strives to pass through such adjustments to customers. Although there are general features of Epiroc's product and service offering, products and services are to some extent customized for a specific customer, meaning that pricing needs to be adapted on an individual basis. In addition, the product, service and geographical mix has an effect on Epiroc's revenues and earnings and cash flow since the Group's products and services have different profit margins and the mix may also vary per geography.

### Aftermarket business

In addition to Epiroc's equipment, the Group offers a wide range of services and aftermarket solutions. The aftermarket business, consisting of the revenues of services spare parts and consumables, is material to Epiroc's earnings and cash flow, an integral part of the customer offering and is a vital part of Epiroc's strategy. The business adds stability to Epiroc's revenues, earnings and cash flow since it is a necessity for the customers' running operations regardless of the general economic climate or commodity price levels as opposed to investments in equipment. The aftermarket offering differs by product type and ranges from complete service contracts on entire production facilities such as a mine, to pay-as-you-go services and spare parts. For more information about Epiroc's service offering, see the section "*Business description*".

### Research and development

A key factor for Epiroc's success is its ability to develop new products that serve customer needs and increase their productivity. Investments in product development and innovation leads to a stronger and more competitive range of products, which makes it possible for Epiroc to retain its competitiveness and pricing.

For Epiroc, product development starts and ends with the customer in mind. The Group's selling organization has a continuous interaction with customers in order to understand their needs. Research and development ("R&D") activities within Epiroc are decentralized to leverage specific product knowledge. Continued investments in research and development are paramount to Epiroc's future profitability. For additional information about Epiroc's activities in product development and innovation, see the section "*Business description*".

### Market positions

Strong market positions are important for Epiroc to remain profitable. Epiroc has the vision to be a market leader in the niche segments in which the Group is present. In order to achieve this, Epiroc focuses on applications where its equipment is performance critical and where customers focus on total cost of ownership. The equipment shall be of high quality and be crucial for the customer's productivity and success. The Group's customer offering has historically generated strong market positions and to maintain these, Epiroc focuses on innovation by leveraging new digital technology and over a century of knowledge in mining and infrastructure equipment. For further information, see the sections "*Business description*" and "*Market overview*".

### Efficiency and cost control

Epiroc's ability to maintain operational efficiency and cost control affects the Group's earnings and cash flow. The Group's operational efficiency is determined by its production process, sourcing and logistics infrastructure, ability to generate cost synergies, efficient resource allocation as well as innovation (both in terms of production-friendly products and the production process itself). Epiroc continuously evaluate ways to enhance operational efficiency throughout its entire value chain, thereby lowering costs and improving competitiveness and earnings. In recent years, Epiroc has implemented a number of strategic initiatives in production to enhance efficiency, reduce the cost base and improve earnings and cash flow. For example, at several of the production locations there has been a shift from assembly stations to assembly lines to increase efficiency and agility in the in-house production.

### Production capacity

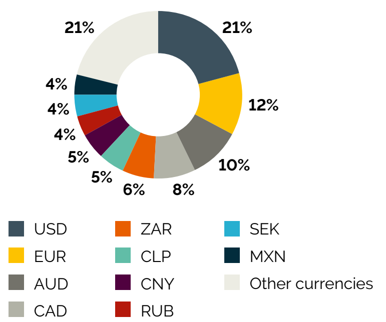
Epiroc's earnings and cash flow are affected by the Group's production capacity in relation to the demand for its products. Epiroc strives to have a cost efficient and agile production that can adjust to fluctuations in volume when needed. Epiroc continuously evaluates its production processes to determine which processes that should be conducted in-house and which ones that could be outsourced. A large part of the production is conducted by sub-contractors, which enhances production flexibility. During the last couple of years, Epiroc has improved production processes and consolidated the production facilities to have a suitable manufacturing footprint for serving its customers in an efficient way and meet future volume variations.

### Currency effects

Since Epiroc is a global company with sales in approximately 150 countries worldwide, Epiroc's earnings and cash flow are affected by changes in exchange rates. Currency fluctuations may expose Epiroc to transaction and translation risks that have an effect on the Group's earnings and cash flow. Transaction exposure primarily arises when the revenues from sales of Epiroc's products are generated in different countries and currencies than the costs while translation risk arises when translating the results and balance sheets of foreign subsidiaries into SEK.

In 2017, Epiroc's revenues outside Sweden represented about 96 percent of total revenues, meaning that the Group's revenues and profit, when translated to SEK, can partly be explained by the trend in the SEK exchange rate in relation to major export currencies.

*Share of revenues 2017 by currency*




### Financing costs

Epiroc's earnings and cash flow are affected by financing costs, of which, primarily interest expenses. The interest expenses are dependent on interest-bearing liabilities, interest rates and currency fluctuations. The Group has set financial targets to ensure that the Group is stable and has a healthy level of financial debt (see the section "*Business description – Financial goals and dividend policy*"). The Group has a policy to diversify the maturity profile of its liabilities to ensure that large amounts do not need to be refinanced simultaneously. Epiroc favors short interest rate duration, which can give higher volatility of net interest costs compared to long duration. High interest rates tend to reflect a strong macroeconomic environment, when the Group generally enjoys higher profits and thus can absorb higher interest costs. At the date of publication of this prospectus, Epiroc's interest bearing liabilities are denominated in SEK. For more information, see the section "*Operational and financial review – Liquidity and capital resources*".

### Acquisitions and divestments

Epiroc has historically managed to combine organic growth and growth through acquisitions. Epiroc only acquires companies that have a clear relation to the Group's strategic roadmap, with the aim to strengthen the Group's market position and/or complement the Group's portfolio of product and service offerings. Epiroc has previously executed a number of acquisitions and the Group works actively to make acquired businesses an integrated part of Epiroc. Epiroc continuously works to identify and evaluate new investment opportunities and selective acquisitions are expected to continue to contribute to Epiroc's growth going forward.

### Epiroc as an independent company

After the separation, Epiroc will become an independent company from Atlas Copco, which means that Epiroc will have its own head office and central functions for managing the Group's activities. This will probably lead to higher administrative costs for Epiroc as an independent company compared to when it was part of the Atlas Copco group. Epiroc has also established administrative capabilities to independently meet stock market expectations of information disclosure (investor relations activities) and the formal and legal requirements entailed by a listing on the stock exchange, such as publication of public financial reports, holding of Annual General Meetings, etc. Furthermore, the Group will establish separate functions for managing treasury, group consolidation and other processes that were formerly conducted by Atlas Copco, such as a group tax and legal function. Epiroc will also have performance based personnel opition plans in place (for further information see "*Corporate governance – President and CEO and executive management – Remuneration for members of the board of directors and executive management*").

The majority of the functions and processes created to turn Epiroc into an independent company, separated from Atlas Copco, have gradually been established in 2017 and 2018, meaning that historical figures related to these ongoing cost items are not fully representative. The Group believes that 2019 will be the first full-year in which the full effects on the costs related to the new functions and processes can be observed. In 2018 costs will be affected by non-recurring items such as costs related to the separation from Atlas Copco. Furthermore, Epiroc signed financing agreements with banks on April 25, 2018 to secure financing as an independent company. This means that historical financial figures related to interest-bearing liabilities, taxes and financial net is not representative of the effect from such financing agreement. In connection with the listing of the Epiroc shares, Epiroc's current financing will be refinanced with a bank bridge loan and existing cash, which is further described in the section "*Capital structure and other financial information*".

### Changes in accounting principles

*IFRS 15*

The International Accounting Standards Board (IASB) has issued a new accounting standard (IFRS 15) that affects Epiroc's reporting from January 1, 2018 and going forward.

This new standard will replace existing revenue recognition standards and establishes a five-step model to account for revenue from contracts with customers. Revenue recognized will reflect the expected and entitled consideration for transferring goods and/or services to customers.

The Group performed an assessment of the effects of IFRS 15 during 2016 and 2017. The below implications have been identified to effect the timing of revenue from contracts with customers. The net impact on Equity on January 1, 2017 is SEK –47 million. The net impact for 2017 on revenues, operating profit and net profit is SEK –76 million, SEK –19 million, and SEK –15 million, respectively.

Sales of goods: In some cases, the Group has made a different assessment of when control has passed to the customer compared to when risk and rewards have passed to the customer.

Rendering of service: Due to the more detailed requirements for determining whether goods or services are performance obligation under IFRS 15, the assessment of identified performance obligation might differ from identified deliverables according to the current revenue recognition standard.

Variable consideration: Some contracts with customers provide a right of return, volume rebate or variable prices depending on certain factors. In order to prevent over-recognition of revenue, IFRS 15 requires estimated variable consideration to be constrained.

In addition to the adjustments described above, on the implementation of IFRS 15, other items of the financial statement such as deferred tax and operations and exchange difference on translation of foreign operations will be affected and adjusted accordingly.

The new IFRS standard also requires that the first quarter of 2017 is restated.

*IFRS 16*

The International Accounting Standards Board (IASB) has issued a new accounting standard (IFRS 16) that affects Epiroc's reporting from January 1, 2019 and going forward.

The new standard defines the principles for recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The main changes in the accounting treatment compared to the current standard relates to the lessee. IFRS 16 introduces a single accounting model and requires the recognition of substantially all leases in the balance sheet, including a separation of depreciation of lease assets from interest on lease liabilities in the income statement.

The Group has during 2017 and 2018 made a preliminary assessment of the effects of IFRS 16 and will continue to assess the effect during 2018. Epiroc will be affected by IFRS 16 primarily through its commitments as operational lessee. The information provided in note 22 in the section "*Historical financial information*" gives an indication on the extent that existing lease agreements are affected.

## Key items in the income statement

### Revenues

Revenues refer to the remuneration received or the sale of goods and services sold within Epiroc's ordinary activities and mainly comprise of equipment, tools and services. Revenues are measured at the fair value of the consideration received or receivable and reduced for value added tax, estimated customer returns, discounts and other similar deductions.

### Cost of goods sold

Cost of goods sold consists primarily of expenses related to purchased components and raw material, labor costs associated with production, transportation costs, depreciation of tangible assets, changes in inventory or finished products and products in progress and other operating expenses.

### Administrative expenses

Administrative expenses refer to management compensation and central functions such as Finance, Human Resources as well as Logistics activities and IS/IT.

### Marketing expenses

Marketing expenses refer to expenses related to marketing and sales.

### Research and development expenses (R&D)

Research and development (R&D) expenses refer to expenses related to the research and development of new products and processes that Epiroc can benefit from. Expenditures on development activities are expensed as incurred unless the activities meet certain criteria for being capitalized. For more information regarding capitalized development, see the section "*Operational and financial review – Liquidity and capital resources – Capital expenditures*".

### Other operating income and expenses

Other operating income and expenses are income and expense that are not related to administration, marketing, or research and development. This includes commissions, capital gains and losses as well as exchange rate differences on receivables and liabilities denominated in foreign currencies that are revalued using the foreign exchange rate at the balance sheet date.

### Financial items

Financial items consist of financial income and financial expenses. Financial income items include interest income in the form of cash and cash equivalents and finance lease receivables, capital gains, change in fair values of other assets and foreign exchange gains. Financial expense items include interest expense on borrowings, net pension provisions, deferred considerations, capital losses, change in fair value of other liabilities and borrowings, impairment losses and foreign exchange losses.

### Tax

Tax expense for the period encompasses current and deferred tax. The current tax expense is calculated on the basis of the tax regulations applicable on the closing date in those countries where the parent company and its subsidiaries are active and generate taxable income. Current tax also includes adjustments relating to recognized current tax from prior periods. Deferred tax is calculated based on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carryforwards, insofar as it is probable that these can be utilized against future taxable profits.

## Comparison between the period January–March 2018 and January–March 2017

### Orders received

Orders received for the first quarter of 2018 amounted to SEK 10,036 million compared to SEK 8,520 million in the first quarter of 2017, which represents an increase of SEK 1,516 million or 17.8 percent. Organic growth was 21 percent. Orders received increased in all geographic regions. Africa/Middle East followed by South America had the highest growth rates in the quarter.

In addition to the organic growth, orders received were also supported by a positive effect from acquisitions and contract manufacturing of road construction equipment of 2 percent while there was a negative currency effect of 5 percent.

#### *Equipment & Service*

Orders received for the first quarter of 2018 amounted to SEK 7,442 million compared to SEK 6,200 million in the first quarter of 2017, which represents an increase of SEK 1,242 million or 20.0 percent. Organic growth was 22 percent. Acquisitions and contract manufacturing of road construction equipment contributed with 3 percent while there was a negative currency effect of 5 percent.

Geographically, orders received increased in all regions. Africa/Middle East outperformed the other regions in relative terms, followed by South America.

Equipment had an organic growth of 30 percent. The order growth for equipment was primarily related to expansion investments in or adjacent to existing mines with a particularly positive development for rock drilling equipment for surface applications.

The service business increased its orders received by 15 percent organically.

#### *Tools & Attachments*

Orders received for the first quarter of 2018 amounted to SEK 2,550 million compared to SEK 2,341 million in the first quarter of 2017, which represents an increase of SEK 209 million or 8.9 percent. The business environment in both the infrastructure and mining industry continued to be good with a high level of activity in almost all markets. The demand for rock drilling tools increased, primarily due to higher activity among mining customers. Organic growth was 13 percent. Acquisitions contributed with 1 percent while there was a negative currency effect of 5 percent.

Geographically the order intake increased in all regions with the highest growth in North America.

### Revenues

Revenues for the first quarter of 2018 amounted to SEK 8,233 million compared to SEK 7,411 million in the first quarter of 2017, which represents an increase of SEK 822 million or 11.1 percent. Organic growth was 14 percent. All geographic regions, except South America, achieved growth. The highest growth rate was achieved in Asia/Australia, with approximately 35 percent growth. The book to bill was 122 percent.

Acquisitions and contract manufacturing of road construction equipment affected revenue growth positively by 2 percent and exchange rate effects decreased revenues by 5 percent

#### *Equipment & Service*

Revenues for Equipment & Service for the first quarter of 2018 amounted to SEK 5,943 million compared to SEK 5,220 million in the first quarter of 2017, which represents an increase of SEK 723 million or 13.9 percent. Organic revenue growth was 16 percent. Equipment had an organic growth of 21 percent and the service business had an organic growth of 12 percent. Geographically, Asia/Australia had the segment's highest revenues in the quarter. The book to bill was 125 percent.

Acquisitions and contract manufacturing of road construction equipment affected revenue growth positively by 3 percent and exchange rate effects decreased revenues by 5 percent.

#### *Tools & Attachments*

Revenues for Tools & Attachments for the first quarter of 2018 amounted to SEK 2,245 million compared to SEK 2,161 million in the first quarter of 2017, which represents an increase of SEK 84 million or 3.9 percent. Organic revenue growth was 7 percent. The book to bill was 114 percent.

Acquisitions contributed to revenues with 1 percent. Exchange rate effects decreased revenues by 4 percent.

### Cost of goods sold

Cost of goods sold for the first quarter of 2018 amounted to SEK 5,226 million compared to SEK 4,674 million in the first quarter of 2017, which represents an increase of SEK 552 million or 11.8 percent. The increase in costs of goods sold was primarily driven by higher revenue volume and increased raw material costs.

### Gross profit

As a result of the revenues and cost of goods sold development, gross profit for the first quarter of 2018 amounted to SEK 3,007 million compared to SEK 2,737 million in the first quarter of 2017, which represents an increase of SEK 270 million or 9.9 percent. The increase in gross profit was primarily driven by volume. During the same period, the gross profit margin decreased to 36.5 percent from 36.9 percent. The gross profit margin was negatively impacted by currency.

### Administrative expenses
Administrative expenses for the first quarter of 2018 amounted to SEK 564 million compared to SEK 533 million in the first quarter of 2017, which represents an increase of SEK 31 million or 5.8 percent. The increase in administrative expenses was primarily driven by volume and by the build-up of corporate functions. The costs for Epiroc Group's corporate functions was approximately SEK 45 million in the first quarter 2018. This was partly offset by the change in a provision for share-based long-term incentive programs, which was SEK 0 million compared to SEK –45 million in the first quarter 2017.

### Marketing expenses
Marketing expenses for the first quarter of 2018 amounted to SEK 600 million compared to SEK 561 million in the first quarter of 2017, which represents an increase of SEK 39 million or 7.0 percent. The increase in marketing expenses was primarily driven by volume and investments in the Epiroc organization.

### Research and development expenses
Research and development expenses for the first quarter of 2018 amounted to SEK 222 million compared to SEK 190 million in the first quarter of 2017, which represents an increase of SEK 32 million or 16.8 percent. The increase in research and development expenses was primarily driven by increased activity in product development.

### Other operating income and expenses
Other operating income and expenses for the first quarter of 2018 amounted to a net expense of SEK 106 million compared to a net expense of SEK 39 million in the first quarter of 2017. The SEK 95 million one-off costs related to the split from Atlas Copco and the listing process is the main explanation for the increased expense.

### Operating profit
Operating profit for the first quarter of 2018 amounted to SEK 1,515 million compared to SEK million 1,414 in the first quarter of 2017, which represents an increase of SEK 101 million or 7.1 percent. The increase in operating profit was primarily driven by volume, but was negatively impacted by currency and by SEK 95 million one-off costs related to the split from Atlas Copco and the listing process. Previous year includes a change in provision for share-based long-term incentive programs of SEK –45 million. The costs for Epiroc Group's corporate functions was approximately SEK 45 million in the quarter.

The reported operating margin decreased to 18.4 percent from 19.1 percent in the first quarter 2017 and was positively affected by volume, but negatively affected by currency and one-off costs. The one-off costs corresponded to 1.2 percent of revenues.

#### *Equipment & Service*
Operating profit for Equipment & Service in the first quarter of 2018 amounted to SEK 1,364 million compared to SEK 1,166 million in the first quarter of 2017, which represents an increase of SEK 198 million or 17.0 percent. The increase in operating profit was primarily driven by volume. During the same period, the operating margin increased from 22.3 percent to 22.9 percent.

#### *Tools & Attachments*
Operating profit for Tools & Attachments in the first quarter of 2018 amounted to SEK 287 million compared to SEK 321 million in the first quarter of 2017, which represents a decrease of SEK 34 million or 10.6 percent. During the same period, the operating margin decreased from 14.8 percent to 12.8 percent. The operating profit margin was negatively impacted by raw material costs and currency.

#### *Other – Common Group Functions and Eliminations*
Operating profit for *Other – Common Group Functions and Eliminations* in the first quarter of 2018 amounted to SEK –136 million compared to SEK –73 million in the first quarter of 2017, which represents a decrease of SEK 63 million primarily from one-time costs related to the split from Atlas Copco and the listing process of SEK 95 million together with increased corporate costs which was approximately SEK 45 million in total in the quarter. Previous year also includes a change in provision for the share-based long-term incentive programmes of SEK –45 million.

### Financial items
Financial income for the first quarter of 2018 amounted to SEK 51 million compared to SEK 53 million in the first quarter of 2017, representing a decrease of SEK 2 million or 3.8 percent. Financial expenses for the first quarter of 2018 amounted to SEK 108 million compared to SEK 76 million in the first quarter of 2017, which represents an increase of SEK 32 million or 42.1 percent. Net financial items for the first quarter of 2018 amounted to an expense of SEK 57 million compared to an expense of SEK 23 million in the first quarter of 2017, which represents an increase of SEK 34 million or 147.8 percent.

### Profit before tax
Profit before tax for the first quarter of 2018 amounted to SEK 1,458 million compared to SEK 1,391 million in the first quarter of 2017, which represents an increase of SEK 67 million or 4.8 percent. The increase in profit before tax was primarily driven by an increased operating profit. The profit margin was 17.7 percent in the first quarter of 2018 compared to 18.8 percent in the first quarter of 2017.

### Tax
Tax expense for the first quarter of 2018 amounted to SEK 377 million compared to SEK 342 million in the first quarter of 2017, which represents an increase of SEK 35 million or 10.2 percent. Tax expense for the first quarter of 2018, corresponded to an effective tax rate of 25.9 percent compared to 24.6 percent in the first quarter of 2017.

### Profit for the period
Net profit for the first quarter of 2018 amounted to SEK 1,081 million compared to SEK 1,049 million in the first quarter of 2017, which represents an increase of SEK 32 million or 3.1 percent. In the first quarter of 2018, SEK 1,079 million was attributable to owners of the parent compared to SEK 1,049 million in the first quarter of 2017.

## Comparison between the fiscal years 2017 and 2016

### Orders received

Orders received for 2017 amounted to SEK 33,831 million compared to SEK 27,634 million for 2016, which represents an increase of SEK 6,197 million or 22.4 percent. Organic growth was 20 percent. In addition to the organic growth, orders received were also supported by a positive effect from acquisitions of 1 percent and a positive currency effect of 1 percent.

#### *Equipment & Service*

Orders received for the 2017 amounted to SEK 24,574 million compared to SEK 19,413 million in 2016, which represents an increase of SEK 5,161 million or 26.6 percent. Organic growth was 24 percent and there was a positive currency effect of 3 percent.

Equipment had an organic growth of 42 percent. The order growth for equipment was primarily related to expansion investments in or adjacent to existing mines and replacement investments. The order intake showed strong growth for most types of underground and surface equipment.

The service business increased its orders received by 11 percent organically with growth in all geographic regions.

#### *Tools & Attachments*

Orders received for 2017 amounted to SEK 9,047 million compared to SEK 7,947 million in 2016, which represents an increase of SEK 1,100 million or 13.8 percent. Organic growth was 11 percent. Acquisitions contributed with 1 percent and a postitive currency effect with 2 percent.

### Revenues

Revenues for 2017 amounted to SEK 31,440 million compared to SEK 27,102 million in 2016, which represents an increase of SEK 4,338 million or 16.0 percent. Organic revenue growth was 14 percent. All geographic regions achieved growth, with the highest growth rate in Asia/Australia and South America, both with approximately 20 percent growth. North America and Europe had growth in line with the Group, while Africa/Middle East had the relatively lowest growth rate.

In addition to the organic growth, revenues were also supported by a positive currency effect of 1 percent and by acquisitions contributing with 1 percent.

#### *Equipment & Service*

Revenues for Equipment & Service in 2017 amounted to SEK 22,459 million compared to SEK 18,898 million in 2016, which represents an increase of SEK 3,561 million or 18.8 percent. Organic revenue growth was 17 percent. The organic growth was driven by an organic growth of 26 percent for equipment and also by an organic growth of 9 percent for the spare parts and service business. Currency effects increased revenues by 2 percent. The demand for equipment from customers in the mining and infrastructure industries improved, driven primarily by expansion and replacement investments in existing mines. Most types of equipment achieved strong growth, with the strongest growth in rotary blasthole drill rigs for surface mining. Geographically, equipment revenues had the highest growth in South America and Asia/Australia. Revenues from spare parts and service grew in all regions with double digit growth in Asia/Australia and North America.

#### *Tools & Attachments*

Revenues for Tools & Attachments in 2017 amounted to SEK 8,738 million compared to SEK 7,925 million in 2016, which represents an increase of SEK 813 million or 10.3 percent. Organic revenue growth was 8 percent. The organic growth was primarily driven by increased activity and revenue growth in all regions, including double digit revenue growth in Asia/Australia and North America. Currency effects and acquisitions contributed to revenues with 1 percent, respectively.

### Cost of goods sold

Cost of goods sold for 2017 amounted to SEK 20,157 million compared to SEK 18,003 million in 2016, which represents an increase of SEK 2,154 million or 12.0 percent. The increase in costs of goods sold was primarily driven by higher revenues, partially offset by cost reduction initiatives improving margins on capital equipment.

### Gross profit

Gross profit for 2017 amounted to SEK 11,283 million compared to SEK 9,099 million in 2016, which represents an increase of SEK 2,184 million or 24.0 percent. The increase in gross profit was primarily driven by volume and currency. The gross profit margin increased to 35.9 percent from 33.6 percent supported by increased volume and the related absorption of fixed costs, currency and cost reduction initiatives.

### Administrative expenses

Administrative expenses for 2017 amounted to SEK 2,121 million compared to SEK 1,879 million in 2016, which represents an increase of SEK 242 million or 12.9 percent. The increase in administrative expenses was primarily due to a change in a provision for share-based long-term incentive programs of SEK 163 million for 2017 compared to SEK 76 million for 2016.

### Marketing expenses

Marketing expenses for 2017 amounted to SEK 2,280 million compared to SEK 2,164 million in 2016, which represents an increase of SEK 116 million or 5.4 percent. The increase in marketing expenses was primarily driven by volume and investments in the Epiroc organization.

### Research and development expenses

Research and development expenses for 2017 amounted to SEK 795 million compared to SEK 662 million in 2016, which represents an increase of SEK 133 million or 20.1 percent. The increase in research and development expenses was primarily driven by higher amortization of capitalized development expenses and more development activities in automation and battery-powered equipment.

### Other operating income and expenses

Other operating income and expenses for 2017 amounted to SEK –137 million compared to SEK 154 million in 2016. This was primarily driven by exchange-rate differences, which amounted to SEK –166 million in 2017 compared to SEK 130 million in 2016.

### Operating profit

Operating profit for 2017 amounted to SEK 5,949 million compared to SEK 4,548 million in 2016, which represents an increase of SEK 1,401 million or 30.8 percent. The increase in operating profit was primarily driven by volume and was positively impacted by currency effects. The operating margin increased to 18.9 percent from 16.8 percent. The operating margin was positively impacted by volume and currency, but negatively impacted by a change in a provision for share-based long-term incentive programs of SEK –163 million for 2017 compared to SEK –76 million for 2016. The operating margin adjusted for this change in the provision was 19.4 percent, compared to 17.1 percent in 2016.

#### *Equipment & Service*

Operating profit for Equipment & Service in 2017 amounted to SEK 5,127 million compared to SEK 3,802 million in 2016, which represents an increase of SEK 1,325 million or 34.9 percent. The increase in operating profit was primarily driven by volume. During the same period the operating margin increased to 22.8 percent from 20.1 percent. The operating margin was positively impacted by higher revenue volume and cost reduction initiatives that improved the margin on equipment.

#### *Tools & Attachments*

Operating profit for Tools & Attachments in 2017 amounted to SEK 1,146 million compared to SEK 937 million in 2016, which represents an increase of SEK 209 million or 22.3 percent. The increase in operating profit was primarily driven by volume. During the same period the operating margin increased to 13.1 percent from 11.8 percent. The operating margin was positively impacted by volume and currency.

#### *Other – Common Group Functions and Eliminations*

Operating profit for Other – Common Group Functions and Eliminations in 2017 amounted to SEK –324 million compared to SEK –191 million in 2016, which represents a decrease of SEK 133 million. This was primarily driven by higher costs for Group management and common functions and a change in provision for share-based long-term incentive programs of SEK –163 million for 2017 compared to SEK –76 million for 2016.

### Financial items

Financial income for 2017 amounted to SEK 232 million compared to SEK 214 million in 2016, which represents an increase of SEK 18 million or 8.4 percent. Financial expenses for 2017 amounted to SEK 368 million compared to SEK 351 million in 2016, which represents an increase of SEK 17 million or 4.8 percent. Net financial items for 2017 amounted to an expense of SEK 136 million compared to an expense of SEK 137 million in 2016, which represents a decrease of SEK 1 million or 0.7 percent.

### Profit before tax

Profit before tax for 2017 amounted to SEK 5,813 million compared to SEK 4,411 million in 2016, which represents an increase of SEK 1,402 million or 31.8 percent. The increase in profit before tax was primarily driven by an increased operating profit. The profit margin was 18.5 percent in 2017 compared to 16.3 percent in 2016.

### Tax

Tax expense for 2017 amounted to SEK 1,500 million compared to SEK 1,180 million in 2016, which represents an increase of SEK 320 million or 27.1 percent. Tax expense for 2017 corresponded to an effective tax rate of 25.8 percent compared to 26.8 percent in 2016.

### Profit for the period

Net profit for 2017 amounted to SEK 4,313 million compared to SEK 3,231 million in 2016, which represents an increase of SEK 1,082 million or 33.5 percent. In 2017, SEK 4,313 million was attributable to owners of the parent compared to SEK 3,235 million in 2016.

## Comparison between the fiscal years 2016 and 2015

### Orders received

Orders received for 2016 amounted to SEK 27,634 million compared to SEK 27,551 million for 2015, which represents an increase of SEK 83 million or 0.3 percent. Organic growth was 3 percent while there was a negative currency effect of 3 percent.

#### *Equipment & Service*

Orders received for the 2016 amounted to SEK 19,413 million compared to SEK 19,213 million in 2015, which represents an increase of SEK 200 million or 1.0 percent. Organic growth was 4 percent, while there was a negative currency effect of 3 percent.

Equipment had an organic growth of 11 percent. The order growth for equipment was primarily related to increased demand from mining customers, primarily during the second half of the year. The order intake improved for most types of underground and surface equipment. The order volumes for equipment for infrastructure projects were unchanged.

The service business' orders received decreased by 2 percent organically. The activity was rather stable, but lower orders were recorded in North and South America.

#### *Tools & Attachments*

Orders received for 2016 amounted to SEK 7,947 million compared to SEK 8,109 million in 2015, which represents a decrease of SEK 162 million or 2.0 percent. Orders received were unchanged organically. Exchange rate effects decreased orders received by 2 percent.

## Revenues

Revenues for 2016 amounted to SEK 27,102 million compared to SEK 28,663 million in 2015, which represents a decrease of SEK 1,561 million or 5.4 percent. Revenues decreased by 3 percent organically compared to 2015. Organic revenue growth was achieved in Europe and in Asia/Australia, while the organic revenue development was negative in South America, North America, and in Africa/Middle East. Currency effects impacted the revenues negatively by 2 percent. There were no acquisitions or divestments during the year.

### *Equipment & Service*

Revenues for Equipment & Service in 2016 amounted to SEK 18,898 million compared to SEK 20,317 million in 2015, which represents a decrease of SEK 1,419 million or 7.0 percent. Revenues declined 5 percent organically. Organic revenues for equipment decreased by 7 percent, primarily driven by lower customer investments in drilling equipment for surface applications, whereas revenues from underground equipment increased somewhat. Revenues from equipment decreased in South America and in North America, while growth was achieved in Europe. The activity in the mining and infrastructure industries was rather stable, which made the spare parts and service business hold up relatively better. Organic revenues for service decreased by 2 percent driven primarily by negative development in North and South America, and in Africa and the Middle East. Service achieved growth in Europe and in Asia/Australia. Exchange rate effects decreased revenues by 2 percent.

### *Tools & Attachments*

Revenues for Tools & Attachments in 2016 amounted to SEK 7,925 million compared to SEK 8,088 million in 2015, which represents a decrease of SEK 163 million or 2.0 percent. The decrease was driven by currency. Revenues were unchanged organically, which reflected the general market demand. Geographically, moderate organic growth was achieved in Europe, while the organic development was somewhat negative in North and South America.

## Cost of goods sold

Cost of goods sold for 2016 amounted to SEK 18,003 million compared to SEK 18,463 million in 2015, which represents a decrease of SEK 460 million or 2.5 percent. The decrease in costs of goods sold was primarily driven by lower revenue volumes and the related reduction of variable costs and by currency.

## Gross profit

As a result of the revenues and cost of goods sold development, gross profit for 2016 amounted to SEK 9,099 million compared to SEK 10,200 million in 2015, which represents a decrease of SEK 1,101 million or 10.8 percent. The decrease in gross profit was primarily driven by lower revenue volumes and by currency. The gross profit margin decreased to 33.6 percent from 35.6 percent. The gross profit margin was negatively impacted by lower revenue volumes and the related absorption of fixed costs and currency.

## Administrative expenses

Administrative expenses for 2016 amounted to SEK 1,879 million compared to SEK 1,848 million in 2015, which represents an increase of SEK 31 million or 1.7 percent. The increase in administrative expenses was due to a change in provision for share-based long-term incentive programs of SEK 76 million for 2016 compared to SEK 16 million for 2015. Adjusted for this, administration expenses decreased by SEK 29 million or 1.0 percent.

## Marketing expenses

Marketing expenses for 2016 amounted to SEK 2,164 million compared to SEK 2,346 million in 2015, which represents a decrease of SEK 182 million or 7.8 percent. The decrease in marketing expenses was primarily driven by cost saving initiatives and by currency effects.

## Research and development expenses

Research and development expenses for 2016 amounted to SEK 662 million compared to SEK 861 million in 2015, which represents a decrease of SEK 199 million or 23.1 percent. The primary reason for the decrease is related to impairments of capitalized costs for discontinued projects, which amounted to SEK 127 million in 2015. The decrease in research and development expenses was also driven by a reduced activity level and certain cost saving initiatives.

## Other operating income and expenses

Other operating income and expenses for 2016 amounted to SEK 154 million compared to SEK 28 million in 2015. The increase was primarily due to exchange-rate differences, which amounted to SEK 130 million in 2016 compared to SEK –90 million in 2015, while capital gains and losses, net, were SEK 18 million and SEK 110 million in 2016 and 2015, respectively.

## Operating profit

Operating profit for 2016 amounted to SEK 4,548 million compared to SEK 5,175 million in 2015, which represents a decrease of SEK 627 million or 12.1 percent. The decrease in operating profit was primarily driven by lower revenue volumes and currency effects. During the same period the operating margin decreased to 16.8 percent from 18.1 percent. The operating margin was negatively impacted by lower revenue volumes and currency.

### *Equipment & Service*

Operating profit for Equipment & Service in 2016 amounted to SEK 3,802 million compared to SEK 4,370 million in 2015, which represents a decrease of SEK 568 million or 13.0 percent. The decrease in operating profit was primarily driven by revenue volume and currency. During the same period the operating margin decreased to 20.1 percent from 21.5 percent. The operating margin was negatively impacted by lower revenue volume and currency.

*Tools & Attachments*

Operating profit for Tools & Attachments in 2016 amounted to SEK 937 million compared to SEK 957 million in 2015, which represents a decrease of SEK 20 million or 2.1 percent. The decrease in operating profit was primarily driven by currency with a positive impact from efficiency initiatives. The operating margin was stable at 11.8 percent.

*Other – Common Group Functions and Eliminations*

Operating profit for Other – Common Group Functions and Eliminations in 2016 amounted to SEK –191 million compared to SEK –152 million in 2015, which represents a decrease of SEK 39 million. This was primarily driven by a change in a provision for share-based long-term incentive programs of SEK –76 million for 2016 compared to SEK –16 million for 2015.

### Financial items

Financial income for 2016 amounted to SEK 214 million compared to SEK 176 million in 2015, which represents an increase of SEK 38 million or 21.6 percent. Financial expenses for 2016 amounted to SEK 351 million compared to SEK 396 million in 2015, which represents a decrease of SEK 45 million or 11.4 percent. Net financial items for 2016 amounted to an expense of SEK 137 million compared to an expense of SEK 220 million in 2015, which represents a decrease of SEK 83 million or 37.7 percent. The decrease in financial items was primarily due to lower interest expenses on borrowings.

### Profit before tax

Profit before tax for 2016 amounted to SEK 4,411 million compared to SEK 4,955 million in 2015, which represents a decrease of SEK 544 million or 11.0 percent. The decrease in profit before tax was primarily a result of lower operating profit. The profit margin was 16.3 percent in 2016 compared to 17.3 percent in 2015.

### Tax

Tax expense for 2016 amounted to SEK 1,180 million compared to SEK 1,384 million in 2015, which represents a decrease of SEK 204 million or 14.7 percent. Tax expense for 2016 corresponded to an effective tax rate of 26.8 percent compared to 27.9 percent in 2015.

### Profit for the period

Net profit for 2016 amounted to SEK 3,231 million compared to SEK 3,571 million in 2015, which represents a decrease of SEK 340 million or 9.5 percent. In 2016, SEK 3,235 million was attributable to owners of the parent compared to SEK 3,582 million in 2015.

## Liquidity and capital resources

Epiroc's liquidity need arise primarily as a consequence of the need to finance working capital and investments in tangible and intangible assets, but also acquisitions of businesses. The main sources of liquidity are the cash flow generated by the operating activities and borrowing. In connection with the listing of the Epiroc shares, Epiroc's current financing will be refinanced with a bank bridge loan and existing cash, which is further described in the section "*Capital structure and other financial information*".

### Cash flow

*Comparison between the period January–March 2018 and January–March 2017*

*Cash flow from operating activities*

Cash flow from operating activities for the first quarter of 2018 was of SEK 979 million compared to SEK 1,255 million for same period in 2017, which represents a decrease of SEK 276 million or 22.0 percent. The decrease in cash flow from operating activities was primarily driven by more negative cash flow from working capital as well as increased taxes paid.

*Cash flow from investing activities*

Cash flow from investing activities for the first quarter of 2018 gave rise to an outflow of SEK 841 million compared to an inflow of SEK 1,152 million for same period in 2017, which represents a decrease of SEK 1,993 million or 173.0 percent. The cash flow from investing activities was positive in the first quarter of 2017 primarily due to a reduction of the cash-pool with Atlas Copco. The decrease in cash flow from investing activities in the first quarter 2018 was driven by the acquisition of four subsidiaries in the quarter, amounting to SEK 482 million.

*Cash flow from financing activities*

Cash flow from financing activities for the first quarter of 2018 gave rise to an inflow of SEK 275 million compared to an outflow of SEK 2,848 million for same period in 2017. The increase in cash flow from financing activities was primarily driven by changes in interest-bearing liabilities towards Atlas Copco.

*Comparison between the fiscal years 2017 and 2016*

*Cash flow from operating activities*

Cash flow from operating activities for 2017 was SEK 5,176 million compared to SEK 5,402 million in 2016, which represents a decrease of SEK 226 million or 4.2 percent. The operating profit increased by 1,401 million, but this was more than offset by negative cash flow from change in working capital and higher payments of financial items and taxes.

*Cash flow from investing activities*

Cash flow from investing activities for 2017 gave rise to an inflow of SEK 5,543 million compared to an outflow of SEK 1,805 million in 2016, which represents an increase of SEK 7,348 million or 407.1 percent. The increase in cash flow from investing activities in 2017 is mainly related to a reduction of funds placed with the Atlas Copco cash-pool of SEK 5,645 million, compared to a corresponding increase in 2016 of SEK 1,062 million, included in the positive cash flow from investments in other financials, net of SEK 6,323 million, which showed an outflow of SEK 1,283 million in 2016. By December 31, 2017, most subsidiaries had migrated to Epiroc's cash pool, implying a reduction of cash receivables towards Atlas Copco.

*Cash flow from financing activities*

Cash flow from financing activities for 2017 gave rise to an outflow of SEK 6,061 million compared to an inflow of SEK 39 million in 2016. The decrease in cash flow from financing activities is primarily due to a dividend paid to Atlas Copco group of SEK 5,178 million, compared to SEK 380 million paid in 2016.

### *Comparison between the fiscal years 2016 and 2015*

*Cash flow from operating activities*

Cash flow from operating activities for 2016 was SEK 5,402 million compared to SEK 5,858 million in 2015, which represents a decrease of SEK 456 million or 7.8 percent. The main reason for the decrease is the lower operating profit, which decreased with SEK 627 million.

*Cash flow from investing activities*

Cash flow from investing activities for 2016 gave rise to an outflow of SEK 1,805 million compared to an outflow of SEK 3,175 million in 2015, which represents an increase of SEK 1,370 million or 43.1 percent. The main driver for the change in cash flow from investing activities is the net effect from the change in cash funding (cash-pool) from Atlas Copco group.

*Cash flow from financing activities*

Cash flow from financing activities for 2016 gave rise to an inflow of SEK 39 million compared to an inflow of SEK 134 million in 2015, which represents a decrease of SEK 95 million or 70.9 percent. The cash flow of SEK –91 million in 2016 relates to the acquisition of non-controlling interest in Shandong, China. This was a barter transaction between Atlas Copco China Investment Company (Atlas Copco) and the seller, where the seller received shares in an associated company in China and cash in return for the shareholding in Shandong. Since Atlas Copco paid for the transaction, there is an opposite cash inflow that is recognized in Other cash flow from transactions with shareholders.

## Tangible fixed assets

As at March 31, 2018, Epiroc's tangible fixed assets amounted to SEK 3,550 million and consisted of property, plant, and equipment (SEK 2,345 million) and rental equipment (SEK 1,205 million). Epiroc has no pledged assets for tangible assets as per March 31, 2017.

## Intangible assets

As at March 31, 2018, Epiroc had fixed intangible assets with a recognized value of SEK 3,539 million, and primarily comprised goodwill with a book value of SEK 1,840 million and technology based intangibles with a book value of SEK 1,346 million.

## Capital expenditures

Epiroc continuously invest in tangible and intangible assets, as well as other financial assets. The need for investments in property, plant and equipment are moderate due to the manufacturing philosophy and can be adapted in the short and medium term to changes in demand. Most investments in property and plant are related to machining equipment for core manufacturing activities and to production facilities, primarily for core component manufacturing and for assembly operations.

During the period 2015 to 2017, Epiroc's investment consisted mainly of rental equipment and machinery and facilities for manufacturing and service operations. Notable investments in manufacturing have been made in Sweden, the United States and India. Epiroc made no acquisitions in 2015 or 2016. One business was acquired in 2017. In the first quarter of 2018, Epiroc closed four acquisitions (see below). Capital expenditures in each category for the 2015–2017 fiscal years and the period January–March 2018 can be seen in the table below:

| SEK million | Jan–Mar 2018 | Jan–Mar 2017 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Increase in rental equipment[1] | –178 | –120 | –793 | –677 | –899 |
| Sale of rental equipment[1] | 76 | 77 | 422 | 386 | 335 |
| Investments in property, plant and equipment[2] | –129 | –108 | –424 | –293 | –368 |
| Sale of property, plant and equipment[2] | 10 | 13 | 70 | 58 | 453 |
| Investments in intangible assets[2] | –103 | –49 | –289 | –287 | –313 |
| Acquisition of subsidiaries and associated companies[2] | –482 | –66 | –137 | 0 | 0 |
| **Total capital expenditure** | **–806** | **–253** | **–1,151** | **–813** | **–792** |

1) Included in cash flows from operating activities.
2) Included in cash flows from investing activities.

### *Ongoing and future capital expenditures*

Epiroc has an ongoing business transformation project that is expected to lead to capital expenditures of SEK 340 million during the years 2018–2022. The project involves harmonizing the global system environment on Infor's economic resource planning platform M3. The project will be financed using internal funds.

### *Acquisitions and divestments*

On February 1, 2018, Epiroc completed its acquisition of Hy-Performance Fluid Power, an Australian service provider for mining and infrastructure with revenues of SEK 50 million in the fiscal year ended June 30, 2017, with 26 employees.

On January 3, 2018, Epiroc completed its acquisition of Rock Drill Services Australia, a rock drill specialist serving the

Australian mining industry with revenues of SEK 90 million in the fiscal year ended June 30, 2017, with 37 employees.

On January 3, 2018 Epiroc completed its acquisition of Cate Drilling Solutions, a U.S. company that distributes and services Epiroc's drilling equipment and components with 35 employees.

On January 2, 2018, Epiroc completed its acquisition of Renegade Drilling Supplies Proprietary, a South African manufacturer and distributor of drilling consumables for mining exploration with 22 employees.

On July 4, 2017, Epiroc completed its acquisition of part, 34 percent, of Mobilaris MCE AB, a Sweden-based company that provides advanced software that optimizes underground mining operations. The business has about 20 employees and had revenues in 2016 of about SEK 30 million.

On February 2, 2017, Epiroc completed its acquisition of Erkat Spezialmaschinen und Service by purchasing 100 percent of shares and voting rights. The acquired operations had 38 employees and revenues of EUR 12 million in 2015. The Group received control over the operations upon the date of acquisition. The acquisition has been accounted for using the acquisition method and resulted in goodwill of SEK 25 million.

Epiroc made no acquisitions in 2015 and 2016.

### *Joint ventures*

Two joint ventures with Hongwuhuan Group in China were established in March 2017 to develop, manufacture and sell equipment for the Chinese mining and infrastructure markets. One of the joint ventures will focus on development and manufacturing and the other joint venture will focus on sales.

### *Research and development*

Expenditure of research activities are expensed as incurred, whereas expenditures of 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
- the Group has the intent and ability to complete and sell or use the product or process.

Below is an overview of research and development expenses and capitalized development costs during the 2015–2017 fiscal years and the period January–March 2018, as well as the period January–March 2017:

| SEK million | Jan–Mar 2018 | Jan–Mar 2017 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Research and development expenses | 222 | 190 | 795 | 662 | 861 |
| of which is amortization and impairment of capitalized development expenses | 66 | 63 | 250 | 178 | 282 |
| of which is direct expense | 156 | 127 | 545 | 484 | 579 |
| Capitalized development costs | 61 | 41 | 170 | 244 | 277 |

## Operating leases – lessee

The leasing costs of assets under operating leases in 2017 amounted to SEK 324 million and are derived primarily from rented premises, machinery, and computer and office equipment. Operating leasing contracts for office and factory facilities typically run for a period of 10 to 15 years. For a limited number of operating leasing contracts, purchase and renewal options exist for machinery and renewal options exist for premises.

| SEK million | 2017 |
|---|---|
| Less than one year | 264 |
| Between one and five years | 576 |
| More than five years | 261 |
| **Total** | **1,101** |

The total of future minimum sublease payments expected to be received was SEK 1 million.

## Payment Solutions

Epiroc offers lease financing to customers via Payment Solutions and certain other subsidiaries.

Payment Solutions receives payments from credit arrangements, for example financial leases, which is reported as financial income. Payment Solutions also has a rental fleet generating operating lease payments, which is reported as revenues.

By the end of 2017, future financial lease benefits to be received fall due as follows:

| SEK million | 2017 | |
|---|---|---|
| | Gross investment | Present value of minimum lease payments |
| Less than one year | 508 | 479 |
| Between one and five years | 426 | 419 |
| More than five years | 4 | 4 |
| **Subtotal** | **938** | **902** |
| Unearned finance income | – | 36 |
| **Total** | **938** | **938** |

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

| SEK million | 2017 |
|---|---|
| Less than one year | 454 |
| Between one and five years | 416 |
| More than five years | 18 |
| **Total** | **888** |

Payment Solutions give rise to assets in the balance sheet. At December 31, 2017, the credit portfolio of the customer finance operations totaled approximately SEK 2 253 million, consisting of SEK 65 million reported as trade receivables, SEK 894 million reported as finance lease receivables and SEK 1 294 million reported as other financial receivables. In addition, Payment Solutions also had non-cancelable operating lease contracts of SEK 705 million. Parts of the non-current rental equipment assets are attributable to Payment Solutions.

Payment Solutions has no separate financing. It is financed through Epiroc's financing agreements, which is further described in the section "*Capital structure and other financial information*". The receivables that arise are not included in Epiroc's net debt.

## Employee benefits

Epiroc provides post-employment defined benefits pensions 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 the United States. The plans in these four countries are funded with different local financing vehicles, held separately from the Group for the future benefit payments. The net obligations for post-employment benefits amounted to SEK 145 million on March 31, 2018.

## Financial exposure and risk management

In its operations, Epiroc is exposed to, among other things, currency risk, credit risk, liquidity and refinancing risk and interest rate risk. To prepare Epiroc for becoming a listed company, a treasury function has been established and assigned with the primary task of supporting Epiroc's business activities, identifying and in the best way managing the Group's financial risks in line with the Board's adopted financial risk policy. Epiroc's financial activities are centralized to benefit economies of scale, to ensure good internal control and to facilitate monitoring of risk. The following section contains a brief description of the Group's financial risk exposure and risk management policies.

### *Currency exposure*

Epiroc is present in various geographical markets and undertakes transactions denominated in foreign currencies and is consequently exposed to exchange rate fluctuations. Currency exposure and thus currency risk occur in connection with payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure). These two exposures are explained separately below.

### *Transaction exposure*

Transaction exposure primarily arises when Epiroc'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 cause currency exposure that affects the Group's earnings in the event of exchange rate fluctuations. The most important currencies for the full-year 2017, measured as the impact on the Group's operating profit, were USD, AUD, CLP, CAD, ZAR, and RUB. As an ordinary course of business, net surpluses or deficits in specific currencies emerge. The values of these net positions fluctuate subject to changes in currency rates and, thus render transaction exposure.

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. In general, business areas and divisions shall not hedge currency risks. Hedging can, however, be motivated in case of long-term contracts where there is no possibility to adjust the contract price or the associated costs. Hedging beyond 18 months is not allowed. Financial transaction exposure is to la large extent hedged. For further information, see note 27 in the section "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015 – Notes*"

### *Translation exposure – income statement*

When translating the results of foreign subsidiaries into SEK, currency exposure occurs, which affects the Group's earnings when exchange rates fluctuate.

### *Translation exposure – balance sheet*

This type of currency exposure occurs when translating net assets of foreign subsidiaries into SEK, which can affect Epiroc's other comprehensive income.

The net exposure in each currency represents the net of assets and liabilities denominated in that currency. The Group's general policies for managing translation exposure are that translation exposure should be reduced by matching assets and liabilities in the same currencies. Epiroc may decide to hedge part or all of the remaining translation exposure and any hedge of translation exposure shall qualify for hedge accounting in accordance with IFRS. For further information, see note 27 in the section "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015 – Notes*".

### *Interest-rate exposure*

Interest-rate risks are the changes in market interest rates that affect the Group's net interest. How quickly interest-rate changes impact net interest depends on the fixed-interest term of the loans. Interest-rate derivatives, such as interest-rate swaps, can be used to achieve the desired fixed-interest term for borrowings. The interest rate risk policy states that the average duration (i.e. period for which interest rates are fixed) should be a minimum of 6 months and a maximum of 48 months.

### *Liquidity and financing risk*

Financing risk is defined as the risk of the cost being higher and financing opportunities limited as the loan is renegotiated and that payment obligations cannot be met as a result of insufficient liquidity or difficulties in securing funding. The Group's funding risk policy refers to Epiroc AB's external borrowings and states that:

- The Group should maintain minimum SEK 4,000 million committed credit facilities to meet operational, strategic and rating objectives.
- The average tenor (i.e. time to maturity) of the Group's external debt shall be at least 3 years.
- No more than SEK 3,000 million of the Group's external debt may mature within the next 12 months.
- Adequate funding at subsidiary level shall at all times be in place.
- The short term liquidity should at minimum correspond to 3 months of known operating expenses including interest and loan repayments.

### *Credit and counterparty risks*

Operational credit risk is the risk that the Group's customers do not meet their payment obligations. The Group's operational credit risk policy is that business areas, 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. 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.

Efficient cash management systems should be maintained in order to minimize excess cash in operations where it cannot be invested or used to reduce interest-bearing debt. Cash may only be invested if at least one of the credit ratings (as rated by Standard & Poor's, Fitch Ratings or Moody's) of the approved counterpart or underlying investment is at least: A-/A3 in case of financial counterparties and funds, BBB-/Baa3 in case of non-financial counterparties.

As part of the Group's management of financial risks, the Group can enter into derivative transactions with financial counterparts. Epiroc primarily uses derivatives as hedging instruments and the policy allows only standardized (as opposed to structured) derivatives.

Epiroc establishes provisions for their estimate of incurred losses in respect of trade and other receivables. The main components of this provision are specific loss provisions corresponding to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have not yet been identified. The collective loss provision is determined based on historical default statistics for similar financial assets. As of December 31, 2017, the provision for bad debt amounted to SEK 336 (377) million.

# Capital structure and other financial information

*The tables in this section describe Epiroc's capitalization and net indebtedness as of March 31, 2018. All information in the tables below comprise unaudited financial information. The information presented below should be read in conjunction with the section "Operational and financial review" and the Company's combined financial statements and the notes related thereto included elsewhere in the Prospectus. Other than as described in the section "Capital structure and other financial information – Material events after March 31, 2018", there have been no material changes in the capitalization or indebtedness of Epiroc since March 31, 2018.*

## Capitalization

| Amount in SEK million | March 31, 2018 |
|---|---|
| **Current interest-bearing debt** | |
| Guaranteed[1] | 390 |
| Secured | – |
| Unguaranteed/unsecured | 405 |
| **Total current interest-bearing debt** | **795** |
| | |
| **Non-current interest-bearing debt** | |
| Guaranteed | – |
| Secured | – |
| Unguaranteed/unsecured | 3,879 |
| **Total non-current interest-bearing debt** | **3,879** |
| | |
| **Total current and non-current interest-bearing debt** | **4,674** |
| | |
| **Shareholders' equity** | |
| Share capital | 21 |
| Legal reserves | 3 |
| Other reserves | 16,066 |
| **Total shareholders' equity** | **16,090** |

## Net indebtedness

| Amount in SEK million | March 31, 2018 |
|---|---|
| **A.** Cash | 2,050 |
| **B.** Cash equivalents | 205 |
| **C.** Trading securities | – |
| **D. Liquidity (A) + (B) + (C)** | **2,255** |
| **E.** Current financial receivables | 1,123 |
| **F.** Current bank debt | 736 |
| **G.** Current portion of non-current debt | 13 |
| **H.** Other current financial debt | 46 |
| **I. Current financial debt (F) + (G) + (H)** | **795** |
| **J. Net current financial indebtedness (I) – (E) – (D)** | **–2,583** |
| **K.** Non-current bank debt | 17 |
| **L.** Bonds issued | – |
| **M.** Other non-current debt | 3,862 |
| **N. Non-current financial indebtedness (K) + (L) + (M)** | **3,879** |
| **O. Net financial indebtedness (J) + (N)** | **1,296[2]** |

1) Guaranteed current interest-bearing debt consists of three external loans by subsidiaries.
2) The net financial indebtedness deviates from Epiroc's definition of net debt with SEK 1,253 million. The difference is mainly explained by finance lease receivables and other financial receivables included in net financial indebtedness and post-employment benefits included in net debt.

Epiroc has no material amounts concerning assets pledged and contingent liabilities. At March 31, 2018, Epiroc had SEK 14 million in securities and other contingent liabilities, included in the table above. These primarily relate to pension commitments and commitments related to customer claims and legal matters.

## Material events after March 31, 2018

Epiroc has, on April 25, 2018, entered into two material credit agreements. See the section "*Capital structure and other financial information – Financing – Financing agreements*" below for further information.

### Transfer of assets and liabilities between Epiroc and Atlas Copco

As of March 31, 2018 the internal borrowings in the Group from Atlas Copco was SEK 3,788 million. In connection with the listing of Epiroc's shares, the intragroup financing in the Epiroc Group from Atlas Copco will be refinanced with a bank bridge loan and existing cash. For more information regarding the external bridge financing, refer to the section "*Capital structure and other financial information – Financing*" below. The repayment of the outstanding borrowings will be reported as transactions with shareholders in Epiroc's financial reporting.

As of March 31, 2018 Epiroc Treasury AB had outstanding foreign exchange derivatives with Atlas Copco with a negative market value of SEK –134 million. The foreign exchange derivatives were settled on the maturity date April 26, 2018. The foreign exchange derivatives have not been included in the net indebtedness table.

As of March 31, 2018 there were outstanding legal structuring and outstanding balances which had not been finalized in Brazil. The legal structuring in Brazil was finalized on May 4, 2018 and it did not have any effect on the Group's net debt position, nor equity.

In the consolidated financial statements for March 31, 2018 accounts receivables and accounts payables included receivables and payables that will be collected and paid by Atlas Copco. The transactions will be booked through equity as transactions with shareholders.

Neither dividends nor capital contributions to or from the Group to Atlas Copco have occurred during the period from March 31, 2018 until the date of the Prospectus.

After the listing of Epiroc's shares there will be no loans nor derivatives outstanding between the Epiroc Group and the Atlas Copco group.

Se the section "*Legal considerations and supplementary information – Transactions with related parties*" for more information regarding transactions between Epiroc and Atlas Copco.

## Financing

Epiroc is currently primarily financed through intra-group financing from Atlas Copco. For more information regarding the intra-group financing, refer to the section "*Capital structure and other financial information – Material events after March 31, 2018 – Transfer of assets and liabilities between Epiroc and Atlas Copco*" above. In connection with the listing of Epirocs's shares on Nasdaq Stockholm, the intra-group financing in Epiroc from Atlas Copco will be refinanced with a bridge facility and existing cash, and following the listing Epiroc intends to replace the bridge facility with medium and/or long term financing. For more information regarding the bridge facility, refer to the section "*Capital structure and other financial information – Financing – Financing agreements*" below.

### Financing agreements

Epiroc has entered into two significant credit facility agreements, a SEK 4 billion revolving credit facility agreement (the "*Revolving Credit Facility*") and a SEK 6 billion bridge facility agreement (the "*Bridge Facility*"), both arranged by Citibank N.A., London Branch and Skandinaviska Enskilda Banken AB (publ). The Revolving Credit Facility was entered into by Citibank, N.A., London Branch, Skandinaviska Enskilda Banken AB (publ), Bank of China (Luxembourg) S.A. Stockholm Branch, Danske Bank A/S, Danmark, Sverige Filial, Deutsche Bank Luxembourg S.A., Nordea Bank AB (publ), Standard Chartered Bank and Svenska Handelsbanken AB (publ) and the Bridge Facility was entered into by Citibank, N.A., London Branch, Skandinaviska Enskilda Banken AB (publ), Danske Bank A/S, Danmark, Sverige Filial and Nordea Bank AB (publ).

#### *Revolving Credit Facility*

The Revolving Credit Facility has a maturity date of five years from the date of the Revolving Credit Facility, with the addition of two one-year extension options, exercisable at the first and second anniversary of the Revolving Credit Facility, subject to the consent of the lenders under the Revolving Credit Facility.

The Revolving Credit Facility is available to be used for general corporate purposes and as a back-up facility. The interest rate level for utilisations under the Revolving Credit Facility is based on the relevant IBORs (if IBOR is negative, the base rate is assumed to be zero) together with a margin component based on Epiroc's long term credit rating or, if no credit rating is available, the ratio of Epiroc's consolidated total net debt to equity.

The Revolving Credit Facility is governed by English law and contains terms and conditions customary for similar credit facilities, including representations, covenants and events of default subject to customary exceptions. The Revolving Credit Facility further contains customary provisions providing for mandatory cancellation and prepayment in the event of a change of control and certain illegality, sanctions and anti-corruption related events.

***Bridge Facility***

The Bridge Facility has a maturity of twelve months from the date of the Bridge Facility with two six-month extension options, exercisable at the discretion of Epiroc. Hence, the maturity date of the Bridge Facility can be extended by up to twelve months.

The Bridge Facility is available for refinancing of existing indebtedness owed by Epiroc to Atlas Copco. The interest rate level for utilizations under the Bridge Facility is based on the relevant IBORs (if IBOR is negative, the base rate is assumed to be zero) together with a margin component based on the amount of time elapsed since the date of the Bridge Facility.

The Bridge Facility is governed by English law and contains terms and conditions customary for similar credit facilities, including representations, covenants and events of default subject to customary exceptions. Furthermore, the Bridge Facility contains customary provisions providing for mandatory cancellation and prepayment in the event of a change of control and certain illegality, sanctions and anti-corruption related events and debt market issuances. The Bridge Facility contains an additional automatic cancellation and prepayment provision in the event shares in Epiroc are not listed on Nasdaq Stockholm by September 30, 2018.

## Working capital

In the Company's opinion, the Company's working capital is sufficient for the Company's requirements for at least the 12-months period following the date of the Prospectus. Working capital in this regard is considered as the Company's ability to access cash and cash equivalents in order to meet its liabilities as they fall due.

# Board of directors, executive management and auditors

## Board of directors

According to Epiroc's articles of association, the board of directors shall consist of six to twelve members appointed by the general meeting, without deputy members. At present, Epiroc's board of directors consists of eight members appointed by the general meeting for the period until the end of the annual general meeting to be held in 2019, as well as two employee representatives with a deputy for each of the employee representatives.

### The board of directors of Epiroc

| | | | | | Independent of | |
|---|---|---|---|---|---|---|
| **Name** | **Position** | **Year of birth** | **Board member in Epiroc since** | **Board member in Atlas Copco** | **The principal owners[1)]** | **Epiroc** |
| **Ronnie Leten** | Chairman, member | 1956 | 2017 | 2009–2017 | No | No |
| **Anders Ullberg** | Member | 1946 | 2017 | Since 2003 | Yes | Yes |
| **Johan Forssell** | Member | 1971 | 2017 | Since 2008 | No | Yes |
| **Ulla Litzén** | Member | 1956 | 2017 | 1999–2016 | Yes | Yes |
| **Lennart Evrell** | Member | 1954 | 2017 | – | Yes | Yes |
| **Per Lindberg** | Member and President and CEO | 1959 | 2018 | – | Yes | No |
| **Jeane Hull** | Member | 1955 | 2018 | – | Yes | Yes |
| **Astrid Skarheim Onsum** | Member | 1970 | 2018 | – | Yes | Yes |
| **Bengt Lindgren** | Member (employee representative) | 1957 | 2018 | Member (employee representative) 1992–2018 | – | – |
| **Kristina Kanestad** | Member (employee representative) | 1966 | 2018 | Deputy member (employee representative) 2007–2018 | – | – |
| **Mårten Karlsson** | Deputy member (employee representative) | 1978 | 2018 | Deputy member (employee representative) 2017–2018 | – | – |
| **Gustav El Rachidi** | Deputy member (employee representative) | 1970 | 2018 | – | – | – |

1) Based on the assumption that the distribution of the Company's shares had occurred with the record date April 30, 2018.

**Ronnie Leten** *(born 1956)*

Ronnie Leten is a member and chairman of the board of directors of Epiroc since 2017.

Ronnie Leten is also chairman and member of the board of directors of Telefonaktiebolaget LM Ericsson, and also a member of the boards of directors of Aktiebolaget SKF, IPCO AB and SW PRO c.v.

In the past five years, Ronnie Leten has been, but is no longer, President and CEO, and member of the board of directors, of Atlas Copco, and also chairman and member of the board of directors of Aktiebolaget Electrolux. Ronnie Leten has also been a member of Ideella Föreningen Teknikföretagen i Sverige.

Ronnie Leten holds a M.Sc. in Applied Economics from the University of Hasselt, Belgium.

Ronnie Leten holds 11,308 Class A shares and 40,650 Class B shares in Epiroc.[1)]

1) Refers to holdings in Epiroc based on the assumption that the distribution of the Company's shares had occurred with the record date April 30, 2018. The holdings include affiliated holdings. The directors' respective shareholding in the Company on the first day of trading may differ from the shareholding reported above.

**Johan Forssell** *(born 1971)*

Johan Forssell is a member of the board of directors of Epiroc since 2017.

Johan Forssell is also President and CEO, and member of the board of directors, of Investor Aktiebolag. Further, Johan Forssell is a member of boards of directors of subsidiaries of Investor Aktiebolag, including Patricia Industries AB, and a member of the boards of directors of Atlas Copco, Wärtsilä Oyj Abp and EQT AB.

In the past five years, Johan Forssell has been, but is no longer, a member of the board of directors of SAAB Aktiebolag, as well as a member and deputy member of boards of directors of subsidiaries of Investor Aktiebolag.

Johan Forssell holds a M.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden.

Johan Forssell holds 5,000 Class B shares in Epiroc.[1)]

**Anders Ullberg** *(born 1946)*

Anders Ullberg is a member of the board of directors of Epiroc since 2017.

Anders Ullberg is also chairman and member of the boards of directors of Boliden AB, Studsvik AB, Valedo Partners Fund I AB and Eneqvist Consulting AB. Anders Ullberg is also a member of the boards of directors of Atlas Copco, Beijer Alma AB, Valedo Partners Fund II AB, Valedo Partners III AB, Fastighetsaktiebolaget Vattenfriden, Norra Garaget Aktiebolag, Styret Aktiebolag, Styret Utveckling Aktiebolag, Larsson Metodik Aktiebolag and Eneqvist Marin och Industri AB. Anders Ullberg is also chairman of the Swedish Financial Reporting Board and a member of the board of the European Financial Reporting Advisory Group.

In the past five years, Anders Ullberg has been, but is no longer, chairman and member of the boards of directors of BE Group AB (publ), Mercur Partners AB, Mercur Solutions Aktiebolag, Wihlborgs Benkammen 16 AB, BasEl i Sverige AB and Industrikraft i Sverige AB. Anders Ullberg has also been a member of the boards of directors of Gränges AB, Diamorph AB (publ), Mercur Planeringsspråk Aktiebolag, Valsar Sweden Holding AB, Roca Industry AB, ÅKERS Aktiebolag, Watski AB, Norex International Aktiebolag and Hydro Extruded Solutions AB.

Anders Ullberg holds a B.Sc. in Economics from the Stockholm School of Economics, Sweden.

Anders Ullberg holds 14,000 Class A shares and 10,000 Class B shares in Epiroc.[1)]

**Ulla Litzén** *(born 1956)*

Ulla Litzén is a member of the board of directors of Epiroc since 2017.

Ulla Litzén is also a member of the boards of directors of Aktiebolaget Electrolux, NCC Aktiebolag, Husqvarna Aktiebolag, Ratos AB, RAM Rational Asset Management AB, RAM One AB, Ulla Litzén AB and Ersta Diakonisällskap.

In the past five years, Ulla Litzén has been, but is no longer, chairman of the board of directors of RAM One AB, and also a member of the boards of directors of Alfa Laval AB, Atlas Copco, Aktiebolaget SKF, Boliden AB, Ferd AS and Oras Invest Ltd.

Ulla Litzén holds a B.Sc. in Economics from the Stockholm School of Economics, Sweden, and an MBA from the Massachusetts Institute of Technology (MIT) in the United States.

Ulla Litzén holds 75,800 Class A shares and 3,000 Class B shares in Epiroc.[1)]

**Lennart Evrell** *(born 1954)*

Lennart Evrell is a member of the board of directors of Epiroc since 2017.

Lennart Evrell is also President and CEO of Boliden AB and managing director and member of the board of directors of Boliden Mineral AB, chairman of the board of directors of Gruvornas Arbetsgivareförbund, chairman and member of the board of directors of Industriarbetsgivarna i Sverige service AB, vice chairman and member of the board of directors of Föreningen för gruvor, mineral- och metallproducenter i Sverige (SveMin) and also a member of the boards of directors of Svenska Cellulosa Aktiebolaget SCA, SveMin AB, Svenskt Näringsliv and L Evrell AB.

In the past five years, Lennart Evrell has been, but is no longer, chairman of the boards of directors of Boliden Mineral AB, SveMin AB and the University of Umeå. Lennart Evrell has also been a member of the board of directors of Boliden AB and SCA Forest Products Aktiebolag.

Lennart Evrell holds a M.Sc. in Engineering from the Royal Institute of Technology (KTH) and a B.Sc. in Business Administration from Uppsala University, both in Sweden.

Lennart Evrell holds no shares in Epiroc.[1)]

1) Refers to holdings in Epiroc based on the assumption that the distribution of the Company's shares had occurred with the record date April 30, 2018. The holdings include affiliated holdings. The directors' respective shareholding in the Company on the first day of trading may differ from the shareholding reported above.

### Per Lindberg *(born 1959)*

Per Lindberg a member of the board of directors and the President and CEO of Epiroc since 2018.

See "*Board of directors, executive management and auditors – Executive management*" below.

### Jeane Hull *(born 1955)*

Jeane Hull is a member of the board of directors of Epiroc since 2018.

Jeane Hull is also a member of the boards of directors of Interfor Corporation and Cloud Peak Energy Incorporated.

In the past five years, Jeane Hull has been, but is no longer, Executive Vice President and Chief Technical Officer at Peabody Energy Corporation.

Jeane Hull holds a B.Sc. in Civil Engineering from South Dakota School of Mines and Technology and an MBA from Nova Southeastern University, both in the United States.

Jeane Hull holds no shares in Epiroc.[1)]

### Astrid Skarheim Onsum *(born 1970)*

Astrid Skarheim Onsum is a member of the board of directors of Epiroc since 2018.

Astrid Skarheim Onsum is also Chief Digital Officer at Aker Solutions ASA.

In the past five years, Astrid Skarheim Onsum has been, but is no longer, managing director of Aker Engineering & Technology AS, and also member of the boards of directors of Aker MMO AS and Aker Engineering & Technology Ltd.

Astrid Skarheim Onsum holds a M.Sc. in Mechanical Engineering from the Norwegian University of Science and Technology in Trondheim, Norway.

Astrid Skarheim Onsum holds no shares in Epiroc.[1)]

### Bengt Lindgren *(born 1957)*

Bengt Lindgren is an employee representative (trade union IF Metall) in the board of directors of Epiroc since 2018.

In the past five years, Bengt Lindgren has been, but is no longer, an employee representative in the board of directors of Atlas Copco.

In the past five years, Bengt Lindgren has been, but is no longer, member of the board of directors of Tillväxtgruppen i Norra Västmanland Ekonomisk förening.

Bengt Lindgren holds no shares in Epiroc.[1)]

### Kristina Kanestad *(born 1966)*

Kristina Kanestad is an employee representative (trade union Unionen) in the board of directors of Epiroc since 2018.

In the past five years, Kristina Kanestad has been, but is no longer, a deputy employee representative in the board of directors of Atlas Copco.

Kristina Kanestad holds no shares in Epiroc.[1)]

### Mårten Karlsson *(born 1978)*

Mårten Karlsson is a deputy employee representative (trade union IF Metall) in the board of directors of Epiroc since 2018.

In the past five years, Mårten Karlsson has been, but is no longer, a deputy employee representative in the board of directors of Atlas Copco.

Mårten Karlsson holds no shares in Epiroc.[1)]

### Gustav El Rachidi *(born 1970)*

Gustav El Rachidi is a deputy employee representative (trade union Ledarna) in the board of directors of Epiroc since 2018.

Gustav El Rachidi is also a member of the board of directors of Västmanlands Tolkservice Ekonomisk förening, and a deputy member of the board of directors of Västerbergslagens Elförsäljning Aktiebolag.

In the past five years, Gustav El Rachidi has been, but is no longer, a deputy member of the boards of directors of Västerbergslagens Energi Aktiebolag, Västmanlands Tolkservice Ekonomisk förening and Västerbergslagens Elnät Aktiebolag.

Gustav El Rachidi holds no shares in Epiroc.[1)]

1) Refers to holdings in Epiroc based on the assumption that the distribution of the Company's shares had occurred with the record date April 30, 2018. The holdings include affiliated holdings. The directors' respective shareholding in the Company on the first day of trading may differ from the shareholding reported above.

## Executive management

The table below lists the name, position, year of birth and year of employment of the members of Epiroc's executive management.

### Executive management of Epiroc

| Name | Position | Year of birth | Member of Epiroc executive management since | Member of Atlas Copco executive management | Employed with Atlas Copco |
|---|---|---|---|---|---|
| **Per Lindberg** | President and CEO | 1959 | 2018 | – | – |
| **Helena Hedblom** | Senior Executive Vice President Mining and Infrastructure | 1973 | 2017 | 2017 | 2000–2017 |
| **Anders Lindén** | Senior Vice President Controlling and Finance (CFO) | 1962 | 2017 | – | 1984–1998, 2006–2017 |
| **Mattias Olsson** | Senior Vice President Corporate Communications | 1968 | 2018 | – | 1997–2007, 2008–2016 |
| **Jörgen Ekelöw** | Senior Vice President General Counsel | 1955 | 2017 | – | 1987–1999, 2010–2017 |

### Per Lindberg *(born 1959)*

Per Lindberg is President and CEO, and member of the board of directors, of Epiroc since 2018.

Per Lindberg is also a member of the boards of directors of Gace Holding AB and Peymar Holding AB.

In the past five years, Per Lindberg has been, but is no longer, President and CEO of BillerudKorsnäs Aktiebolag (publ). Per Lindberg has also been managing director, chairman and member of the boards of directors of BillerudKorsnäs Skog & Industri Aktiebolag, BillerudKorsnäs Sweden AB, Korsnäs Sågverk Aktiebolag (Korsnäsverken), Aktiebolaget Stjernsunds Bruk, Trävaruaktiebolaget Dalarne, Diacell Aktiebolag, Korsnäs Advanced systems AB and BillerudKorsnäs Rockhammar AB. Per Lindberg has also been chairman and member of the boards of directors of Paccess AB and Fastighetsaktiebolaget Marma Skog 31, ScandFibre Logistics Aktiebolag, YKI, Ytkemiska Institutet AB, BillerudKorsnäs Skog AB, AB Marmaskog 75, AB Marmaskog 76, AB Marmaskog 77, AB Marmaskog 78, Latgran Biofuels AB, Billerud Tenova Bioplastics AB and Norrköpingssylten 4:8 Aktiebolag, and also a member of the boards of directors of Nordstjernan Aktiebolag, Arbio Aktiebolag, BillerudKorsnäs Skärblacka Aktiebolag, BillerudKorsnäs Karlsborg Aktiebolag, RISE Research Instititutes of Sweden AB, Middlepoint AB, Bergvik Skog AB, VindIn AB, Grow Nine AB, Svensk Skogskommunikation AB, BillerudKorsnäs Venture AB and Svenskt Näringsliv.

Per Lindberg holds a M.Sc. in engineering and a PhD in industrial management, Chalmers University of Technology, Gothenburg, Sweden.

Per Lindberg holds 5,000 class A shares and 1,000 class B shares in Epiroc.[1)]

### Helena Hedblom *(born 1973)*

Helena Hedblom is Senior Executive Vice President Mining and Infrastructure since 2017.

Helena Hedblom is also a member of the board of directors of IPCO AB and Föreningen för gruvor, mineral- och metallproducenter i Sverige (SveMin).

In the past five years, Helena Hedblom has been, but is no longer, managing director and member of the board of directors of Epiroc, and also member of the board of directors of Tillväxtgruppen i Norra Västmanland Ekonomisk förening.

Helena Hedblom holds a M.Sc. in Material Technology from the Royal Institute of Technology, Stockholm, Sweden.

Helena Hedblom holds 2,190 class A shares[1)] and 335,388 personnel options[2)] in Epiroc.

1) Refers to holdings in Epiroc based on the assumption that the distribution of the Company's shares had occurred with the record date April 30, 2018. The holdings include affiliated holdings. The senior executives' respective shareholding in the Company on the first day of trading may differ from the shareholding reported above.
2) Refers to the number of personnel options in Epiroc after recalculation of the number of personnel options in Atlas Copco's performance based personnel option plans. For further information regarding the assumptions for recalculation and the split of Atlas Copco's performance based personnel option plans between Atlas Copco and Epiroc, see the section "*Corporate Governance – President and CEO and executive management – Remuneration for members of the board of directors and executive management – Split of Atlas Copco's incentive programmes*".

**Anders Lindén** *(born 1962)*

Anders Lindén is Senior Vice President Controlling and Finance (CFO) of Epiroc since 2017.

In the past five years, Anders Lindén has been, but is no longer, chairman and member of the board of directors of Atlas Copco Industrial Technique Aktiebolag, and also a member of the boards of directors of CP Scanrotor Aktiebolag.

Anders Lindén holds a B.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden.

Anders Lindén holds 1,000 class A shares[1] and 145,761 personnel options[2] in Epiroc.

**Mattias Olsson** *(born 1968)*

Mattias Olsson is Senior Vice President Corporate Communications of Epiroc since 2018.

In the past five years, Mattias Olsson has been, but is no longer, Head of Investor Relations at Assa Abloy and Vice President Investor Relations at Atlas Copco Aktiebolag.

Mattias Olsson holds M.Sc. in Business Administration from the University of Linköping, Sweden.

Mattias Olsson holds 1,200 class B shares in Epiroc.[1]

**Jörgen Ekelöw** *(born 1955)*

Jörgen Ekelöw is Senior Vice President General Counsel of Epiroc since 2017.

In the past five years, Jörgen Ekelöw has been, but is no longer, managing director and member of the board of directors of Epiroc, and also a deputy member of the board of directors of Industria Försäkringsaktiebolag.

Jörgen Ekelöw holds a Master of Law from Lund University, Sweden.

Jörgen Ekelöw holds 500 class A shares[1] and 199,272 personnel options[2] in Epiroc.

## Auditors

Deloitte AB, with address Rehnsgatan 11, 113 79 Stockholm, is the auditor of the Company since 2010. Deloitte AB, has been the Company's auditor during the whole time that has been referenced in the historical financial information of the Prospectus. Authorized public accountant and FAR member (professional institute for authorized public accountants) Thomas Strömberg has been auditor-in-charge for the Company since January 2018. The most recent auditor election was at the 2018 annual general meeting, when Deloitte AB was re-elected for the period until the next annual general meeting, with Thomas Strömberg as auditor-in-charge.

The combined financial statements of Epiroc as of December 31, 2017, 2016 and 2015 and for the years then ended, included in the Prospectus, have been audited by Deloitte AB, independent auditors, as stated in "*The Auditor's Report on combined historical financial statements*" in the section "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015*".

## Further information on the members of the board of directors and executive management

There are no family ties between any of the members of the board of directors or executive management.

Lennart Evrell is currently the President and CEO of Boliden AB, a customer of Epiroc. Lennart Evrell has announced that he will resign from the position as President and CEO of Boliden AB effective half way through 2018. Except for this, there are no other conflicts of interest or potential conflicts of interest between the obligations of the members of the board of directors and executive management of Epiroc towards Epiroc and their private interests and/or other undertakings.

Lennart Evrell has been charged a fee by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) pursuant to the Act on Reporting Obligation for certain Holdings of Financial Instruments (Sw. *Lagen (2000:1087)* om anmälningsskyldighet för vissa innehav av finansiella instrument) with SEK 15,000 for a failure to notify changes in his holding of shares in Boliden AB within the prescribed time period. The fees were attributable to changes in holdings in 2016.

1) Refers to holdings in Epiroc based on the assumption that the distribution of the Company's shares had occurred with the record date April 30, 2018. The holdings include affiliated holdings. The senior executives' respective shareholding in the Company on the first day of trading may differ from the shareholding reported above.
Refers to the number of personnel options in Epiroc after recalculation of the number of personnel options in Atlas Copco's performance based personnel option plans. For further information regarding the assumptions for recalculation and the split of Atlas Copco's performance based personnel option plans between Atlas Copco and Epiroc, see the section "*Corporate Governance – President and CEO and executive management – Remuneration for members of the board of directors and executive management – Split of Atlas Copco's incentive programmes*".

During the past five years, no members of the board of directors or executive management described above have, except for what has been described above, (i) been convicted in any fraud-related offences, (ii) represented a company which has been declared bankrupt or involved in any other bankruptcy administration, or filed for involuntary liquidation, or (iii) been the subject of sanctions or accusations by authorities or bodies acting for particular professional groups under public law, nor been subject to disqualification by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct the affairs of a company.

The board members are not entitled to any benefits when they retire from the board. For information on management's right to severance pay if their position with the Company is terminated, see the section "*Corporate governance – President and CEO and executive management – Remuneration for members of the board of directors and executive management – Remuneration for the President and CEO and executive management*".

All members of the board of directors and executive management are available at the Company's domicile at Sickla Industriväg 19, SE-131 54 Nacka, Sweden.

# Corporate governance

Epiroc is a Swedish public limited liability company. Prior to the listing on Nasdaq Stockholm, corporate governance in Epiroc, as a subsidiary of Atlas Copco, has mainly been based on Swedish law, the Company's articles of association and internal rules and instructions. As a company listed on Nasdaq Stockholm, the Company will apply the rules of the Swedish Companies Act (Sw. *Aktiebolagslagen (2005:551)*), the Swedish Annual Accounts Act (Sw. *Årsredovisningslagen (1995:1554)*), the Company'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 shall be applied from the date of the listing of the Company's shares on Nasdaq Stockholm. The Code defines a norm for good corporate governance on a higher level of ambition than the Swedish Companies Act's and other regulations' minimum requirements. The Code is based on the principle comply or explain. This means that the Company is not required to apply every rule of the Code at all occasions, but may choose alternative solutions, deemed to better respond to the particular circumstances, provided that the Company openly discloses all such deviations, describes the alternative solution and states the reason for the deviation.

Epiroc will apply the Code from the date of the listing of the Company's shares on Nasdaq Stockholm. The Company does not expect to deviate from any of the rules of the Code. All, if any, non-compliances with the Code will be described in the Company's corporate governance report, which will be included for the first time in the annual report for the financial year 2018.

The primary objective of Epiroc's corporate governance is to create a framework for rules and regulations, areas of responsibility and processes and routines that efficiently protects the interests of shareholders and other parties through minimizing risks and creating good conditions for a stable expansion of Epiroc's business.

## The general meeting

According to the Swedish Companies Act, the general meeting is a company's highest decision-making body. The general meeting may resolve upon every issue for the company, which is not specifically reserved for another corporate body. At the annual general meeting, which shall be held within six months from the end of the financial year, shareholders exercise their voting rights on issues, such as adoption of income statements and balance sheets, appropriation of the company's profits or losses, discharge of liability for the board of directors and the President and CEO, the appointment of members of the board of directors and auditor, and remuneration for the board of directors and the auditor.

In addition to the annual general meeting, extraordinary general meetings may be convened. In accordance with the Company's articles of association, all general meetings shall be convened through publishing the notice in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and by posting the notice of the meeting on the Company's website. An announcement shall simultaneously be placed in Svenska Dagbladet and Dagens Nyheter with information that the meeting has been convened.

### Right to attend general meetings

All shareholders who are directly registered in the share register kept by Euroclear Sweden AB ("Euroclear"), five weekdays prior to the general meeting, and who have notified the Company of their intention to attend the general meeting at the latest by the date specified in the notice convening the meeting, shall be entitled to attend the general meeting and vote according to the number of shares they hold.

Shareholders may attend general meetings in person or through a proxy, and may also be accompanied by not more than two assistants.

### Shareholder initiatives

Shareholders who wish a matter to be discussed at the general meeting must submit a written request in that regard to the board of directors. Requests must normally be received by the board of directors at least seven weeks prior to the general meeting.

### Nomination committee

The extraordinary general meeting held on February 1, 2018 resolved to adopt instructions for the nomination committee. The instructions for the nomination committee are conditional on Epiroc's shares being admitted to trading on Nasdaq Stockholm. According to the instructions for the nomination committee, the nomination committee shall consist of one representative of each of the four shareholders controlling the largest number of votes, which desires to appoint a representative. In addition to these four members, the chairman of the board of directors shall be a co-opted member of the nomination committee. The nomination committee shall be formed based on the shareholders which, as per the last banking day in August the year before the annual general meeting, have been recorded in the share register kept by Euroclear.

The instruction for the nomination committee complies with the Code with respect to the appointment of committee members. The members of the nomination committee shall be announced not later than six months prior to the annual general meeting.

The nomination committee's main duties are to propose candidates for the positions as chairman and other members of the board of directors, as well as to propose fees and other remuneration for each member of the board of directors.

The nomination committee is also to make proposals on the election and remuneration of the statutory auditor. The nomination committee shall conduct its duties in accordance with the Code and thus give particular consideration to the requirements regarding breadth and versatility of the appointed board members' qualifications, experience and background.

## The board of directors

The board of directors is the highest decision-making body after the general meeting and is also the highest executive body. The duties of the board of directors are primarily set forth in the Swedish Companies Act, the Company's articles of association and the Code. In addition to this, the work of the board of directors is guided by instructions from the general meeting as well as the rules of procedure for the board of directors. The rules of procedure for the board of directors, which have been adopted by the board of directors and are reviewed annually, governs the division of work and responsibilities within the board of directors. The board of directors also adopts instructions for the committees of the board of directors and an instruction for the President and CEO of Epiroc, as well as an instruction for financial reporting.

The board of directors' tasks include adopting strategies, business plans, interim reports, year-end reports, annual financial statements and certain instructions, policies and guidelines. The board of directors is also required to follow economic developments and ensure the quality of financial reporting and internal controls and evaluate operations on the basis of the objectives and guidelines set by the board of directors. Finally, the board of directors decides on the Company's major investments and changes in the organization and activities.

The chairman of the board of directors is in charge of the work of the board of directors, responsible for ensuring that the board of directors' work is carried out efficiently and that the board of directors fulfils its obligations in accordance with applicable laws and regulations. In particular, the chairman shall monitor the board of directors' performance and prepare and chair the meetings of the board of directors. 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 of directors in relation to the shareholders of the Company.

Members of the board of directors, except for employee representatives, are appointed annually by the annual general meeting for the period until the end of the next annual general meeting. According to the Company'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. At the date of the Prospectus, the Company's board of directors consists of eight ordinary members elected by the general meeting and two employee representatives with one deputy each for the employee representatives. The board members are presented in detail in the section "*Board of directors, executive management and auditors*".

### Audit committee

The board of directors has appointed an audit committee. According to the Swedish Companies Act, a member serving on the audit committee may not be employed by the Company and at least one of the members of the committee shall possess competence and experience within accounting or auditing. The audit committee shall consist of at least three members of whom the majority are to be independent in relation to the Company and its management. The current audit committee consists of three members: Ulla Litzén (chairman of the audit committee), Anders Ullberg and Ronnie Leten, of which Ulla Litzén and Anders Ullberg are independent in relation the Company and its management.

The audit committee is responsible for monitoring the Company's financial reporting, risk management and internal control, as well as accounting and auditing. The audit committee also reviews and monitors the auditor's impartiality and independence, other services provided by the Company's auditor and assists the Company's nomination committee with the proposal for election of auditor.

### Remuneration committee

The board of directors has appointed a remuneration committee. According to the charter for the remuneration committee adopted by the board of directors, the remuneration committee shall consist of three members who may not be employees of the Company or any other company within the Group. The chairman of the board shall chair the committee. The other members shall be independent in relation to the Company and its management. The current remuneration committee consists of Ronnie Leten (chairman of the remuneration committee), Lennart Evrell and Johan Forssell, of which Lennart Evrell and Johan Forssell are independent in relation to the Company and its management.

The remuneration committee's assignment is to prepare matters regarding salaries and other terms of employment, pension benefits and bonus systems for the President and CEO and the executive management, which shall be presented to the board of directors for approval. The remuneration committee shall also handle remuneration matters of principle importance and prepare guidelines for remuneration for the President and CEO and the executive management, which shall be presented to the board of directors. The guidelines shall be revised annually.

Further, the committee shall prepare documentation in certain specific remuneration matters of principle or otherwise significant importance, for example stock option programs and profit sharing systems. The remuneration committee shall also monitor and evaluate the application of the guidelines for remuneration for the President and CEO and the executive management, as well as the current remuneration structures and levels in the Company.

### Repurchase committee

The board of directors has appointed a repurchase committee. The repurchase committee will prepare and execute repurchases of own shares in accordance with the general meeting's authorization of the board of directors to repurchase own shares. The repurchase committee currently consists of Anders Ullberg (chairman of the repurchase committee) and Ronnie Leten.

## President and CEO and executive management

The President and CEO reports to the board of directors. The President and CEO's responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's articles of association, directions given by the general meeting, the instruction for the President and CEO and other internal directions and guiding principles adopted by the board of directors, as well as other Swedish and foreign laws and regulations, as applicable. In addition thereto, the President and CEO, as from the date of the listing of the Company's shares on Nasdaq Stockholm, will comply with the Code and Nasdaq Stockholm's Rule Book for Issuers.

According to the Swedish Companies Act, the President and CEO shall handle the day-to-day management pursuant to the board of directors' guidelines and instructions. In addition, the President and CEO shall take any measures necessary in order for Epiroc's accounts to be maintained pursuant to law and that the management of funds is conducted in an appropriate manner. The division of work between the board of directors and the President and CEO is described in the instruction for the President and CEO.

The President and CEO shall administrate the operative management and execute the resolutions passed by the board of directors. The President and CEO shall control and supervise that the matters to be dealt with by the board of directors according to applicable legislation, the articles of association and internal instructions are presented to the board of directors, and shall continuously keep the chairman of the board of directors informed about the performance of Epiroc's operations, its earnings and financial position, as well as any other event, circumstances or conditions that cannot be assumed to be irrelevant to the board of directors or the shareholders.

The President and CEO and executive management are presented in greater detail in the section "*Board of directors, executive management and auditors*".

### Remuneration for members of the board of directors and executive management

#### *Remuneration for members of the board of directors*

Fees and other remuneration for members of the board of directors, including the chairman of the board, are resolved upon by the annual general meeting. The annual general meeting held on April 25, 2018 decided that total 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, shall amount to SEK 6,325,000. SEK 1,950,000 shall be payable to the chairman of the board and SEK 625,000 each to the seven other members of the board elected by the general meeting. Another SEK 225,000 shall be payable to the chairman of the audit committee and another SEK 150,000 to each of the other members of the audit committee. Another SEK 100,000 shall be payable to the chairman of the remuneration committee and another SEK 75,000 each to the other members of the remuneration committee. The extraordinary general meeting held on May 3, 2018 decided that another SEK 60,000 shall be payable to each non-executive member of the board of directors who participates in committee work decided upon by the board of directors other than the remuneration committee or audit committee work.

Prior to the first day of trading in Epiroc's shares on Nasdaq Stockholm, the board members have the following remuneration: Ronnie Leten is remunerated a *pro rata* amount of a yearly remuneration of SEK 1,300,000 between October 1, 2017, and the first day of trading in Epiroc's shares on Nasdaq Stockholm. Ulla Litzén and Lennart Evrell are both remunerated a *pro rata* amount of a yearly remuneration of SEK 417,000 between October 1, 2017 and the first day of trading in Epiroc's shares. Anders Ullberg is remunerated a *pro rata* amount of a yearly remuneration of SEK 417,000 from April 25, 2018 and the first day of trading in Epiroc's shares. Jeanne Hull and Astrid Skarheim Onsum are both remunerated a *pro rata* amount of a yearly remuneration of SEK 417,000 from January 1, 2018, and the first day of trading in Epiroc's shares on Nasdaq Stockholm. Johan Forssell does not receive a remuneration prior to the first day of trading in Epiroc's shares on Nasdaq Stockholm.

The board members may choose to receive their whole remuneration, for the period from January 1, 2018 until the annual general meeting 2019, in cash or 50 percent of their remuneration in cash and 50 percent of their remuneration the form of synthetic shares. The synthetic shares represent a future payment, the value of which corresponds to the value of a certain number of shares of class A at the time of payment. The payment is made five years after the annual general meeting of Epiroc held on April 25, 2018. 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. Recalculation of the value or number of the synthetic shares shall also be made should certain changes to the share capital or value transfers be carried out in Epiroc.

The right for each board member to utilize the synthetic shares depends on the board member's continued position. The qualification pace is 25 percent of the synthetic shares per started quarter of the year.

The number of synthetic shares that each board member receives will be based on the average closing price of shares of class A during the ten trading days that follows the publishing of the interim report for the second quarter 2018. A maximum number of 40,000 synthetic shares may be allotted for the synthetic share program 2018, assuming an average closing price of the shares of class A during the ten trading days that follows the publishing of the interim report for the second quarter 2018 of SEK 80. The above presented maximum number of synthetic shares are, consequently, only estimations based on the assumption described above as the future value of the Epiroc share of class A is not known at the date of the Prospectus.

### *Remuneration for the President and CEO and executive management*

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

The base salary shall reflect the position, qualification and individual performance and the variable compensation shall be dependent on the extent to which predetermined quantitative and qualitative goals are met. The variable compensation is limited to a maximum of 70 percent of the base salary for the President and CEO, to 60 percent for the business area executives and to 40 percent for the other senior executives.

In case of termination of employment of a senior executive by the Company, the compensation amounts to between 12 and 24 months base salary depending on age, length of employment and possible income from other economic activity or employment.

### *Split of Atlas Copco's incentive programmes*

The performance based personnel option plans in Atlas Copco for the years 2014–2017 will in accordance with their terms be split between Atlas Copco and Epiroc in connection with the distribution and listing of Epiroc on Nasdaq Stockholm. Approximately 90 key employees of Epiroc will under the performance based personnel option plans for the years 2014–2017 receive options relating to the share in Epiroc and thus receive incentives related to the performance of Epiroc. The value of the options received will correspond to the value of the options in Atlas Copco held by the relevant Epiroc employees. The terms and conditions for the performance based personnel option plans for the years 2014-2017 are in all material respects similar to the terms and conditions for the performance based personnel option plan for 2018 in Epiroc, as described below.

The information in the table below regarding the number of options granted, the maximum number of Epiroc shares that can be acquired, the maximum number of matching shares, the exercise price and the price for the matching shares, have been recalculated based on an assumed closing price of SEK 350 for Atlas Copco's A shares on the last day of trading in the Atlas Copco A share before the distribution of Epiroc's shares to Atlas Copco's shareholders and an assumed average closing price of SEK 80 for the Epiroc's A shares during the ten trading days after the distribution of Epiroc's shares to Atlas Copco's shareholders. The maximum number of Epiroc shares and the exercise prices are, consequently, only estimations based on the assumptions described above as the future values of the Atlas Copco share of class A and the Epiroc share of class A, respectively, are not known at the date of the Prospectus. When Epiroc's shares have been distributed to Atlas Copco's shareholders, new calculations will be made in the same manner as described above but based on the actual share prices.

| Year | Maximum number of personnel options | Maximum number of Epiroc shares that could be acquired (excluding matching shares) | Maximum number of matching shares | Exercise period | Exercise price | Price for the matching shares |
|---|---|---|---|---|---|---|
| 2014 | 1,800,000 | 1,800,000 | 5,000 | May 2017–April 2019 | SEK 60.67 | SEK 41.47 |
| 2015 | 3,000,000 | 3,000,000 | 15,000 | May 2018–April 2020 | SEK 43.80 | SEK 29.94 |
| 2016 | 6,400,000 | 6,400,000 | 15,000 | May 2019–April 2023 | SEK 69.94 | SEK 47.82 |
| 2017 | 2,800,000 | 2,800,000 | 25,000 | May 2020–April 2024 | SEK 87.15 | SEK 59.44 |

The costs of the performance based personnel option plans for the years 2014–2017 that are relating to Epiroc will be reported in accordance with IFRS 2, and are estimated to amount to up to approximately SEK 212 million. The calculation is based on a valuation of the personnel option plans at the time of issue for each plan based on the price for the Atlas Copco shares of class A at the time of issue. In order to limit the exposure of the performance based personnel option plans for the years 2014–2017, the board of directors intends to adopt hedging measures in the form of share buybacks (see further below), which can be transferred to the participants of the performance based personnel option plans pursuant to resolutions passed at the general meeting.

### *Performance based personnel option plan 2018*

It is important, and it is also deemed to be in the best interest of the shareholders, 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 and the division presidents, of which parts have previously participated in Atlas Copco's option programs. It is also the assessment of the board that a share related option program increases the attractiveness of Epiroc on the global market and enhances the possibility to recruit and keep key personnel in the Group. The annual general meeting of Epiroc held on April 25, 2018 thus resolved, based on a proposal from the board of directors, to introduce a performance based personnel option plan for 2018, which corresponds to the option plans of Atlas Copco. The board of directors' proposal was also approved by Atlas Copco's annual general meeting held on April 24, 2018.

The performance based personnel option plan is directed at a maximum of 100 key employees in Epiroc, who will have the possibility to acquire a maximum of 3,200,000 shares of Class A in Epiroc. The maximum number of shares is a recalculation of 701,473 Atlas Copco A shares, and the recalculation is based on an assumed closing price of SEK 350 for Atlas Copco's A shares on the last day of trading in the Atlas Copco A share before the distribution of Epiroc's shares to Atlas Copco's shareholders and an assumed average closing price of SEK 80 for Epiroc's A shares during the ten trading days after the distribution of Epiroc's shares to Atlas Copco's shareholders. The issuing of options depends on the value increase, expressed as Economic Value Added, of Epiroc during 2018. In an interval of SEK 700,000,000, the issue varies linear from zero to 100 percent of the maximum number of options. The participating key employees are divided into different categories, with different amounts of maximum issues of options, depending on their positions. The issuing of options will take place not later than March 20, 2019. The term of the options is seven years from granting, and the options are exercisable not earlier than three years from granting. The exercise price shall be set to an amount corresponding to 110 percent 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 full-year summary 2018. A participant must be employed in order to exercise its options. The options are not transferable.

A theoretical value of the whole performance based personnel option plan has been calculated to amount to SEK 47,630,017. A share price of SEK 354.70 for the Atlas Copco A share has been used for the calculation. The costs of the performance based personnel option plan will, on an ongoing basis during the term of the performance based personnel option plan, be reported in accordance with IFRS 2, and is estimated to amount to up to approximately SEK 52 million. The estimated costs for advice and administration linked to the programme are approximately SEK 3,450,000. In order to limit the exposure of the performance based personnel option plan, the board of directors intends to adopt hedging measures in the form of share buybacks (see further below), which can be transferred to the participants of the performance based personnel option plan pursuant to resolutions passed at the general meeting of Epiroc.

A prerequisite for the participation of the senior executives and division presidents (twelve participants) in the performance based personnel option plan is an investment of a maximum of ten percent of the participants' respective base salaries for 2018, 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 part of the performance based stock option plans for 2016 and 2017. Senior executives and division presidents who have invested in Epiroc series A shares as part of the performance based personnel option plan will, in addition to the proportional participation in the plan, have a right to acquire a matching number of shares three years after the investment at a price equal to 75 percent of the market value upon which the exercise price for the shares in the 2018 option plan was based, subject to continued employment and continued ownership of the shares. The theoretical value is based on a share price of SEK 354.70 for the Atlas Copco A share and is calculated to be approximately SEK 1,313,078 in total. A maximum number of 60,000 matching shares may be acquired.

Based on an assumed closing price of SEK 350 for Atlas Copco's A shares on the last day of trading in the Atlas Copco A share before the distribution of Epiroc's shares to Atlas Copco's shareholders and an assumed average closing price of SEK 80 for Epiroc's A shares during the ten trading days after the distribution of Epiroc's shares to Atlas Copco's shareholder, and together with the option plans for 2014-2017, in total maximum 17,320,000 shares could be delivered to employees, corresponding to approximately 1.4 percent of the total number of shares in Epiroc, assuming a total number of shares in Epiroc amounting to 1,212,376,815.[1]

### *Share buy-backs*

The board of directors of Epiroc has been authorized to acquire a maximum of 30,200,000 shares[2] in order to hedge delivery of shares and social security charges under the option plans 2014–2018. Such hedging actions will take place when and to the extent the board consider it appropriate following the listing of Epiroc's shares on Nasdaq Stockholm. A capital contribution amounting to SEK 1,200 million has been made from Atlas Copco to Epiroc in order to finance the expected costs associated with the share buy-backs. The amount of the capital contribution corresponds to approximately 75 percent of the maximum exposure for Epiroc based on the assumptions set forth above.

1) The assumed total number of shares in Epiroc is based on Atlas Copco's holding of 17,236,289 own shares on April 30, 2018. For further information on Epiroc's share structure, see the section "Share capital and ownership".
2) The maximum number of shares that the board of directors is authorized to acquire has been calculated in order to hedge the costs for the incentive programmes also under other conditions than the ones assumed when calculating the maximum number of shares under the incentive programmes.

***Remuneration during the financial year 2017***
With the exception of Ronnie Leten, Ulla Litzén and Lennart Evrell, who received SEK 325,000, SEK 104,250 and SEK 104,250, respectively, no remuneration was paid by Epiroc to the directors for their work on Epiroc's board of directors during the financial year 2017.

The below table presents information on estimated remuneration to be paid out by Epiroc to the executive management during the financial year 2018[1].

| (SEK) | Fixed salary | Variable salary* | Pension cost | Other benefits** | Total |
|---|---|---|---|---|---|
| President and CEO | 11,000,000 | 3,850,000 | 3,850,000 | 107,300 | 18,807,300 |
| Other members of the executive management | 10,010,000 | 2,377,000 | 3,220,140 | 429,200 | 16,036,340 |

* Calculated as 50% of the maximum outcome.
** Members of the senior management are entitled to certain benefits, e.g. a company car and medical insurance.

## Internal control

The board of directors and the President and CEO are ultimately responsible for ensuring that internal controls are developed, communicated to and understood by the employees of the Company who undertake the individual control activities, and that the control activities are monitored, enforced, updated and maintained. Managers at all levels are responsible for ensuring that internal controls are established within their own area and that these controls achieve the desired effect.

Epiroc's internal control process is based on a control framework that creates a structure for the five components of the process – control environment, risk assessment, control activities, information and communication as well as monitoring. The starting point for the process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### Control environment

Epiroc's control environment consists of standards, processes and structures that provide the basis for carrying out internal controls within Epiroc. The board of directors has adopted governing documents and instructions in order to regulate the roles and allocation of responsibility between the board of directors and the President and CEO. The board of directors has also adopted a number of fundamental guidelines that govern internal control activities. In addition to the governing documents, instructions, guidelines and policies, Epiroc's control environment includes, *inter alia*, a hotline, an independent board of directors and audit committee, various other board committees and delegation of authority.

### Risk assessment

Epiroc's risk assessment involves a dynamic and iterative process for identifying and analyzing risks, and forms a basis of how risks should be managed. Risk assessments are performed regularly in order to identify new risks and follow up on previously identified risks.

### Control activities

Epiroc's control activities are established by policies and procedures in order to ensure that the management's directives to mitigate risks are carried out. Control activities are performed at all levels of Epiroc and at various stages of the business processes.

### Information and communication

It is deemed that information is necessary in order for Epiroc to carry out internal controls. Communication occurs both internally and externally and provides the organization with the information needed to carry out day-to-day controls. Communication also enables personnel to understand internal control responsibilities and their importance for the achievement of Epiroc's objectives. Information and communication is carried out through, *inter alia*, policies, the intranet, business review meetings and internal communication necessary to conduct business on a day-to-day basis, as well as through trainings.

### Monitoring

Monitoring activities in the form of ongoing and specific evaluations are carried out in order to ascertain that the five components of internal control are functioning. Observations of suspected deficiencies are evaluated and deficiencies are communicated in a timely manner. Deficiencies of material importance are reported to the senior management team or the board of directors. Epiroc's monitoring activities include, *inter alia*, independent internal audits, external audits, reviews of accounting reconciliations, daily production meetings and monthly management meetings.

1) The remuneration is presented as if Epiroc's shares had been admitted to trading on Nasdaq Stockholm as per January 1, 2018 and as if the President and CEO, as well as all other members of the executive management, were employed by Epiroc as per January 1, 2018.

## Insider policy

The Company has prepared a policy document for the purpose of informing employees and others concerned within Epiroc of the laws and regulations applicable to the Company's handling of information and the special requirements imposed on persons who are active in a listed company with regard to, for example, inside information. In this context, the Company has established routines for appropriate handling and limiting of the dissemination of information which has not yet been made public. The Senior Vice President General Counsel is responsible for the handling of questions regarding inside information and the keeping of insider lists.

## Auditing

The Company's statutory auditor is appointed by the annual general meeting. The auditor shall audit the Company's annual report and accounts, the consolidated accounts and the significant subsidiaries, as well as the management by the board of directors and the President and CEO. Following each financial year, the auditor shall submit an audit report to the annual general meeting.

According to the Company's articles of association, the Company shall have one to two auditors, with not more than two deputy auditors or one to two registered auditor firms. Epiroc's auditor is Deloitte AB with Thomas Strömberg as auditor in charge. The Company's auditor is presented in more detail in the section "*Board of directors, executive management and auditors – Auditors*".

## Investor relations

Investor relations (IR) is led by the Senior Vice President Corporate Communications. The main duties of IR is to support the President and CEO and the CFO in relation to capital markets, along with the CFO and the communications team prepare interim and annual reports, analyst meetings, general meetings and capital market presentations, and regularly report on IR activities. The aim of IR is to provide the capital market with high quality, accurate and comprehensive information about the Group.

# Share capital and ownership

## Share information

Epiroc's share capital, as of the date of the Prospectus, amounts to SEK 20,688,500, divided into 206,885 shares of Class A, each with a quota (par) value of SEK 100. Each share carry one (1) vote at general meetings and all shares in Epiroc have equal rights to Epiroc's assets upon liquidation and distribution of dividends.

The extraordinary general meeting of Epiroc that is planned to be held on June 5, 2018 will resolve upon a share split and a reclassification of shares in order to align the share structure of Epiroc with the share structure of Atlas Copco. The extraordinary general meeting will also resolve upon a bonus issue. After registration of the share split, the reclassification of shares and the bonus issue with the Swedish Companies Registration Office, the share capital will amount to SEK 500,000,000 and the number of shares in Epiroc will correspond to the number of shares in Atlas Copco, excluding treasury shares held by Atlas Copco. Assuming that 17,236,289[1)] treasury shares, whereof 16,990,130 shares of Class A and 246,159 shares of Class B, are held by Atlas Copco at the time of the extraordinary general meeting of Epiroc, Epiroc's 206,885 shares will be split into 1,212,376,815 shares, whereof 822,403,966 shares of Class A and 389,972,849 shares of Class B. Each share will, under these assumptions, have a quota (par) value of SEK 0,412413. Each share of Class A will carry one (1) vote at general meetings and each share of Class B will carry one tenth (1/10) vote at general meetings. All shares will be fully paid. All shares in Epiroc will have equal rights to Epiroc's assets upon liquidation and distribution of dividends.

The ISIN code for the Epiroc Class A share is SE0011166933 and the ISIN code for the Epiroc Class B share is SE0011166941. Epiroc's shares have been issued in accordance with Swedish law and the shareholders' rights may only be altered in accordance with the Swedish Companies Act. Epiroc's shares are affiliated with Euroclear, which is the central securities depository and clearing organization for the shares in accordance with the Swedish Central Securities Depository and Financial Instruments Accounts Act (1998:1479).

### Preferential rights

If Epiroc decides to issue new Class A and Class B shares, either through a cash issue or an issue by set-off, each shareholder of Class A shares and Class B shares shall have a preferential right to subscribe for new shares of the same class in relation to the number of shares held by the shareholder prior to the new issue (primary preferential right). Shares that are not subscribed for with primary preferential rights shall be offered for subscription by all shareholders (secondary preferential right). If the number of shares thus offered is not sufficient for the subscription made with secondary preferential rights, the shares shall be allocated among the subscribers in relation to the total number of shares (Class A and Class B) owned prior to the new issue, and to the extent this cannot be effected, the shares shall be allocated by way of drawing lots. If Epiroc decides to issue new shares of either Class A or Class B, either through a cash issue or an issue by set-off, all shareholders shall have a preferential right to subscribe for new shares in relation to the total number of shares (Class A and Class B) owned prior to the new issue regardless if their shares are Class A or Class B shares. If Epiroc decides to issue subscription warrants or convertibles, through a cash issue or an issue by set-off, the shareholders shall have a preferential right to subscribe for the subscription warrants, as if the issue had been of the shares that may be subscribed for under the warrants, or a preferential right to subscribe for convertibles as if the issue had been of the shares that the convertibles may be converted to, respectively. The aforesaid shall not in any way be interpreted as a restriction of the possibility to decide on a new cash issue or issue by set-off with deviation from the preferential rights of the shareholders. In case the share capital is increased through a bonus issue, new shares of each class shall be issued in relation to the number of shares of the same class previously issued. Old shares of a certain class shall thereby entitle the holder to new shares of the same class. The aforesaid shall not in any way be interpreted as a restriction of the possibility to issue shares of a new class of shares through a bonus issue after a required change of the articles of association.

### Rights to dividends and surplus in the event of liquidation

All shares in the Company entitle to equal rights to dividends and the Company's assets and any surpluses in the event of liquidation. Any decision on distribution of profit is to be made by the general meeting. All shareholders who are registered in the share register maintained by Euroclear on the record date determined by the general meeting are entitled to receive dividends. The dividends are normally paid to shareholders through Euroclear as a cash amount per share, but may also comprise forms other than cash dividends (distribution in kind). If a shareholder cannot be paid through Euroclear, the shareholder's claim on the Company in respect of the dividend amount remains and is subject to a statutory limitation period of ten years. Should the claim become barred by the limitation period, the dividend amount is forfeited to the Company. Subject to the existence of possible restrictions imposed by banks or clearing systems in the relevant jurisdiction, there are no restrictions on entitlement to dividends for shareholders resident outside Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. See also the section "*Taxation*".

1) Atlas Copco held 17,236,289 own shares on April 30, 2018. At the date of the Prospectus, the number of own shares that Atlas Copco will hold on June 5, 2018, i.e. on the day on which the extraordinary general meeting of Epiroc will resolve upon the number of shares in Epiroc, is not known.

### Transferability of shares in Epiroc
Epiroc's shares are freely transferable and are not subject to any mandatory public offer, squeeze-out or sell-out process. No takeover bid has been made with respect to the shares since Epiroc was incorporated.

### Warrants and convertible loans
There are no outstanding warrants, convertible loans or other financial instruments which, if exercised, could result in a dilution effect for Epiroc's shareholders.

## Development of the share capital
The table below sets forth the changes in the share capital of Epiroc since the incorporation of Epiroc and up to the first day of trading in Epiroc's shares.

| Date of adoption | Date of registration with the SCRO | Transaction | Change in number of shares | Total number of shares | Change in share capital (SEK) | Total share capital (SEK) | Quota (par) value (SEK) |
|---|---|---|---|---|---|---|---|
| March 24, 1942 | April 22, 1942 | Incorporation | 300 | 300 | 30,000 | 30,000 | 100 |
| June 20, 1977 | September 12, 1977 | New issue of shares | 200 | 500 | 20,000 | 50,000 | 100 |
| October 21, 1983 | December 1, 1983 | New issue of shares | 9,500 | 10,000 | 950,000 | 1,000,000 | 100 |
| October 31, 1984 | February 28, 1985 | New issue of shares | 90,000 | 100,000 | 9,000,000 | 10,000,000 | 100 |
| November 11, 1987 | December 3, 1987 | New issue of shares | 100,000 | 200,000 | 10,000,000 | 20,000,000 | 100 |
| December 21, 2017 | January 19, 2018 | Bonus issue | 6,885 | 206,885 | 688,500 | 20,688,500 | 100 |
| June 5, 2018 | June 8, 2018[1)] | Share split | 1,212,169,930 | 1,212,376,815 | – | 20,688,500 | 0.017064 |
| June 5, 2018 | June 8, 2018[1)] | Reclassification of shares[2)] | – | 1,212,376,815 | – | 20,688,500 | 0.017064 |
| June 5, 2018 | June 8, 2018[1)] | Bonus issue | – | 1,212,376,815 | 479,311,500 | 500,000,000 | 0.412413 |

1) Expected date of registration.
2) Reclassification of 389,972,849 shares of class A to 389,972,849 shares of class B.

## Ownership structure

As per the date of the Prospectus, Epiroc is a wholly-owned subsidiary of Atlas Copco. The table below shows Epiroc's ownership structure based on the assumption that the shares of Epiroc had been distributed to Atlas Copco's shareholders with April 30, 2018 as record date.[1)]

| Shareholder | Number of shares of Class A | Number of shares of Class B | Total number of shares | Votes, % of total | Shares, % of total |
|---|---|---|---|---|---|
| Investor Aktiebolag | 194,803,726 | 12,841,885 | 207,645,611 | 22.8 | 17.1 |
| Swedbank Robur fonder | 24,925,403 | 33,252,327 | 58,177,730 | 3.3 | 4.8 |
| Alecta Pensionsförsäkring | 24,261,000 | 26,380,000 | 50,641,000 | 3.1 | 4.2 |
| SEB Investment Management | 15,658,168 | 390,300 | 16,048,468 | 1.8 | 1.3 |
| Folksam | 7,404,780 | 3,888,872 | 11,293,652 | 0.9 | 0.9 |
| SPP Fonder AB | 5,195,101 | 2,782,705 | 7,977,806 | 0.6 | 0.7 |
| Fjärde AP-fonden | 4,335,504 | 7,862,393 | 12,197,897 | 0.6 | 1.0 |
| Avanza Fonder | 3,762,886 | 1,749,297 | 5,512,183 | 0.5 | 0.5 |
| Länsförsäkringar fondförvaltning AB | 3,548,634 | 1,647,493 | 5,196,127 | 0.4 | 0.4 |
| AMF – Försäkring och Fonder | – | 31,192,649 | 31,192,649 | 0.4 | 2.6 |
| **Total ten largest shareholders** | **283,895,202** | **121,987,921** | **405,883,123** | **34.4** | **33.5** |
| Other shareholders | 538,508,764 | 267,984,928 | 806,493,692 | 65.6 | 66.5 |
| **Total** | **822,403,966** | **389,972,849** | **1,212,376,815** | **100.0** | **100.0** |

1) The table shows the ten largest shareholders of Atlas Copco, by voting rights, registered directly or as a group with Euroclear. The table does not include own shares held by Atlas Copco.

## Shareholders' agreements

The board of directors is not aware of any shareholders' agreements or other agreements between shareholders with the aim to exercise joint influence over Epiroc. Nor is the board of directors aware of any agreements or equivalent that may result in a change of control over Epiroc.

## Dividend policy

Epiroc's goal is to provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50 percent of net profit over the cycle. No dividend has been paid to Atlas Copco by the Company during the period 2015–2017.

# Articles of association

Articles of association of Epiroc Aktiebolag, reg. no. 556041-2149, which will be adopted by the general meeting to be held on June 5, 2018. The current articles of association only deviate from the below presented articles of association in respect of the limits for the share capital and the number of shares. According to the current articles of association, the share capital shall amount to not less than SEK 8,000,000 and not more than SEK 32,000,000 and the number of shares shall be not less than 80,000 and not more than 320,000.

## § 1

The name of the company is Epiroc Aktiebolag. The company is a public company (publ).

## § 2

The registered office of the company is situated in the municipality of Nacka.

## § 3

The objective of the company is to carry out, directly or through wholly or partly owned enterprises, mechanical engineering business and equipment rental business as well as to carry out other activities consistent therewith.

## § 4

The share capital shall amount to not less than SEK 300,000,000 and not more than SEK 1,200,000,000.

The number of shares in the company shall be not less than 1,000,000,000 and not more than 4,000,000,000.

The shares may be issued in two series called Class A and Class B. Shares of each class can be issued at a maximum number equivalent to 100 percent of the share capital.

Each Class A share carries one vote and each Class B share carries one tenth of a vote. Each Class A and Class B share carries equal rights to a part of the company's assets and profit.

If the company decides to issue new Class A and Class B shares, either through a cash issue or an issue by set-off, each shareholder of Class A shares and Class B shares shall have a preferential right to subscribe for new shares of the same class in relation to the number of shares held by the shareholder prior to the new issue (primary preferential right). Shares that are not subscribed for with primary preferential rights shall be offered for subscription by all shareholders (secondary preferential right). If the number of shares thus offered is not sufficient for the subscription made with secondary preferential rights, the shares shall be allocated among the subscribers in relation to the total number of shares (Class A and Class B) owned prior to the new issue, and to the extent this cannot be effected, the shares shall be allocated by way of drawing lots.

If the company decides to issue new shares of either Class A or Class B, either through a cash issue or an issue by set-off, all shareholders shall have a preferential right to subscribe for new shares in relation to the total number of shares (Class A and Class B) owned prior to the new issue regardless if their shares are Class A or Class B shares.

If the company decides to issue subscription warrants or convertibles, through a cash issue or an issue by set-off, the shareholders shall have a preferential right to subscribe for the subscription warrants, as if the issue had been of the shares that may be subscribed for under the warrants, or a preferential right to subscribe for convertibles as if the issue had been of the shares that the convertibles may be converted to, respectively.

The aforesaid shall not in any way be interpreted as a restriction of the possibility to decide on a new cash issue or issue by set-off with deviation from the preferential rights of the shareholders.

In case the share capital is increased through a bonus issue, new shares of each class shall be issued in relation to the number of shares of the same class previously issued. Old shares of a certain class shall thereby entitle the holder to new shares of the same class. The aforesaid shall not in any way be interpreted as a restriction of the possibility to issue shares of a new class of shares through a bonus issue after a required change of the articles of association.

## § 5

The board of directors elected by the shareholders' meeting shall comprise 6–12 members.

## § 6

The company shall have 1–2 auditors and not more than 2 deputy auditors or 1–2 registered accounting firms.

## § 7

Notice to attend general meetings shall be given by publishing in the Official Swedish Gazette (Post- och Inrikes Tidningar) as well as at the company's website. Information that notice has been given shall at the same time be published in Svenska Dagbladet and Dagens Nyheter.

## § 8

Shareholders wishing to participate in the proceedings of the general meeting shall both be included in the print-out or other presentation of the full share register reflecting the circumstances five working days prior to the general meeting and shall give notice of their attendance to the company by the date specified in the notice convening the meeting.
The latter day shall not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and may not be earlier than five business days before the meeting.

At a general meeting shareholders may be accompanied by one or two assistants, although only if the shareholder has given notification of this as specified in the previous paragraph.

## § 9

General Meeting of Shareholders shall be held in either of the following municipalities: Stockholm, Nacka, Danderyd, Huddinge, Sollentuna, Solna, Sundbyberg or Örebro. The chairman of the board of directors or a person appointed by the board of directors for this purpose opens the general meeting and presides over the proceedings until a chairman of the meeting is elected.

## § 10

The annual general meeting is held each year within six months of the end of the financial year.

The following matters shall be addressed at the annual general meeting:

1. Election of a chairman of the meeting;
2. Preparation and approval of the voting register;
3. Approval of the agenda;
4. Election of one or two persons to attest the minutes;
5. Determination of whether the meeting was duly convened;
6. Presentation of the annual report and auditor's report and, where applicable, the consolidated financial statements and auditor's report for the group;
7. the President's speech;
8. Resolutions regarding
   (a) adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and consolidated balance sheet;
   (b) allocation of the company's profit or loss according to the adopted balance sheet;
   (c) discharge from liability for board members and the managing director;
   (d) record date for receiving dividend;
9. Determination of fees for the board of directors and the auditors;
10. Determination of number of board members, auditors and, if applicable, deputy auditors;
11. Election of the board of directors and accounting firm or auditors;
12. Any other business incumbent on the meeting according to the Companies Act or the articles of association.

## § 11

The company's financial year shall comprise the period commencing January 1 up to and including December 31.

## § 12

Shareholders or trustees which on the record date are entered in the shareholders' register and noted in a Record day Register, according to chapter 4 of the Swedish Central Securities Depositories and Financial Instrument Accounts Act (1998:1479) or noted on a Record day Account according to chapter 4 § 18 first paragraph 6–8 in the aforementioned law, shall be presumed to be authorised to exercise the rights in chapter 4 § 39 of the Swedish Companies Act (2005:551).

# Legal considerations and supplementary information

## General corporate information and legal group structure

Epiroc Aktiebolag (corporate registration number 556041-2149) is a Swedish public limited liability company (Sw. *publikt aktiebolag*) which was incorporated in March 1942 and registered with the Swedish Corporate Registration Office (Sw. *Bolagsverket*) in April 1942. The Company's current name was registered on May 19, 2017. The Company has its registered office in the municipality of Nacka, Sweden. The Company's activities are carried out in compliance with the Swedish Companies Act (2005:551).

Epiroc is the ultimate parent company of the Group, which, in addition to the Company, comprises 88 directly and indirectly owned companies, as well as three affiliated entities, in 58 countries. The below table shows information about Epiroc's most significant directly or indirectly owned subsidiaries. Epiroc's holdings in associated companies are not deemed to be of significant importance to Epiroc's financial position or earnings.

| Subsidiary | Country | Shares and voting rights, % |
|---|---|---|
| Epiroc Rock Drills AB | Sweden | 100 |
| Epiroc Drilling Tools AB | Sweden | 100 |
| Epiroc Sweden AB | Sweden | 100 |
| Epiroc Treasury AB | Sweden | 100 |
| Epiroc Financial Solutions AB | Sweden | 100 |
| Epiroc Drilling Solutions LLC | USA | 100 |
| Epiroc Drilling Tools LLC | USA | 100 |
| Epiroc USA LLC | USA | 100 |
| Epiroc Financial Solutions USA LLC | USA | 100 |
| Epiroc Canada Inc | Canada | 100 |
| Epiroc Australia Pty Ltd | Australia | 100 |
| Epiroc Financial Solutions Australia Pty Ltd | Australia | 100 |
| Epiroc South Africa Pty Ltd | South Africa | 100 |
| Epiroc Chile S.A.C. | Chile | 100 |
| Epiroc Mining India Ltd | India | 96.32 |
| Epiroc Trading Co., Ltd. | China | 100 |
| Epiroc (Nanjing) Construction and Mining Equipment Ltd. | China | 100 |
| Epiroc RUS LLC | Russia | 100 |
| Epiroc México, S.A. de C.V. | Mexico | 100 |
| Epiroc Peru S.A. | Peru | 100 |
| Epiroc Japan KK | Japan | 100 |
| Epiroc Norge AS | Norway | 100 |
| Construction Tools GmbH | Germany | 100 |

## Separation from Atlas Copco

### Background

Epiroc's operations have previously been part of Atlas Copco's operations. Therefore, and prior to the distribution of Epiroc's shares, operations to be part of Epiroc after the separation (the "Epiroc Operations") have been separated from Atlas Copco's other operations. This has been achieved through local carve-outs in each country where Epiroc's subsidiaries have operations. Depending on the size of the respective businesses in the local market, the tax effects and the complexity of the business and the contractual relations, it has been decided for each country whether existing entities should be kept by Atlas Copco or transferred to Epiroc and whether Atlas Copco or Epiroc as the case may be should incorporate a new entity. Assets and liabilities held by the existing entities but relating to the other part of the business have been transferred to the correct entity. The carve-outs have been implemented through transfers of assets and debts, share transfers or demergers. Following finalization of such local carve-outs, the Epiroc entities have been transferred to Epiroc Rock Drills AB, and minority interests have been transferred to subsidiaries of Epiroc Rock Drills AB where required from a local legal standpoint, followed by a transfer of all shares in Epiroc Rock Drills AB to Epiroc. For this purpose, Epiroc and Atlas Copco have entered into a master transfer agreement with several sub-agreements (the "Separation Agreements").

The decision to separate Epiroc from Atlas Copco through a distribution to the shareholders of Atlas Copco was adopted by the annual general meeting of Atlas Copco on April 24, 2018. For further information regarding the distribution of Epiroc, refer to the section "*Information regarding the distribution of Epiroc*".

### The Separation Agreements

The Separation Agreements generally regulate (i) transfers to Epiroc of assets and liabilities belonging to the Epiroc Operations, (ii) transfers to Epiroc of companies belonging to the Epiroc Operations, (iii) transition of employees, (iv) transfer and licensing of intellectual property rights and (v) provision of certain interim services from Atlas Copco to Epiroc.

According to the Separation Agreements, Atlas Copco will, as a main rule, indemnify Epiroc for claims and obligations attributable to Atlas Copco's operations and, correspondingly, Epiroc will indemnify Atlas Copco for claims and obligations attributable to Epiroc's operations. Liabilities for risks that cannot be allocated by applying the main rule described above, and liability for tax not directly attributable to any of the operations, shall be allocated by applying an allocation principle, which entails that 75 percent of the liability shall be allocated to and be borne by Atlas Copco and 25 percent of the liability shall be allocated to and be borne by Epiroc. As some of the entities that have been transferred to Epiroc through the Separation Agreements previously have conducted Atlas Copco's operations, Epiroc may be subject to claims and liabilities relating to Atlas Copco's remaining operations. Even though Atlas Copco, in accordance with the above, as a main rule has an obligation to compensate Epiroc for such damage, Epiroc may be adversely affected should the compensation from Atlas Copco or Epiroc's insurance program be delayed.

### Service agreements

Epiroc and Atlas Copco have entered into a number of transitional services agreements, according to which Atlas Copco will provide services to Epiroc, and Epiroc will provide services to Atlas Copco, in a number of areas over a transitional period. These services include, *inter alia*, HR, IT and Finance and rental of facilities. The services will generally not be provided more than seven months after the listing of Epiroc's shares at Nasdaq Stockholm, with the exception of certain services (mostly relating to IT and rental of facilities) which have a longer duration.

### Intellectual property rights

Under the Separation Agreements, Atlas Copco has transferred intellectual property rights to certain Epiroc trademarks and domain names to Epiroc. In addition, Epiroc and Atlas Copco have entered into a transitional trademark license agreement regarding Epiroc's limited right to use the Atlas Copco word mark and logotype for a period of up to 24 months depending on the type of use (except in relation to the heritage of Epiroc).

### Pension commitments

Prior to the distribution of the shares in Epiroc, Atlas Copco and Epiroc secured their defined benefit (Sw. *ITP2*) obligations through a mutual group pension foundation, the Atlas Copco Group Pension Foundation (Sw. *Atlas Copco-gruppens gemensamma pensionsstiftelse*). In connection with the separation of Epiroc from Atlas Copco, Epiroc applied to the Stockholm County Administrative Board (Sw. *Länsstyrelsen i Stockholms län*) to register its own pension foundation. The application was approved by the Stockholm County Administrative Board on January 8, 2018 and the new Epiroc Group Pension Foundation (Sw. *Epiroc-gruppens gemensamma pensionsstiftelse*) was registered by the Swedish Tax Agency on January 15, 2018.

Furthermore, on January 12, 2018 the Stockholm County Administrative Board approved the application by the Atlas Copco Group Pension Foundation to transfer Epiroc's share of the Atlas Copco Group Pension Foundation to the Epiroc Group Pension Foundation. The assets pertaining to Epiroc in the existing Atlas Copco Group Pension Foundation are in the process of being transferred to the new Epiroc pension foundation and are estimated to be fully transferred by the end of May 2018.

Also, it should be noted that PRI Pensionsgaranti has issued credit insurances policies in relation to all Swedish group companies of the Epiroc Group.

### Insurance

During the transitional period following the separation from Atlas Copco and up until the distribution of Epiroc's shares, Epiroc is covered by Atlas Copco's insurance program, with Atlas Copco as the policy holder. Starting June 1, 2018, when Epiroc will be insured by its own insurance program, Epiroc will only be covered by Atlas Copco's insurance program for occurrences prior to June 1, 2018. Atlas Copco's insurance program works through a framework of master policies and includes global property and business interruption insurance, general and products liability insurance, cargo insurance, financial lines insurance (including crime insurance, pension trustee liability insurance and employment practice liability insurance), business travel insurance and specialty risks insurance.

Starting June 1, 2018 Epiroc will be covered through its own insurance program which will be built on the same basis as the structure of its peer function in Atlas Copco, with the addition of insurance coverage for business travels and specialty risks, including a coverage for education costs relating to political situations. As opposed to the insurance program of Atlas Copco, Epiroc will be insured by external insurers and there will be no captive insurance entity utilized within Epiroc's insurance program.

In Epiroc's opinion, the insurance policies are sufficient for Epiroc's operations and all of the insurance policies have been entered into on market terms.

### Payment solutions

The payment solution companies of the Atlas Copco group have been transferred to Epiroc as part of the separation. However, certain payment solutions portfolios of Epiroc will remain with Atlas Copco and certain portfolios of Atlas Copco will remain with Epiroc. Epiroc will not provide any new payment solutions arrangements for Atlas Copco. Epiroc and Atlas Copco have entered into a separate agreement on the responsibility for such portfolios, where the main principle is that the respective group will be liable for the payment solutions portfolios relating to their respective business. Epiroc has renamed the Customer finance business to Payment solutions.

### Transfer of assets and liabilities without consideration

See the section "*Capital structure and other financial information – Material events after March 31, 2018 – Transfer of assets and liabilities between Epiroc and Atlas Copco*" for a description of the transfer of assets and liabilities without consideration that have been made between Epiroc and Atlas Copco and that will be made between the companies in connection with the separation and the distribution and listing of Epiroc's shares on Nasdaq Stockholm.

## Agreements in the ordinary course of business

### Supplier agreements

Certain of the components and raw materials used by Epiroc in its operations are sourced from few suppliers thus creating a high level of dependency on such suppliers' ability to deliver in accordance with agreed requirements, e.g. as regards quantity, quality and time of delivery. This approach is part of the business strategy due to Epiroc's highly specialized products. Therefore, supplier relationships tends to be long term and the dealings with major suppliers is characterized by close collaboration with a focus on developmental work, where Epiroc provides the suppliers with product designs and tools necessary for the production.

Epiroc normally enters into framework agreements or place purchase orders with their suppliers. There is no uniform use of template agreements and best practice varies in each jurisdiction. Terms and conditions are in some cases based on industry standards, and in other cases based on the relevant Epiroc entities' or the suppliers' own template.

Due to the shifting demand in Epiroc's products, it is rather uncommon to have material volume undertakings in the framework agreements. Rather, under the framework agreements, Epiroc provides non-binding forecasts upon which call-offs are made.

The suppliers generally provide warranties regarding defects, limited to a certain period of time, starting at either the delivery date or at the time the final customer puts the product into operation. The suppliers' liability does in general not include liability for consequential or indirect damages. Further, several suppliers also provide the relevant Epiroc entity with a product liability indemnity covering any defective deliveries causing damage to persons or property. Epiroc is also normally entitled to liquidated damages if the products are not delivered in time, although to a varying extent, if any.

### Customer agreements

Epiroc's relationships with major customers are generally of a long-term nature. The agreements pertaining to sale of products are often combined with service agreements that include maintenance, spare parts and consumables.

The customer centers are mainly responsible for the customer contracts and sales. The customer centers normally prepare a quotation for the customers. Based on such quotation and any additional requests the customer may have, internal checks are made in order to make sure that the production companies have the necessary capacity to produce the equipment for the customer. Customers then place an order and/or enter into framework agreements with the relevant entity. Furthermore, Epiroc also enters into distribution agreements, some being restricted to geographic areas. There is no specific template used by all Epiroc entities as regards customer agreements. Therefore, the applicable terms and conditions, including industry standards, differ depending on whether the relevant entity has prepared the agreement or if the customer's template is used.

The demand for Epiroc's products shifts from time to time due to the cyclicality of the business. Therefore, and as is customary in the industry, the customer agreements rarely contain any long term purchasing obligations or volume undertakings. Furthermore, the agreements normally contain customary product warranties valid for approximately one year and entitlement to liquidated damages in case of delayed deliveries. Generally, liability is limited to direct damages or capped at a certain amount in the agreements. However, some agreements do not contain a limitation of liability clause meaning that the maximum potential liability exposure is decided in accordance with applicable law.

Epiroc is dependent on relationships with customers and the continued delivery of high-quality products to customers. However, Epiroc is not dependent on any individual customer agreement given the value represented by each individual customer agreement as a share of Epiroc's total revenues.

## Material agreements

Except for the agreements referred to below and that are described in other sections of the Prospectus, Epiroc does not regard any specific agreement to be material to the Company's business as a whole. For information on the Separation Agreements, refer to the section "*Legal consideration and supplementary information – Separation from Atlas Copco – the Separation Agreements*".

For information on Epiroc's financing agreements, refer to the section "*Capital structure and other financial information – Financing*".

## Claims, litigations and investigations

Epiroc conducts operations in several countries and is from time to time involved in disputes, claims and administrative procedures in the ordinary course of business. However, Epiroc has not been involved in any legal or arbitration proceedings, nor any investigations, (including proceedings or investigations that are pending or that Epiroc is aware may arise) during the last twelve months, which recently have had, or may have, significant effect on Epiroc's financial position and profitability.

## Permits

Epiroc operates in an industry in which it is dependent on obtaining and maintaining relevant permits and licenses required for the respective operations, such as permits for carrying out environmentally-hazardous activities and other environmental permits. It is Epiroc's view that it holds all required regulatory permits and licenses to conduct its business.

## Real estate and leases

Epiroc leases most of its material premises from third parties. The leased premises are mainly used as warehouses, offices, distribution centers and for manufacturing as well as for service and repair of machinery. The terms and conditions of the lease agreements vary between jurisdictions, however it is Epiroc's view that the terms and conditions of the lease agreements are customary. In some jurisdictions Epiroc also own properties to some extent. A majority of the owned properties are used for industrial activities such as manufacturing, but also in some cases as offices and warehouses.

## Intellectual property rights

Intellectual property rights are important to Epiroc's business and Epiroc currently manages a substantial IP portfolio comprising approximately 1,450 patents, more than 900 individual trademark rights, including its brand name, EPIROC, and other trademarks, e.g. SECOROC, COPROD and BUT, and relevant domain names. The 900 individual trademark rights include individual applications and registrations of Epiroc's trademarks in most countries where Epiroc is active. Epiroc is not reliant on any single patent, but the combined protection provided by the patent portfolio as a whole is deemed important to the business.

Epiroc seeks to proactively manage and protect its intellectual property rights by, *inter alia*, registration in each of the countries in which Epiroc operates and where it is deemed to be commercially reasonable.

## Environment

Epiroc affects the environment in its production processes. Epiroc is subject to a variety of environmental laws and regulations, in particular in relation to air emissions, waste management and the protection of natural resources. Compliance with environmental requirements, and the avoidance of environmental issues, is a significant factor in Epiroc's operations, and significant resources are required to maintain compliance with applicable environmental laws and regulations and to manage environmental risks. Epiroc is also dependent on obtaining and maintaining environmental permits and licenses, see further under the section "*Legal considerations and supplementary information – Permits*".

## Transactions with related parties

See note 28 in the section "*Historical financial information – Financial information for the years ended December 31, 2017, 2016 and 2015*" for a description of Epiroc's transactions with related parties during the financial years 2015–2017.

In addition to the above and the related-party transactions with Atlas Copco as a result of the transfer of assets and liabilities without consideration described in the section "*Capital structure and other financial information – Material events after March 31, 2018 –Transfer of assets and liabilities between Epiroc and Atlas Copco*", there have been no material transactions with related parties.

## Advisors

SEB and Deutsche Bank provide financial advice and other services to Epiroc in connection with the distribution and listing of the Epiroc shares on Nasdaq Stockholm, for which they will receive customary remuneration. SEB and Deutsche Bank have in the ordinary course business, from time to time, provided, and may in the future provide, various banking, financial, investment, commercial and other services to Epiroc.

Epiroc's legal advisors in connection with the distribution and listing of shares on Nasdaq Stockholm, Roschier Advokatbyrå AB and Shearman & Sterling (London) LLP, will receive customary compensation for the advice given. The legal advisors have in the ordinary course of business, from time to time, provided, and may in the future provide, legal advice to Epiroc in connection with other transactions.

## One-off costs

Epiroc's costs attributable to the listing of its Class A and Class B shares on Nasdaq Stockholm, including payment to advisors, and other estimated transaction costs are estimated to amount to approximately SEK 52 million. In addition to the costs related to the listing, Epiroc is estimated to incur one-off costs associated with the separation from Atlas Copco of approximately SEK 148 million, primarily attributable to costs related to IT and re-branding for the period January to June 2018.

## Documentation made available for inspection

Epiroc's (i) articles of association, and (ii) all such historical financial statements as referred to in the Prospectus, including auditors' reports, are made available for inspection during office hours at Sickla Industriväg 19, SE-131 54 Nacka, Sweden. These documents are also available in electronic form on Epiroc's website at www.epiroc.com. Further, the financial statements for the financial years 2015–2017 of Epiroc's subsidiaries are made available at Epiroc's address as set out above.

# Taxation

*The following is a summary of certain tax consequences and is intended as general information only. The statements concerning Swedish tax laws set forth below are based on the laws and regulations as at today and any changes occurring after that date, may have retroactive effect.*

## Certain Tax Considerations in Sweden

The following is a summary of certain tax consequences that may arise from the distribution of the Epiroc shares to the shareholders of Atlas Copco, mainly for individuals or limited liability companies tax resident in Sweden. General comments for shareholders who are not tax resident in Sweden are also provided. This description does not deal comprehensively with all tax consequences that may occur in this context. For instance, the summary does not address securities held by partnerships or securities held as current assets in business operations. Moreover, the summary does not address the specific rules on tax-exempt capital gains and dividends (including non-deductibility for capital losses) in the corporate sector that may be applicable when shares are considered to be held for business purposes (Sw. *näringsbetingade andelar*). Neither are the specific rules covered that could be applicable to holdings in companies that are, or have previously been, closely-held companies or shares acquired on the basis of so-called qualified shares in such companies. Moreover, the summary does not address shares or other equity-related securities that are held in a so-called investment savings account that are subject to specific rules and are taxed on a notional basis. Specific tax rules apply to certain categories of taxpayers, for example, investment companies and insurance companies. The tax treatment of each individual shareholder depends on each investor's particular circumstances. Each holder of shares should therefore consult a tax advisor for information on the specific implications that may arise in their individual case, including the applicability and effect of foreign rules and tax treaties.

### Shareholders Who Are Tax Resident in Sweden

#### *Taxation of the distribution of Epiroc shares to the shareholders of Atlas Copco*

It is expected that the distribution of the Epiroc shares will be distributed in accordance with the so called Lex ASEA rules. This means that the distribution of the Epiroc shares to the Atlas Copco shareholders will not trigger any immediate taxation for the shareholders. Instead, the tax basis for the shareholding in Atlas Copco will be allocated between existing Atlas Copco shares and the received Epiroc shares. The allocation of the tax basis will be based on the change in value of the shares in Atlas Copco due to the distribution of the shares in Epiroc.

It is envisaged that Atlas Copco will request general guidelines from the Swedish Tax Agency that will be made public.

#### *Individuals' Dividend Taxation*

For individuals, dividends on listed shares are taxed as income from capital at a rate of 30 percent. A preliminary tax of 30 percent is generally withheld on dividends paid to individuals resident in Sweden. The preliminary tax is withheld by Euroclear or, in the case of nominee-registered shares, by the Swedish nominee.

#### *Individuals´ Capital Gains Taxation*

Upon the sale or other disposal of listed shares, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as income from capital at a tax rate of 30 percent. The capital gain or loss is calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis. The tax basis for all shares of the same class and type is calculated together in accordance with the average cost method. The tax basis for listed shares may alternatively be determined as 20 percent of the sales proceeds after deducting sales costs under the "notional rule".

Capital losses on listed shares are fully deductible against taxable capital gains on shares and on other listed equity-related securities realized during the same year, with the exception of units in securities funds or special funds that consist solely of Swedish receivables ("interest funds"). Up to 70 percent of capital losses on shares that cannot be offset in this way are deductible against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction of 30 percent is allowed on the portion of such net loss that does not exceed SEK 100,000 and of 21 percent on any remaining loss. Such net loss cannot be carried forward to future fiscal years.

#### *Limited Liability Companies' Dividend and Capital Gains Taxation*

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a tax rate of 22 percent. Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals. Deductible capital losses on shares may only be deducted against taxable capital gains on other securities that are taxed in the same manner as shares. Under certain circumstances such capital losses may also be deducted against capital gains in another company in the same group, provided that the requirements for exchanging group contributions (Sw. *koncernbidragsrätt*) between the companies are met. A capital loss that cannot be utilized during a given year may be carried forward and be set-off against taxable capital gains on shares and other equity-related securities during subsequent fiscal years without any limitation in time.

### Shareholders Who Are Not Tax Resident in Sweden

#### *Taxation of the distribution of Epiroc shares to the shareholders of Atlas Copco*

It is expected that Epiroc's shares will be distributed in accordance with the so called Lex ASEA rules. This means that the distribution of the Epiroc shares to the Atlas Copco shareholders will not trigger Swedish withholding tax.

#### *Dividend Taxation*

Dividends paid on shares to non-tax resident shareholders in Sweden are generally subject to 30 percent withholding tax. However, the tax rate is generally reduced for shareholders resident in jurisdictions with which Sweden has entered a tax treaty. The majority of Sweden's tax treaties enable an at-source reduction of the Swedish withholding tax to the tax rate stipulated in the treaty provided that necessary information is made available to Euroclear or the nominee in relation to the person entitled to such dividends. In Sweden, Euroclear, or, in the case of nominee-registered shares, the nominee, generally carries out the deduction of withholding tax.

If a 30 percent withholding tax is deducted from a payment to a shareholder entitled to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

#### *Capital Gains Taxation*

Non-tax resident shareholders in Sweden who are not operating a business from a permanent establishment in Sweden are generally not liable for Swedish capital gains taxation on the disposal of shares. The shareholders may, however, be subject to taxation in their country of residence. Under a specific tax rule, individual shareholders that are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of shares if they have been resident or stayed permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The applicability of this rule may, however, be limited by tax treaties between Sweden and other countries.

## Certain U.S. federal income tax considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of shares of Epiroc by a U.S. Holder (as defined below). This summary deals only with U.S. Holders that receive Epiroc's shares pursuant to the distribution by Atlas Copco of the Epiroc stock (which we refer to herein as the "Distribution") and that will hold Epiroc's shares as capital assets (generally, property held for investment). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the acquisition, ownership or disposition of Epiroc's shares by particular investors (including consequences under the alternative minimum tax and the Medicare tax on net investment income), and does not address any U.S. federal non-income (such as the estate or gift tax), state, local, non-U.S. or other tax laws. This summary also does not address all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers or traders in securities or currencies that use a mark-to-market method of accounting, persons who received Atlas Copco's shares from the exercise of employee share options or otherwise as compensation, investors that hold Atlas Copco's shares, or will hold Epiroc's shares, as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, any entity or arrangement classified as partnership for U.S. federal income tax purposes or investors therein, investors that own or will own (directly, indirectly or by attribution) 10 percent or more of the stock of Atlas Copco or Epiroc, investors that hold Atlas Copco's shares, or will hold Epiroc's shares, in connection with a trade or business conducted outside of the United States or U.S. Holders whose functional currency is not the U.S. dollar).

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Sweden (the "Treaty"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of Atlas Copco's shares or Epiroc's shares, as applicable, that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation, that is created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) in the case of a trust that was in existence on August 20, 1996, the trust has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Atlas Copco's shares, or that will hold Epiroc's shares, will depend on the status of the partner and the activities of the partnership. Partnerships holding Atlas Copco's shares or that will hold Epiroc's shares, and partners in such partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Epiroc's shares.

THIS SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF EPIROC'S SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NONU.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

## Tax consequences of the Distribution

### *Distribution of Epiroc's shares*

Atlas Copco and Epiroc intend to take the position that the Distribution should qualify under Section 355 of the Code as a tax-free transaction for U.S. federal income tax purposes. To qualify under Section 355 of the Code several requirements must be satisfied, including requirements that relate to the business reasons for engaging in the Distribution, the conduct of certain business activities by Atlas Copco and Epiroc and certain plans or intentions of Atlas Copco and Epiroc following the Distribution. U.S. Holders should be aware that neither Atlas Copco nor Epiroc has requested or intends to request an opinion of counsel or a ruling from the U.S. Internal Revenue Service (the "IRS") with respect to the U.S. federal income tax treatment of the Distribution or any of the statements or conclusions expressed herein. There can be no assurance, that the IRS will not take a contrary position to the views expressed herein or that a court in the event of litigation will not agree with a position of the IRS.

If the Distribution qualifies under Section 355 of the Code, a U.S. Holder of Atlas Copco shares generally should have the following tax consequences:

- such U.S. Holder should recognize no gain or loss, and have no income, upon the receipt of Epiroc shares in the Distribution;
- the aggregate tax basis of the Atlas Copco shares immediately before the Distribution will be allocated between the Atlas Copco shares and the Epiroc shares received in the Distribution, in proportion to their relative fair market values at the time of the Distribution; and
- such U.S. Holder's holding period in its Epiroc shares should include such holder's holding period in its Atlas Copco shares on which the Distribution was made.

U.S. Holders that acquired different blocks of Atlas Copco shares at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate adjusted basis among, and their holding period in, shares of Epiroc distributed with respect to such blocks of Atlas Copco shares.

If contrary to Atlas Copco's and Epiroc's position the Distribution does not qualify under Section 355 of the Code, the Distribution will be treated as a taxable distribution of Epiroc's shares to U.S. Holders of Atlas Copco's shares. The amount of the distribution will be the fair market value of Epiroc's shares at the time of the Distribution (as determined in U.S. dollars), and this amount will be treated as a dividend to U.S. Holders to the extent of Atlas Copco's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The amount of the distribution in excess of Atlas Copco's current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in Atlas Copco's shares and thereafter as capital gain. As a non-U.S. corporation, Atlas Copco does not maintain calculations of its earnings and profits for U.S. federal income tax purposes. Thus, if the Distribution is a taxable distribution, U.S. Holders therefore should assume that their receipt of Epiroc's shares pursuant to the Distribution will be reported as ordinary dividend income. A U.S. Holder will have a tax basis in the Epiroc shares equal to the fair market value of the Epiroc shares at the time of the Distribution (as determined in U.S. dollars). The dividend generally will be taxable to a noncorporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided Atlas Copco qualifies for the benefits of the Treaty and certain other requirements are met. The dividend generally will constitute non U.S. source "passive category" income for foreign tax credit limitation purposes.

U.S. Holders are urged to consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of their receipt of Epiroc's shares pursuant to the Distribution.

### *Tax return requirements*

Each U.S. Holder that, immediately before the Distribution, owns (i) at least 5 percent (by vote or value) of the total outstanding shares of Atlas Copco or (ii) securities of Atlas Copco with an aggregate tax basis of USD 1,000,000 or more must attach to such holder's U.S. federal income tax return for the year in which the Epiroc shares are received a statement setting forth certain information related to the Distribution.

## Taxation of Epiroc's shares

### *Distributions with respect to Epiroc's shares*

Subject to the passive foreign investment company ("PFIC") rules discussed below, distributions paid by Epiroc with respect to Epiroc's shares will be treated as a dividend to the extent the distribution is considered to be paid from Epiroc's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The amount of any distribution that is in excess of Epiroc's current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in Epiroc's shares and thereafter as capital gain. As a non-U.S.

corporation, Epiroc does not maintain calculations of its earnings and profits for U.S. federal income tax purposes. U.S. Holders therefore should assume that any distribution by Epiroc with respect to its shares will be reported as ordinary dividend income.

Dividends paid by Epiroc generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided (1) Epiroc qualifies for the benefits of the Treaty, (2) Epiroc is not a PFIC (as discussed below) for either its taxable year in which the dividend is paid or the preceding taxable year and (3) certain holding period and other requirements are met. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from Epiroc.

Dividends paid by Epiroc in euros will be included in a U.S. Holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are actually or constructively received by the U.S. Holder, regardless of whether the euros are converted into U.S. dollars at that time. A U.S. Holder will have a basis in such euros received equal to such U.S. dollar value. Gain or loss, if any, realized on the sale or other disposition of such euros generally will be U.S. source ordinary income or loss. If all euros are converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the distribution.

Any dividends Epiroc pays to U.S. Holders generally will constitute non U.S. source "passive category" income for foreign tax credit limitation purposes. If any Swedish taxes are withheld with respect to dividends paid to a U.S. Holder with respect to Epiroc's shares, subject to certain conditions and limitations (including a minimum holding period requirement), such taxes may be treated as non U.S. taxes eligible for credit against such holder's U.S. federal income tax liability. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct non U.S. taxes, including any Swedish taxes withheld from dividends on Epiroc's shares, in computing their taxable income, subject to generally applicable limitations under U.S. federal income tax law. An election to deduct non U.S. taxes instead of claiming foreign tax credits applies to all non U.S. taxes paid or accrued in the taxable year. If a refund of the tax withheld is available under the laws of Sweden or under the Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder's U.S. federal income tax liability (and will not be eligible for the deduction against U.S. federal taxable income). If the dividends constitute qualified dividend income as discussed above, the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation generally will be limited to the gross amount of the dividend, multiplied by the reduced rate applicable to the qualified dividend income, divided by the highest rate of tax normally applicable to dividends.

The rules relating to the determination of the foreign tax credit and the deduction of non-U.S. taxes are complex, and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit or deduction may be available in their particular circumstances.

#### *Sale or other taxable disposition of Epiroc's shares*

Upon a sale or other taxable disposition of Epiroc's shares, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount realized on the sale or other taxable disposition and the U.S. Holder's tax basis in Epiroc's shares (as initially determined above under the heading "*–Tax Consequences Of The Distribution – Distribution of Epiroc's shares*"). Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period for Epiroc's shares exceeds one year. Long-term capital gain recognized by certain non-corporate U.S. Holders, including individuals, generally is eligible for reduced rates of U.S. federal income taxation. The deductibility of capital losses is subject to limitations.

The amount realized on a sale or other taxable disposition of Epiroc's shares for an amount in foreign currency generally will be the U.S. dollar value of this amount on the trade date of the sale or other taxable disposition. On the settlement date, the U.S. Holder generally will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the trade date and the settlement date. However, in the case of shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized on such date.

### Passive foreign investment company considerations

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75 percent of its gross income is "passive income" or (ii) at least 50 percent of the average quarterly value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For purposes of the PFIC rules, "passive income" includes, among other things, dividends, interest, rents, royalties or gains on the disposition of certain minority interests.

Based on the present nature of Epiroc's activities and the present composition of its assets and sources of income, Epiroc does not expect to be treated as a PFIC for its current taxable year. However, Epiroc's possible status as a PFIC depends on the composition of its income and assets and the fair market value of those assets from time to time. This determination is made annually and cannot be completed until the close of a taxable year. Thus, no assurance can be given that Epiroc is not or will not become a PFIC for any future taxable year.

If Epiroc were characterized as a PFIC for any taxable year, U.S. Holders of Epiroc's shares would suffer adverse tax consequences. These consequences may include having gains realized on the disposition of Epiroc's shares treated as ordinary income rather than capital gains, and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of the Shares. U.S.

Holders also would be subject to annual information reporting requirements. In addition, if Epiroc were a PFIC in a taxable year in which it paid a dividend or the prior taxable year, such dividends would not be eligible to be taxed at the favorable rates applicable to qualified dividend income.

### Information reporting and backup withholding

Dividend payments with respect to Epiroc's shares and proceeds from a sale, exchange or redemption of Epiroc's shares made within the United States or through certain U.S. related financial intermediaries may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification on IRS Form W 9 or that is otherwise exempt from backup withholding. U.S. Holders that are exempt from backup withholding should still complete IRS Form W 9 to avoid possible erroneous backup withholding. Holders of Epiroc's shares should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against such holder's U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

### Foreign financial asset reporting

Certain U.S. Holders may be required to comply with certain reporting requirements, including filing IRS Form 8938, with respect to the holding of certain foreign financial assets, including stock of foreign issuers (such as Epiroc's shares), either directly or through certain financial institutions. U.S. Holders who fail to report the required information could be subject to substantial penalties. U.S. Holders should consult their own tax advisors regarding the application of these rules to their ownership of Epiroc's shares.


Epiroc
MINETRUCK
Epiroc

# Historical financial information

SEK million unless otherwise stated

## Contents

# Financial information for the three months period ended March 31, 2018

## Interim report January–March 2018

Epiroc

Q1
2018

## Epiroc interim report Q1

### January - March in brief

- Orders received increased 18% to SEK 10,036 million (8,520), organic growth of 21%
- Revenues increased 11% to SEK 8,233 million (7,411), organic growth of 14%
- The reported operating profit was SEK 1,515 million (1,414), including SEK 95 million one-time costs related to the split from Atlas Copco and the listing process
- The reported operating margin was 18.4% (19.1). The effect of one-time costs was -1.2 percentage points
- Basic earnings per share were SEK 0.89 (0.87)
- Operating cash flow of SEK 666 million (1,111)

### Key figures

| SEK million | 2018 Q1 | 2017* Q1 | Change | 2017* Full year |
|---|---|---|---|---|
| Orders received | 10,036 | 8,520 | 18% | 33,831 |
| Revenues | 8,233 | 7,411 | 11% | 31,364 |
| Operating profit | 1,515 | 1,414 | 7% | 5,930 |
| *Operating margin,%* | *18.4* | *19.1* | | *18.9* |
| Profit before tax | 1,458 | 1,391 | 5% | 5,793 |
| *Profit margin,%* | *17.7* | *18.8* | | *18.5* |
| Profit for the period | 1,081 | 1,049 | 3% | 4,298 |
| Basic earnings per share**, SEK | 0.89 | 0.87 | | 3.56 |
| Return on capital employed, % | 28.6 | - | | 27.4 |
| Operating cash flow | 666 | 1,111 | -40% | 4,610 |
| Net debt/EBITDA ratio | 0.35 | - | | 0.75 |

* Financial statements prior to 2018 are combined.

** Calculation based on Atlas Copco's basic number of shares outstanding.

**Q1**
2018

## CEO comments

**Orders received above SEK 10 billion**
It is a great pleasure for me to present Epiroc's first quarterly report, which is also my first report as CEO of Epiroc. It has indeed been a strong quarter for the new company on the back of a cyclical recovery. Orders received increased organically by 21% and reached over SEK 10 billion in the quarter, which is a milestone. Revenues increased by 11% to SEK 8,233 million, with 14% organic growth. Our operating profit reached SEK 1,515 million, and included SEK 95 million in costs related to the split from Atlas Copco and the listing process.

**Demand development and trend**
We have seen increased customer demand for our equipment and services in all geographic regions and we believe that demand will remain on the current level also in the second quarter. In mining, expansion investments in existing mines, and to a lesser extent fleet replacement, contributed to the strong order growth for equipment. In infrastructure, we saw healthy activity, which supported demand for hydraulic attachments as well as for rock drilling equipment. Last, but certainly not least, strong order growth was achieved for service as well as for rock drilling tools.

**Ramping up production and improving our supply chain**
We continued to ramp up production capacity to meet the higher demand. Our suppliers are working on stepping up their delivery capacity and we still have some time to go before our delivery capacity is on par with the current demand. On the back of this, we saw inventories increase. Here we take action to improve our efficiency and agility and we launched a supply-chain improvement program during the quarter.

**Innovation**
We increased investments in R&D to secure a leading market position in our selected niches. Our customers' interest in automation continued to increase. A new solution that was launched in the quarter is a tool designed for autonomous surface mining drills. It provides information on the terrain and surroundings and protects the equipment against potential harm from obstacles around the drill as it works autonomously. The number of machines that are connected to our monitoring system Certiq increased further. This allows us to further improve our service offerings and product development, making good things better.

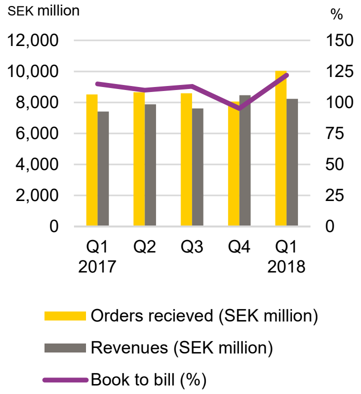
**Final phase of the listing process**
Epiroc was still part of the Atlas Copco Group during the quarter, and internal transactions and costs related to the split and the listing process did impact the numbers. We nearly finalized the build-up of the corporate functions during the quarter, but the level of corporate costs during the quarter is still not fully representative for the future. I thank all our employees who have done an outstanding job supporting the split and the listing process and at the same time kept the customer focus. During the second quarter, we will take the last steps in the listing process and start a new, exciting journey as a standalone public company. I am looking forward to that. We are ready for the future!

Per Lindberg
*President and CEO*

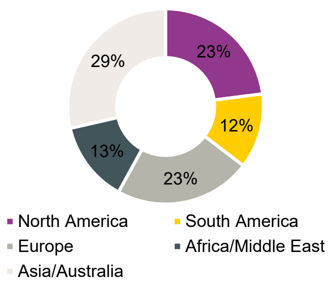
Q1
2018

## Epiroc Group – Q1 review

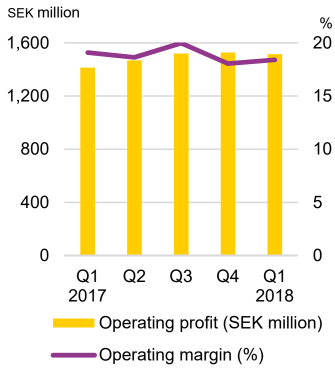
### Orders and revenues




### Geographic distribution of revenues




### Operating profit and margin




### Epiroc Group

| SEK million | 2018 Q1 | 2017 Q1 | Change | 2017* Full year |
|---|---|---|---|---|
| Orders received | 10,036 | 8,520 | 18% | 33,831 |
| Revenues | 8,233 | 7,411 | 11% | 31,364 |
| Operating profit | 1,515 | 1,414 | 7% | 5,930 |
| *Operating margin, %* | *18.4* | *19.1* | | *18.9* |
| Return on capital employed, % | 28.6 | - | | 27.4 |

**Market development and orders received**
The demand for Epiroc Group's products and services improved in the first quarter 2018. Orders received increased 18%, corresponding to 21% organic growth.The strongest growth was achieved in the Equipment & Service segment. Sequentially, the orders received increased by 25% compared to Q4 2017.

Orders received increased in all geographic regions. Africa/Middle East followed by South America had the highest growth rates in the quarter.

Mining customers represented approximatey 70% of orders received.

**Revenues**
Revenues increased 11% to SEK 8,233 million (7,411), corresponding to 14% organic increase. Revenues from acquistions and contract manufacturing of road construction equipment contributed to 2% growth, while the effect of currency was -5%. Book to bill was 122%. Asia/Australia had the Group's highest revenue share in the quarter.

### Sales & profit bridge

**Epiroc Group**

| | Orders received SEK million Change % | Revenues SEK million Change, % | Operating profit SEK million | Margin, %, Change, pp |
|---|---|---|---|---|
| **Q1 2017** | **8,520** | **7,411** | **1,414** | **19.1** |
| Organic | +21 | +14 | +261 | +0.8 |
| Currency | -5 | -5 | -125 | -0.7 |
| Structure and other | +2 | +2 | -35* | -0.8 |
| Total | +18 | +11 | +101 | -0.7 |
| **Q1 2018** | **10,036** | **8,233** | **1,515** | **18.4** |

*Includes operating profit/loss from acquisitions, contract manufacturing, one-time costs, and changes in provision for share-based long-term incentive programs.

**Profits and returns**
The reported operating profit increased to SEK 1,515 million (1,414). The reported operating profit includes SEK 95 million one-time costs related to the split and the listing process. Previous year includes a change in provision for share-based long-term incentive programs of SEK -45 million. The costs for Epiroc Group's corporate functions was approximately SEK 45 million in the quarter.

The reported operating margin was 18.4% (19.1) and was positively affected by organic revenue growth, but negatively affected by currency and one-time costs. The one-time costs related to the split and the listing process corresponded to 1.2% of revenues.

Net financial items were SEK -57 million (-23). Net interest was SEK -28 (-4) million. Other financial items were SEK -29 million (-19).

**Q1**
**2018**

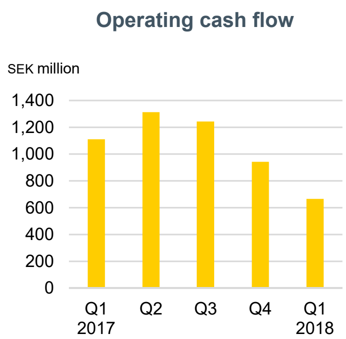
Profit before tax amounted to SEK 1,458 million (1,391), corresponding to a margin of 17.7% (18.8). Income tax expense amounted to SEK 377 million (342), corresponding to an effective tax rate of 25.9% (24.6).

Profit for the period totaled SEK 1,081 million (1,049). Basic earnings per share were SEK 0.89 (0.87).

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

**Supply-chain improvement program**
A supply-chain improvement program was initiated in the quarter, with a first wave of projects focusing on identifying and implementing short-term improvements. The entire program is expected to run for 3 to 4 years. The objective of the program is to develop and implement an agile, high-velocity and responsive global supply chain for both the service business and the rock drilling tools business. An improved supply chain is expected to improve delivery service to customers, reduce costs, e.g. for transport, and reduce capital tied-up in inventories.

## Epiroc Group – Cash flow and Balance sheet

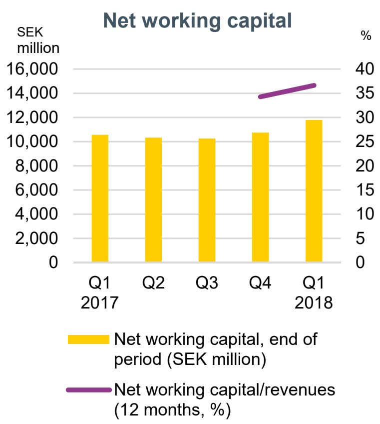



**Operating cash flow**
Net cash flow from operating activities reached SEK 979 million (1,255). Taxes paid in the quarter were SEK 321 million (86). Working capital increased by SEK 465 million (79), mainly an increase in inventories related to ramp-up in production. Net investments in rental equipment were SEK 102 million (43).

Net investments in property, plant and equipment were SEK 119 million (95) and investments in intangible assets were SEK 103 million (49).

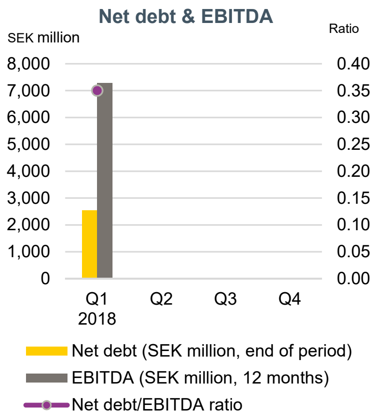
Operating cash flow was SEK 666 million (1,111), see page 20.

**Acquisitions and other investments**
Acquisition of subsidiaries and associated companies was SEK 482 million (66). Other investments net, were SEK 137 million.




**Net working capital**
Net working capital was SEK 11,784 million (10,561) at the end of the period, an increase of 12% mainly driven by higher volumes and the related increase in inventories and receivables, partly offset by higher payables. As a percentage of revenues, net working capital was 36.6%.

Q1
2018




**Net debt**
The Group's net debt amounted to SEK 2,550 million, of which SEK 145 million was attributable to post-employment benefits. Epiroc is currently financed primarily through intra-group financing from Atlas Copco until the listing. The intra-group financing has been finalized in the quarter in order to reach the targeted capitalization prior to the listing (See page 19). The net debt/EBITDA ratio was 0.35. The net debt/equity ratio was 15.8%.

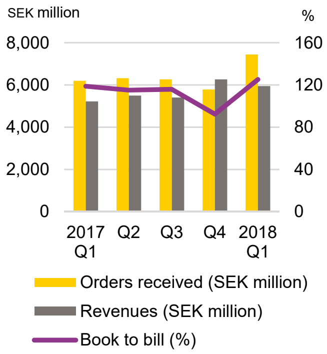
**Q1**
**2018**

## Equipment & Service

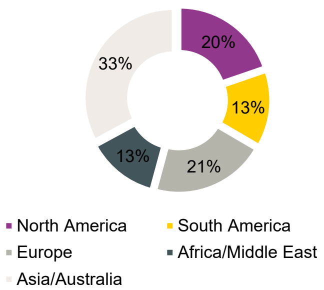
The Equipment & Service segment provides rock drilling equipment, equipment for mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, drilling equipment for exploration, water, oil and gas, as well as related spare parts and service for the mining, infrastructure and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

- Strong demand for equipment, supported by mining customers' expansion investments
- Three acquisitions closed in the quarter
- Operating margin increased to 22.9%, supported by strong organic revenue growth

**Orders and revenues**




**Geographic distribution of revenues**




**Equipment & Service**

| SEK million | 2018 Q1 | 2017 Q1 | Change | 2017 Full year |
|---|---|---|---|---|
| Orders received | 7,442 | 6,200 | 20% | 24,574 |
| Revenues | 5,943 | 5,220 | 14% | 22,383 |
| Operating profit | 1,364 | 1,166 | 17% | 5,107 |
| *Operating margin, %* | *22.9* | *22.3* | | *22.8* |

**Market development and orders received**
The orders received for Equipment & Service increased by 20% to SEK 7,442 million (6,200), corresponding to 22% organic growth. The currency effect was negative by 5%.

Geographically, orders received increased in all regions. Africa/Middle East outperformed the other markets in relative terms with a very strong order intake, followed by South America, where an order of SEK 205 million for underground loading and haulage equipment was received in Chile.

Equipment had an organic growth of 30%.The strong order growth for equipment was primarily related to expansion investments in or adjacent to existing mines with a particularly positive development for rock drilling equipment for surface applications.

The service business increased its orders received by 15% organically to SEK 3,388 million (3,053).

**Revenues**
Revenues increased by 14% to SEK 5,943 million (5,220), corresponding to an organic growth of 16%. Revenues from acquisitions and contract manufacturing of road construction equipment contributed to 3% growth, while the effect of currency was -5%. Book to bill was 125%. Equipment represented 45% (43) of the revenues in the segment and Service 55% (57). Asia/Australia had the segment's highest revenue share in the quarter.

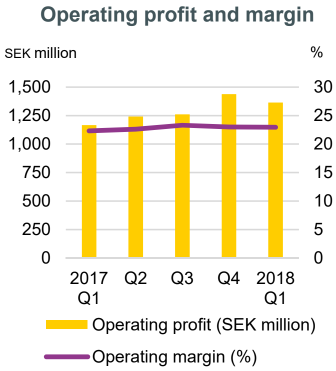
**Sales & profit bridge**

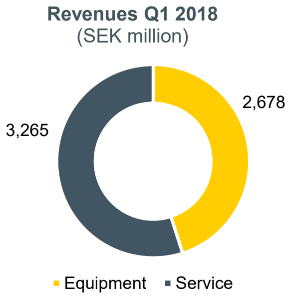
**Equipment & service**

| | Orders received SEK million Changes % | Revenues SEK million Changes % | Operating profit SEK million | Margin, %, Changes, pp |
|---|---|---|---|---|
| **Q1 2017** | **6,200** | **5,220** | **1,166** | **22.3** |
| Organic | +22 | +16 | +290 | +1.8 |
| Currency | -5 | -5 | -103 | -0.8 |
| Structure and other | +3 | +3 | +11* | -0.4 |
| Total | +20 | +14 | +198 | +0.6 |
| **Q1 2018** | **7,442** | **5,943** | **1,364** | **22.9** |

*Includes operating profit/loss from acquisitions and contract manufacturing.

# Q1
2018




**Sales bridge**

| | Equipment | | Service | |
|---|---|---|---|---|
| | Orders received SEK million | Revenues SEK million | Orders received SEK million | Revenues SEK million |
| **Q1 2017** | **3,147** | **2,219** | **3,053** | **3,001** |
| Organic,% | +30 | +21 | +15 | +12 |
| Currency,% | -5 | -4 | -6 | -5 |
| Structure and other,% | +4 | +4 | +2 | +2 |
| Total,% | +29 | +21 | +11 | +9 |
| **Q1 2018** | **4,054** | **2,678** | **3,388** | **3,265** |

**Operating profit and margin**
Operating profit was SEK 1,364 million (1,166), corresponding to a margin of 22.9% (22.3). The margin was supported by volume, but negatively affected by currency.

**Business development**
Three acquisitions were closed in the quarter.

- Rockdrill Services Australia Pty. Ltd. a rock drill specialist serving the Australian mining industry. The company has 37 employees and had revenues of AUD 14 million (SEK 90 million) in the fiscal year ending June 30, 2017. The acquisition was finalized in January.
- Assets of Cate Drilling Solutions LLC., a US company that distributes and services Epiroc drilling equipment and components with 35 employees. The acquisition was finalized in January.
- Hy-Performance Fluid Power Pty Ltd, an Australian provider of remanufacturing, service and repair of hydraulic components for drill rigs. It has 26 employees and had revenues of AUD 7.5 million (SEK 50 million) in the fiscal year ending June 30, 2017. The agreement was finalized in February.

**Innovations launched in the quarter**
Epiroc Exploration Manager is a tool available for underground exploration drill rigs. It presents operational data that are recorded automatically during the drill cycle. In addition, the tool is letting the operator log what activity state the drill rig is in, directly on the rig's control panel. Exploration Manager combines all this data and presents it with comprehensive pie charts and graphs on a regular PC. This allows the mine management to improve utilization and productivity.

Pit Viper Guard is a tool designed for autonomous Pit Viper surface mining drills. It provides information on the terrain and surroundings of the drill allowing the drill to make calculated decisions as it works autonomously. It protects the equipment against potential harm from unplanned obstacles around the drill and decreases the time the remote operator has to interact with the drill.

# Q1
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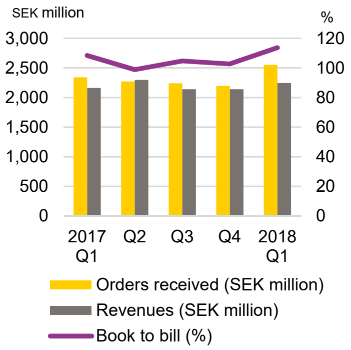
## Tools & Attachments

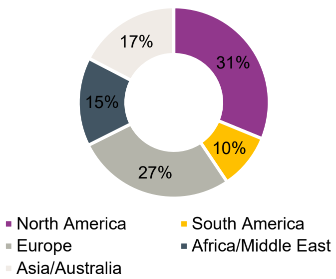
The Tools & Attachments segment provides rock drilling tools and hydraulic attachments that are attached to machines used mainly for drilling, deconstruction and recycling as well as rock excavation. It also provides related service and spare parts and serves the mining, infrastructure and natural resources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

- Organic order growth in all regions
- Acquisition of manufacturer and distributor of drilling consumables for mining exploration
- Operating margin at 12.8% (14.8), negatively affected by increased raw material prices

### Orders and revenues




### Geographic distribution of revenues




### Tools & Attachments

| SEK million | 2018 Q1 | 2017 Q1 | Change | 2017 Full year |
|---|---|---|---|---|
| Orders received | 2,550 | 2,341 | 9% | 9,047 |
| Revenues | 2,245 | 2,161 | 4% | 8,738 |
| Operating profit | 287 | 321 | -11% | 1,146 |
| *Operating margin, %* | *12.8* | *14.8* | | *13.1* |

**Market development and orders received**
The business environment in both the infrastructure and mining industry continued to be good for Tools & Attachments with a high level of activity in almost all markets. The demand for rock drilling tools increased, primarily due to higher activity among mining customers. The orders received increased by 9% to SEK 2,550 million (2,341) corresponding to an organic growth of 13%.

Geographically the order intake increased in all regions with the highest growth in North America.

**Revenues**
Revenues were SEK 2,245 million (2,161), corresponding to an organic growth of 7%. Revenues from acquisitions contributed to 1% growth, while the effect of currency was -4%. Book to bill was 114%. North America had the segments' highest revenue share in the quarter.

### Sales & profit bridge

**Tools & Attachments**

| | Orders received | Revenues | Operating profit | |
|---|---|---|---|---|
| | SEK million, changes % | SEK million, changes % | SEK million | Margin, %, Changes, pp |
| **Q1 2017** | **2,341** | **2,161** | **321** | **14.8** |
| Organic | +13 | +7 | -17 | -1.6 |
| Currency | -5 | -4 | -21 | -0.3 |
| Structure and other | +1 | +1 | +4* | +0.0 |
| Total | +9 | +4 | -34 | -2.0 |
| **Q1 2018** | **2,550** | **2,245** | **287** | **12.8** |

*Includes operating profit/loss from acquisitions.

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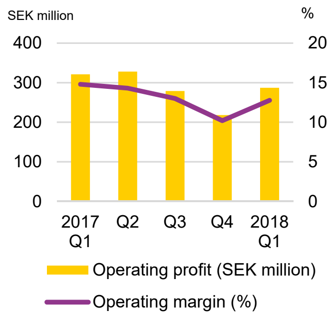
## 2018

### Operating profit and margin





**Operating profit and margin**
Operating profit was SEK 287 million (321), corresponding to a margin of 12.8% (14.8). The margin was negatively affected by raw material costs and currency.

**Business development**
One acquisition was closed in the quarter:

- Assets of Renegade Drilling Supplies Proprietary Ltd, a South African manufacturer and distributor of drilling consumables for mining exploration. The company has 22 employees. The acquisition was finalized in January.

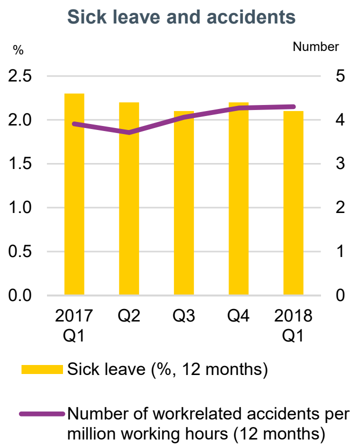
**Innovations launched in the quarter**
A new line of diamond coring tools has been introduced in the quarter. The new range of drill bits was developed to address the challenges encountered during drilling in different types of rock formations. The new bits cover a wider range of applications which means that fewer bit types than before is needed and makes it easier to select the optimal bit for a certain job. This improves productivity and reduces the risk for failing to meet deadlines for the drilling contractor.

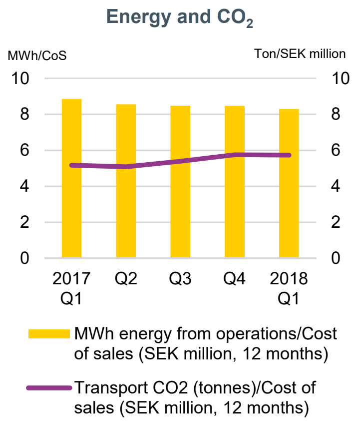
A new Intelligent Protection System (IPS) allows a fully automated system for Epiroc's hydraulic breakers, providing a simpler, more efficient and economical operation. IPS makes the breaking process even simpler for the operator by automatically adapting the breaker's stroke length to any working condition. Uptime is higher and no operator intervention or reaction is required and thus there is no interruption of the working process. The system permits more accurate and significantly faster positioning of the breaker, thanks to the centering effect, and avoids blank firing that often results in tool damage.

Q1
2018

## Sustainability development

- Accidents remained on the same level as 2017
- Sick leave continued on a low level
- Energy savings due to concentration of production




### Sustainability measurements

| | 2018 Q1 | 2017 Q1 | 2017 Full year |
|---|---|---|---|
| Number of workrelated accidents per million working hours (12 months) | 4.3 | 3.9 | 4.3 |
| Sick leave (%, 12 months) | 2.1 | 2.3 | 2.2 |
| MWh energy from operations/Cost of sales (SEK million, 12 months) | 8.3 | 8.9 | 8.5 |
| Transport $CO_2$ (tonnes)/Cost of sales (SEK million, 12 months) | 5.7 | 5.2 | 5.8 |

**Accidents**
The work related accidents remained on the same level as in 2017. Compared to the 12-month period ending March 2017, work related accidents increased, mainly due to more accidents on production sites in China, Canada, India and South Africa.

**Energy and $CO_2$ emissions**
MWh energy from operations/Cost of sales has decreased in the quarter due to concentration of production to fewer entities in US and China.

$CO_2$ emissions from transport increased compared to the 12-month period ending in March 2017 due to the increased customer demand, which increased the need for use of air freight.

**Employees**
On March 31, 2018, the number of employees was 13,271 (12,118). The number of consultants/external workforce was 1,513 (1,119). For comparable units, the total workforce increased by 10.8% from March 31, 2017. Sick leave continued to stay on a low level.

**Sustainability actions**
Epiroc became a signatory to UN Global Compact during the quarter. A new Sustainability Policy has been approved and the Epiroc Management system is in place. The Supplier 10 criteria letter that includes Epiroc's requirements on all its suppliers is updated. The Prohibited and Declarable list, showing which chemicals and substances that will be prohibited or declared to customers, is updated and complemented.

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## Key events after the end of the period

Epiroc has entered into two significant credit facility agreements, a SEK 4 billion revolving credit facility agreement and a SEK 6 billion bridge facility agreement. The revolving credit facility has a maturity date of five years from the date of the revolving credit facility, with the addition of two one-year extension options. The interest rate level is based on the relevant IBORs (if IBOR is negative, the base rate is assumed to be zero) together with a margin component based on Epiroc's long term credit rating or, if no credit rating is available, the ratio of Epiroc's consolidated total net debt to equity. The Bridge Facility has a maturity of twelve months from the date of the bridge facility with two six-month extension options. The interest rate level for utilizations under the bridge facility is based on the relevant IBORs (if IBOR is negative, the base rate is assumed to be zero) together with a margin component based on the amount of time elapsed since the date of the bridge facility.

## Risk and uncertainty factors

The Group's and Parent Company's significant risks and uncertainty factors include market and external risks, financial risks, operational and commercial risks, and legal risks. Further information on risks and risk management can be found in the prospectus "Admission to trading of shares in Epiroc AB on Nasdaq Stockholm" published in May 2018. See www.epirocgroup.com/investors.

Nacka, May 25, 2018

Epiroc AB

Per Lindberg
*President and CEO*

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## Auditors' Review Report

**Introduction**
We have reviewed the interim report for Epiroc AB for the period January 1 - March 31, 2018. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of Review**
We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Nacka, May 25, 2018
Deloitte AB

Thomas Strömberg
*Authorized Public Accountant*

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## Accounting principles

The consolidated financial statements of the Epiroc Group are prepared in accordance with International Financial Reporting Standards (IFRS). The accounting principles applied in the preparation of this interim report apply to all periods and comply with the accounting principles presented in the prospectus “Admission to trading of shares in Epiroc AB on Nasdaq Stockholm” in note 1 Significant accounting in the combined financial statements except for the adoption of new standards effective as of January 1, 2018, which comply with the accounting principles presented in note 2 Changes in accounting policies in the combined financial statements. The interim report is prepared in accordance with IAS 34 Interim financial reporting.

**IFRS 9 Financial Instruments**
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. Comparative information will not be restated. Among other things, IFRS 9 introduces a new model for impairment of financial assets. The purpose of the model is to recognize credit losses earlier than IAS 39. Additionally, the classification of some financial instruments have changed. For Epiroc there were no material effects due to the implementation of IFRS 9.

**IFRS 15 Revenue from Contracts with Customers**
IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts and IAS 18 Revenue. The standard has been applied by Epiroc Group from January 1, 2018, using the full retrospective method. The same accounting principle for revenue recognition has therefore been applied for all periods presented in the interim report. For further details regarding the effects on the timing of revenue recognition due to the implementation of IFRS 15, see note 2 Changes in accounting policies in the combined financial statements in the prospectus “Admission to trading of shares in Epiroc AB on Nasdaq Stockholm”.

**IFRS 15 impact on the financial statement**

**Balance sheet**

| SEK million | March 31, 2017 before restatement | Restatement | March 31, 2017 after restatement |
|---|---|---|---|
| Deferred tax assets | 337 | 12 | 349 |
| Inventory | 7,540 | 115 | 7,655 |
| Equity | 17,385 | -38 | 17,347 |
| Other liabilities and provisions | 2,884 | 165 | 3,049 |

**Income statement**

| SEK million | Q1 2017 before restatement | Restatement | Q1 2017 after restatement |
|---|---|---|---|
| Revenues | 7,404 | 7 | 7,411 |
| Cost of sales | -4,677 | 3 | -4,674 |
| Income tax expense | -341 | -1 | -342 |

The interim financial statements of Epiroc AB have been prepared in accordance with the Swedish Annual Accounts Act and the accounting standard RFR 2, accounting for legal entities. The most recent annual financial statements of Epiroc AB have been prepared in accordance with the Swedish Annual Act on Annual reports and the standard from the Swedish Accounting Standards Board BFNAR 2012:1 Annual report and consolidated accounts (K3).

The accounting principles for the Group are also available in the prospectus “Admission to trading of shares in Epiroc AB on Nasdaq Stockholm” published in May 2018. See www.epirocgroup.com/investors.

**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.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.

**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.

**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.

**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.

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2018

## Condensed Consolidated Income statement

| SEK million | 2018 Q1 | 2017* Q1 | 2017* Full year |
|---|---|---|---|
| Revenues | 8,233 | 7,411 | 31,364 |
| Cost of sales | -5,226 | -4,674 | -20,101 |
| **Gross profit** | **3,007** | **2,737** | **11,263** |
| Marketing expenses | -600 | -561 | -2,280 |
| Administrative expenses | -564 | -533 | -2,121 |
| Research and development expenses | -222 | -190 | -795 |
| Other operating income and expenses | -106 | -39 | -137 |
| **Operating profit** | **1,515** | **1,414** | **5,930** |
| Financial income | 51 | 53 | 201 |
| Financial expenses | -108 | -76 | -338 |
| **Profit before tax** | **1,458** | **1,391** | **5,793** |
| Income tax expense | -377 | -342 | -1,495 |
| **Profit for the period** | **1,081** | **1,049** | **4,298** |
| Profit attributable to | | | |
| - owners of the parent | 1,079 | 1,049 | 4,298 |
| - non-controlling interests | 2 | 0 | 0 |

*Financial statements prior to 2018 are combined.

### Key ratios

| SEK million | 2018 Q1 | 2017* Q1 | 2017* Full year |
|---|---|---|---|
| Basic earnings per share**, SEK | 0.89 | 0.87 | 3.56 |
| Basic number of shares outstanding**, millions | 1,212 | 1,212 | 1,212 |
| Operating margin, % | 18.4 | 19.1 | 18.9 |
| Equity per share, period end**, SEK | 13.3 | 14.3 | 9.9 |
| Return on capital employed, 12 month % | 28.6 | - | 27.4 |
| Return on equity, 12 month % | 29.2 | - | 29.1 |
| Debt/equity ratio, period end, % | 15.8 | 2.4 | 45.0 |
| Equity/assets ratio, period end, % | 52.8 | 58.4 | 43.7 |
| Number of employees, period end | 13,271 | 12,118 | 12,948 |

*Financial statements prior to 2018 are combined.
**Calculation based on Atlas Copco's basic number of shares outstanding.

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2018

## Condensed consolidated statement of comprehensive income

| SEK million | 2018 Q1 | 2017* Q1 | 2017* Full year |
|---|---|---|---|
| **Profit for the period** | **1,081** | **1,049** | **4,298** |
| | | | |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurements of defined benefit pension plans | 30 | 61 | 65 |
| Income tax relating to items that will not be reclassified | -8 | -15 | -14 |
| **Total items that will not be reclassified to profit or loss** | **22** | **46** | **51** |
| | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Translation differences on foreign operations | 249 | -18 | -756 |
| **Total items that may be reclassified subsequently to profit or loss** | **249** | **-18** | **-756** |
| | | | |
| **Other comprehensive income for the period, net of tax** | **271** | **28** | **-705** |
| | | | |
| **Total comprehensive income for the period** | **1,352** | **1,077** | **3,593** |
| Total comprehensive income attributable to | | | |
| - owners of the parent | 1,350 | 1,077 | 3,594 |
| - non-controlling interests | 2 | 0 | -1 |

*Financial statements prior to 2018 are combined.

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## Condensed consolidated Balance Sheet

| SEK million | 2018<br>31 Mar | 2017*<br>31 Mar | 2017*<br>31 Dec |
|---|---|---|---|
| Intangible assets | 3,539 | 3,233 | 3,121 |
| Rental equipment | 1,205 | 1,279 | 1,215 |
| Other property, plant and equipment | 2,345 | 2,290 | 2,271 |
| Investments in associates | 94 | 32 | 94 |
| Financial assets and other receivables | 1,313 | 1,515 | 1,101 |
| Deferred tax assets | 407 | 349 | 425 |
| **Total non-current assets** | **8,903** | **8,698** | **8,227** |
| Inventories | 9,746 | 7,655 | 8,440 |
| Trade receivables | 6,909 | 5,944 | 6,271 |
| Other receivables | 1,199 | 985 | 1,362 |
| Income tax receivables | 330 | 90 | 287 |
| Financial assets | 1,123 | 5,698 | 1,152 |
| Cash and cash equivalents | 2,255 | 615 | 1,808 |
| **Total current assets** | **21,562** | **20,987** | **19,320** |
| **Total assets** | **30,465** | **29,685** | **27,547** |
| | | | |
| Share capital | 21 | 20 | 21 |
| Retained earnings | 16,024 | 17,321 | 12,020 |
| **Total equity attributable to equity holders of the parent** | **16,045** | **17,341** | **12,041** |
| Non-controlling interest | 45 | 6 | 6 |
| **Total equity** | **16,090** | **17,347** | **12,047** |
| Interest bearing loans | 3,868 | 4,268 | 2,250 |
| Post-employment benefits | 145 | 187 | 181 |
| Other liabilities and provisions | 283 | 235 | 289 |
| **Total non-current liabilities** | **4,296** | **4,690** | **2,720** |
| Interest bearing loans | 792 | 762 | 4,808 |
| Trade payables | 4,871 | 3,038 | 3,966 |
| Income tax liabilities | 585 | 799 | 436 |
| Other liabilities and provisions | 3,831 | 3,049 | 3,570 |
| **Total current liabilities** | **10,079** | **7,648** | **12,780** |
| **Total equity and liabilities** | **30,465** | **29,685** | **27,547** |

*Financial statements prior to 2018 are combined.

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### Fair value of derivatives and borrowings

The carrying value and fair value of the Group's outstanding derivatives and borrowings are shown in the tables below. The fair value of derivatives and other loans are based on level 2 in the fair value hierarchy, no financial instruments are valued in category 3. Compared to 2017, no transfers have been made between different levels in the fair value hierarchy for derivatives and borrowings and no significant changes have been made to valuation techniques, input or assumptions.

The carrying value of borrowings corresponds to fair value since the interest duration is short.

#### Outstanding derivative instruments recorded to fair value

| SEK million | 2018 31 Mar | 2017 31 Dec |
|---|---|---|
| **Current assets and liabilities** | | |
| Assets | 2 | - |
| Liabilities | 167 | - |

#### Carrying value and fair value of borrowings

| SEK million | 2018 31 Mar | 2018 31 Mar | 2017 31 Mar | 2017 31 Mar |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| Other loans | 4,660 | 4,660 | 5,030 | 5,030 |

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## Condensed consolidated Statement of Changes in Equity

| SEK million | Equity attributable to owners of the parent | Equity attributable to non-controlling interests | Total equity |
|---|---|---|---|
| **Opening balance, 1 January, 2018** | **12,041** | **6** | **12,047** |
| Impact of change in accounting policy | 1 | - | 1 |
| Restated balance January 1, 2018 | **12,042** | **6** | **12,048** |
| **Changes in equity for the period** | | | |
| Total comprehensive income for the period | 1,350 | 2 | 1,352 |
| Transactions with shareholders | 2,651 | 37 | 2,688 |
| Share-based payments, equity settled | 2 | - | 2 |
| **Closing balance, 31 March, 2018** | **16,045** | **45** | **16,090** |
| | | | |
| **Opening balance, 1 January, 2017** | **15,813** | **0** | **15,813** |
| Impact of change in accounting policy | -47 | - | -47 |
| Restated balance January 1, 2017 | 15,766 | - | 15,766 |
| **Changes in equity for the period** | | | |
| Total comprehensive income for the period | 1,077 | 0 | 1,077 |
| Transactions with shareholders | 592 | 6 | 598 |
| Share-based payments, equity settled | -94 | - | -94 |
| **Closing balance, 31 March, 2017** | **17,341** | **6** | **17,347** |
| | | | |
| **Opening balance, January 1, 2017** | **15,813** | **0** | **15,813** |
| Impact of change in accounting policy | -47 | - | -47 |
| Restated balance January 1, 2017 | 15,766 | - | 15,766 |
| **Changes in equity for the period** | | | |
| Total comprehensive income for the period | 3,594 | -1 | 3,593 |
| Dividends to Atlas Copco | -5,178 | - | -5,178 |
| Transactions with shareholders | -2,096 | 7 | -2,089 |
| Share-based payments, equity settled | -45 | - | -45 |
| **Closing balance, December 31, 2017** | **12,041** | **6** | **12,047** |

**Financing activities and transactions with shareholders**
Transaction with shareholders in the quarter represents the shareholder contribution from Atlas Copco of SEK 4.1 billion, offset by the acquisition of subsidiaries owned by Atlas Copco of SEK 1.3 billion and other cash transfers between Atlas Copco and Epiroc, totalling SEK 2.7 billion net as cash transfer between Epiroc and Atlas Copco.

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2018

## Consolidated Statement of Cash Flow

| SEK million | 2018 Q1 | 2017* Q1 | 2017* Full year |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating profit | 1,515 | 1,414 | 5,930 |
| Depreciation, amortization and impairment | 317 | 320 | 1,254 |
| Capital gain/loss and other non-cash items | -71 | -173 | -134 |
| Net financial items received/paid | 141 | -57 | -344 |
| Taxes paid | -321 | -86 | -666 |
| Pension funding and payment of pension to employees | -35 | -41 | -90 |
| Change in working capital | -465 | -79 | -403 |
| Investments in rental equipment | -178 | -120 | -793 |
| Sale of rental equipment | 76 | 77 | 422 |
| **Net cash from operating activities** | **979** | **1,255** | **5,176** |
| **Cash flow from investing activities** | | | |
| Investments in property, plant and equipment | -129 | -108 | -424 |
| Sale of property, plant and equipment | 10 | 13 | 70 |
| Investments in intangible assets | -103 | -49 | -289 |
| Acquisition of subsidiaries and associated companies | -482 | -66 | -137 |
| Other investments, net | -137 | 1,362 | 6,323 |
| **Net cash from investing activities** | **-841** | **1,152** | **5,543** |
| **Cash flow from financing activities** | | | |
| Dividend to/from Atlas Copco | - | - | -5,178 |
| Acquisition of non-controlling interest | - | 6 | 6 |
| Change in interest-bearing liabilities | 275 | -2,854 | -889 |
| **Net cash from financing activities** | **275** | **-2,848** | **-6,061** |
| **Net cash flow for the period** | **413** | **-441** | **4,658** |
| Cash and cash equivalents, beginning of the period | 1,808 | 481 | 481 |
| Exchange differences in cash and cash equivalents | 34 | 1 | -39 |
| Other cash flow from transactions with shareholders | - | 574 | -3,292 |
| **Cash and cash equivalents, end of the period** | **2,255** | **615** | **1,808** |

| | | | |
|---|---|---|---|
| **Operating cash flow** | | | |
| Net cash flow from operating activities | 979 | 1,255 | 5,176 |
| Net cash from investing activities | -841 | 1,152 | 5,543 |
| Acquisition of subsidiaries and associated companies | 482 | 66 | 137 |
| Other adjustments** | 46 | -1,362 | -6,246 |
| **Operating cash flow** | **666** | **1,111** | **4,610** |

*Financial statements prior to 2018 are combined.
**Mainly changes in cash-pool with Atlas Copco and currency hedges of loans.

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2018

## Condensed segments quarterly

Epiroc has two reporting segments, Equipment & Service and Tools & Attachments. In addition, Epiroc reports Common Group Functions, which includes Payment Solutions, offering financing to customers, Group management and common functions, as well as eliminations. Payment Solutions receives payments from credit arrangements, for example financial leases, which is reported as financial income. Payment solutions also has a rental fleet generating operating lease payments, which is reported as revenue.

### Orders received

| SEK million | 2017* Q1 | Q2 | Q3 | Q4 | 2017* Full year | 2018 Q1 |
|---|---|---|---|---|---|---|
| Equipment & Service | 6,200 | 6,323 | 6,263 | 5,788 | 24,574 | 7,442 |
| *Equipment* | *3,147* | *3,142* | *3,281* | *2,676* | *12,246* | *4,054* |
| *Service* | *3,053* | *3,181* | *2,982* | *3,112* | *12,328* | *3,388* |
| Tools & Attachments | 2,341 | 2,270 | 2,239 | 2,197 | 9,047 | 2,550 |
| Common group functions | -21 | 69 | 89 | 73 | 210 | 44 |
| **Epiroc Group** | **8,520** | **8,662** | **8,591** | **8,058** | **33,831** | **10,036** |

### Revenues

| SEK million | 2017* Q1 | Q2 | Q3 | Q4 | 2017* Full year | 2018 Q1 |
|---|---|---|---|---|---|---|
| Equipment & Service | 5,220 | 5,495 | 5,406 | 6,262 | 22,383 | 5,943 |
| *Equipment* | *2,219* | *2,469* | *2,414* | *3,174* | *10,276* | *2,678* |
| *Service* | *3,001* | *3,026* | *2,990* | *3,088* | *12,107* | *3,265* |
| Tools & Attachments | 2,161 | 2,297 | 2,140 | 2,140 | 8,738 | 2,245 |
| Common group functions | 30 | 87 | 64 | 62 | 243 | 45 |
| **Epiroc Group** | **7,411** | **7,879** | **7,610** | **8,464** | **31,364** | **8,233** |

### Operating profit and profit before tax

| SEK million | 2017* Q1 | Q2 | Q3 | Q4 | 2017* Full year | 2018 Q1 |
|---|---|---|---|---|---|---|
| Equipment & Service | 1,166 | 1,242 | 1,261 | 1,438 | 5,107 | 1,364 |
| Tools & Attachments | 321 | 328 | 279 | 218 | 1,146 | 287 |
| Common group functions | -73 | -102 | -20 | -128 | -323 | -136 |
| **Operating profit** | **1,414** | **1,468** | **1,520** | **1,528** | **5,930** | **1,515** |
| Net financial items | -23 | -10 | -19 | -85 | -137 | -57 |
| **Profit before tax** | **1,391** | **1,458** | **1,501** | **1,443** | **5,793** | **1,458** |

### Operating margin

| SEK million | 2017* Q1 | Q2 | Q3 | Q4 | 2017* Full year | 2018 Q1 |
|---|---|---|---|---|---|---|
| Equipment & Service | 22.3% | 22.6% | 23.3% | 23.0% | 22.8% | 22.9% |
| Tools & Attachments | 14.8% | 14.3% | 13.0% | 10.2% | 13.1% | 12.8% |
| **Epiroc Group** | **19.1%** | **18.6%** | **20.0%** | **18,1%** | **18.9%** | **18.4%** |

### Items affecting comparability in operating profit

| SEK million | 2017* Q1 | Q2 | Q3 | Q4 | 2017* Full year | 2018 Q1 |
|---|---|---|---|---|---|---|
| Change in provision for share-based long-term incentive programs | -45 | -53 | -15 | -50 | -163 | 0 |
| One-time costs | - | - | - | - | - | -95 |
| **Epiroc Group** | **-45** | **-53** | **-15** | **-50** | **-163** | **-95** |

*Financial statement prior to 2018 are combined.

Q1
2018

## Geographical distribution Orders received and Revenues

### Geographical distribution of orders received

| SEK million<br>% currency adjusted | 2017*<br>Q1 | Q2 | Q3 | Q4 | 2017*<br>Full year | % | 2018<br>Q1 | % |
|---|---|---|---|---|---|---|---|---|
| **Epiroc group** | 8,520 | 8,662 | 8,591 | 8,058 | 33,831 | +21 | 10,036 | +23 |
| North America | 1,967 | 2,092 | 1,897 | 1,657 | 7,613 | +19 | 2,176 | +18 |
| South America | 1,167 | 1,189 | 1,105 | 1,262 | 4,723 | +23 | 1,488 | +35 |
| Europe | 2,246 | 2,190 | 1,937 | 2,031 | 8,404 | +21 | 2,488 | +13 |
| Africa/Middle East | 1,033 | 990 | 1,339 | 1,220 | 4,582 | +14 | 1,478 | +45 |
| Asia/Australia | 2,107 | 2,201 | 2,313 | 1,888 | 8,509 | +25 | 2,406 | +20 |
| **Equipment & Service** | 6,200 | 6,323 | 6,263 | 5,788 | 24,574 | +25 | 7,442 | +25 |
| North America | 1,371 | 1,349 | 1,179 | 1,008 | 4,907 | +25 | 1,426 | +11 |
| South America | 928 | 1,015 | 896 | 1,062 | 3,901 | +25 | 1,255 | +42 |
| Europe | 1,518 | 1,498 | 1,280 | 1,368 | 5,664 | +25 | 1,662 | +12 |
| Africa/Middle East | 690 | 675 | 983 | 881 | 3,229 | +18 | 1,127 | +66 |
| Asia/Australia | 1,693 | 1,786 | 1,925 | 1,469 | 6,873 | +28 | 1,972 | +22 |
| **Tools & Attachments** | 2,341 | 2,270 | 2,239 | 2,197 | 9,047 | +12 | 2,550 | +13 |
| North America | 646 | 701 | 623 | 604 | 2,574 | +10 | 737 | +22 |
| South America | 239 | 174 | 216 | 201 | 830 | +13 | 232 | +5 |
| Europe | 709 | 677 | 646 | 641 | 2,673 | +14 | 804 | +14 |
| Africa/Middle East | 343 | 315 | 358 | 339 | 1,355 | +5 | 350 | +3 |
| Asia/Australia | 404 | 403 | 396 | 412 | 1,615 | +18 | 427 | +11 |

### Geographical distribution of revenues

| SEK million<br>% currency adjusted | 2017*<br>Q1 | Q2 | Q3 | Q4 | 2017*<br>Full year | % | 2018<br>Q1 | % |
|---|---|---|---|---|---|---|---|---|
| **Epiroc group** | 7,411 | 7,878 | 7,611 | 8,464 | 31,364 | +14 | 8,233 | +15 |
| North America | 1,806 | 1,722 | 1,785 | 1,823 | 7,136 | +14 | 1,888 | +10 |
| South America | 1,100 | 1,104 | 969 | 1,103 | 4,276 | +18 | 1,024 | -2 |
| Europe | 1,758 | 2,108 | 1,978 | 2,148 | 7,992 | +14 | 1,864 | +7 |
| Africa/Middle East | 997 | 1,003 | 1,037 | 1,048 | 4,085 | +2 | 1,103 | +16 |
| Asia/Australia | 1,750 | 1,941 | 1,842 | 2,342 | 7,875 | +19 | 2,354 | +36 |
| **Equipment & Service** | 5,220 | 5,495 | 5,406 | 6,262 | 22,383 | +17 | 5,943 | +14 |
| North America | 1,126 | 958 | 1,084 | 1,189 | 4,357 | +17 | 1,173 | +8 |
| South America | 827 | 880 | 745 | 859 | 3,311 | +21 | 813 | -5 |
| Europe | 1,323 | 1,564 | 1,484 | 1,710 | 6,081 | +20 | 1,235 | -6 |
| Africa/Middle East | 615 | 647 | 691 | 685 | 2,638 | +1 | 766 | +24 |
| Asia/Australia | 1,329 | 1,446 | 1,402 | 1,819 | 5,996 | +21 | 1,956 | +43 |
| **Tools & Attachments** | 2,161 | 2,297 | 2,140 | 2,140 | 8,738 | +9 | 2,245 | +6 |
| North America | 649 | 683 | 635 | 546 | 2,513 | +11 | 700 | +14 |
| South America | 189 | 184 | 196 | 213 | 782 | +7 | 211 | +12 |
| Europe | 638 | 694 | 640 | 621 | 2,593 | +8 | 607 | -4 |
| Africa/Middle East | 319 | 324 | 320 | 334 | 1,297 | +3 | 337 | +1 |
| Asia/Australia | 366 | 412 | 349 | 426 | 1,553 | +12 | 390 | +11 |

*Financial statements prior to 2018 are combined.

Q1
2018

## Condensed Parent Company Income statement

| SEK million | 2018 Q1 | 2017* Q1 | 2017 Full year |
|---|---|---|---|
| Administrative expenses | -36 | 0 | -8 |
| Marketing expenses | -2 | - | - |
| Other operating income and expenses | -54 | - | -6 |
| **Operating profit/loss** | **-92** | **0** | **-14** |
| Financial income and expenses | 0 | 0 | -1 |
| Appropriations | - | - | 15 |
| **Profit/loss before tax** | **-92** | **0** | **0** |
| Income tax | 20 | 0 | 0 |
| **Profit/loss for the period** | **-72** | **0** | **0** |

*No comparable numbers for Q1 2017 available since the company was not in operation.

## Condensed Parent Company Balance Sheet

| SEK million | 2018 31 Mar | 2017 31 Mar | 2017 31 Dec |
|---|---|---|---|
| Total non-current assets | 45,578 | - | 45,574 |
| Total current assets | 6,335 | 39 | 4,555 |
| **Total assets** | **51,913** | **39** | **50,129** |
| | | | |
| Total restricted equity | 24 | 24 | 24 |
| Total non-restricted equity | 47,797 | 15 | 43,886 |
| **Total equity** | **47,821** | **39** | **43,910** |
| | | | |
| Total provisions | 166 | - | 0 |
| Total non-current liabilities | 0 | - | 0 |
| Total current liabilities | 3,926 | 0 | 6,219 |
| **Total equity and liabilities** | **51,913** | **39** | **50,129** |

Q1
2018

## Acquisitions

| Date | Acquisition | Segment | Revenues SEK million* | Number of employees* |
|---|---|---|---|---|
| 2018 Feb 1 | Hy-Performance Fluid Power | Equipment & Service | 50 | 26 |
| 2018 Jan 3 | Rock Drill Services Australia | Equipment & Service | 90 | 37 |
| 2018 Jan 3 | Cate Drilling Solutions | Equipment & Service | | 35 |
| 2018 Jan 2 | Renegade Drilling Supplies | Tools & Attachments | | 22 |
| 2017 Jul 4 | Mobilaris MCE AB (34%)** | Equipment & Service | 30 | 20 |
| 2017 Feb 2 | Erkat | Tools & Attachments | 110 | 38 |

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

**Not consolidated.

## Transactions with related parties

Transactions related to lending and allocation of net debt between Atlas Copco Group and Epiroc Group have been classified as transactions with shareholders. The transactions with shareholders that have been carried out via equity are presented in the Consolidated Statement of Changes in Equity.

On March 31, 2018 Epiroc AB received an unconditional shareholder's contribution of SEK 4,150 million from Atlas Copco AB. As of March 31, 2018 the internal borrowings in Epiroc Group from Atlas Copco AB was SEK 3,788 million. On or around the first day of trading in Epiroc shares the internal borrowings in Epiroc Group from Atlas Copco AB will be repaid and the repayment will be financed with an external bridge loan and existing cash.

As of March 15, 2018 the internal foreign exchange derivatives with 3 months duration between Epiroc Treasury AB and Atlas Copco AB matured and was cash settled. As of March 31, 2018 there exists internal foreign exchange derivatives between Epiroc Treasury AB and Atlas Copco AB with 1 month duration. Maturity date and cash settlement occurred on April 26, 2018.

In the combined financial statements for the annual report December 31, 2017 accounts receivables and accounts payables include receivables and payables that will be collected and paid by another Group entity than the entity included in the combined financial statements.

## Financial definitions

Financial definitions can be found in the prospectus "Admission to trading of shares in Epiroc AB on Nasdaq Stockholm" published in May 2018. Non-IFRS measures are also presented in the report since they are considered to be important supplemental measures of the company's performance. Further information on how these measures have been calculated can also be found in the prospectus. See www.epirocgroup.com/investors.

## Further information

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Media: Ola Kinnander, Media Relations Manager Tel: +46 70 347 2455

## Financial calendar

Q2 2018 – July 19, 2018
Q3 2018 – October 24, 2018
Q4 2018 – February 5, 2019

Q1
2018

## Epiroc in brief

Epiroc is a leading productivity partner for the mining, infrastructure and natural resources industries. With cutting-edge technology, Epiroc develops and produces innovative drill rigs, rock excavation and construction equipment, and provides world-class service and consumables. The company was founded in Stockholm, Sweden, and has passionate people supporting and collaborating with customers in more than 150 countries. Learn more at www.epirocgroup.com.

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# Financial information for the years ended December 31, 2017, 2016 and 2015

## Combined income statement

| For the year ended December 31, Amounts in SEK million | Note | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Revenues | 4 | 31,440 | 27,102 | 28,663 |
| Cost of sales | | –20,157 | –18,003 | –18,463 |
| **Gross profit** | | **11,283** | **9,099** | **10,200** |
| | | | | |
| Marketing expenses | | –2,280 | –2,164 | –2,346 |
| Administrative expenses | | –2,121 | –1,879 | –1,848 |
| Research and development expenses | | –795 | –662 | –861 |
| Other operating income | 7 | 80 | 174 | 189 |
| Other operating expenses | 7 | –217 | –20 | –161 |
| Share of profit in associated companies and joint ventures | 14 | –1 | 0 | 2 |
| **Operating profit** | 4, 5, 6, 16 | **5,949** | **4,548** | **5,175** |
| | | | | |
| Financial income | 8 | 232 | 214 | 176 |
| Financial expenses | 8 | –368 | –351 | –396 |
| **Net financial items** | | **–136** | **–137** | **–220** |
| | | | | |
| **Profit before tax** | | **5,813** | **4,411** | **4,955** |
| | | | | |
| Income tax expense | 9 | –1,500 | –1,180 | –1,384 |
| **Net Profit** | | **4,313** | **3,231** | **3,571** |
| | | | | |
| **Profit attributable to:** | | | | |
| – owners of the parent | | 4,313 | 3,235 | 3,582 |
| – non-controlling interests | | 0 | –4 | –11 |
| Basic earnings per share, SEK | 11 | 3.56 | 2.67 | 2.95 |

# Combined statement of comprehensive income

| For the year ended December 31, Amounts in SEK million | Note | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Profit for the year** | | **4,313** | **3,231** | **3,571** |
| **Other comprehensive income** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Remeasurements of defined benefit plans | | 65 | 39 | 186 |
| Income tax relating to items that will not be reclassified | | –14 | –7 | –35 |
| | | **51** | **32** | **151** |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Translation differences on foreign operations | | –756 | 1,172 | –234 |
| **Other comprehensive income for the year, net of tax** | 10 | **–705** | **1,204** | **–83** |
| | | | | |
| **Total comprehensive income for the year** | | **3,608** | **4,435** | **3,488** |
| **Total comprehensive income attributable to:** | | | | |
| – owners of the parent | | 3,609 | 4,438 | 3,499 |
| – non-controlling interests | | –1 | –3 | –11 |

## Combined Balance Sheet

| Amounts in SEK million | Note | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 12 | 3,121 | 3,185 | 3,062 |
| Rental equipment | 13 | 1,215 | 1,370 | 1,404 |
| Other property, plant and equipment | 13 | 2,271 | 2,285 | 2,398 |
| Investments in associated companies and joint ventures | 14 | 94 | 15 | 16 |
| Other financial assets and receivables | 15 | 1,101 | 1,499 | 1,297 |
| Deferred tax assets | 9 | 407 | 347 | 435 |
| **Total non-current assets** | | **8,209** | **8,701** | **8,612** |
| | | | | |
| **Current assets** | | | | |
| Inventories | 16 | 8,272 | 7,061 | 7,153 |
| Trade receivables and other receivables | 17,18 | 7,633 | 6,578 | 6,122 |
| Income tax receivables | | 287 | 63 | 152 |
| Financial assets | 15 | 1,152 | 7,100 | 5,918 |
| Cash and cash equivalents | 19 | 1,808 | 481 | 461 |
| **Total current assets** | | **19,152** | **21,283** | **19,806** |
| **TOTAL ASSETS** | | **27,361** | **29,984** | **28,418** |
| | | | | |
| **EQUITY** | | | | |
| Share capital | | 21 | 20 | 20 |
| Retained earnings | | 12,081 | 15,793 | 14,815 |
| **Total equity attributable to owners of the parent** | | **12,102** | **15,813** | **14,835** |
| | | | | |
| Non-controlling interests | | 6 | 0 | 94 |
| **TOTAL EQUITY** | | **12,108** | **15,813** | **14,929** |
| | | | | |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Interest-bearing loans | 21 | 2,250 | 4,193 | 4,169 |
| Post-employment benefits | 23 | 181 | 253 | 259 |
| Other liabilities | | 10 | 9 | 9 |
| Provisions | 25 | 279 | 194 | 131 |
| **Total non-current liabilities** | | **2,720** | **4,649** | **4,568** |
| | | | | |
| **Current liabilities** | | | | |
| Interest-bearing loans | 21 | 4,808 | 3,674 | 3,043 |
| Trade payables | | 3,966 | 2,446 | 2,214 |
| Income tax liabilities | | 436 | 535 | 748 |
| Other liabilities | 24 | 3,053 | 2,586 | 2,561 |
| Provisions | 25 | 270 | 281 | 355 |
| **Total current liabilities** | | **12,533** | **9,522** | **8,921** |
| **TOTAL EQUITY AND LIABILITIES** | | **27,361** | **29,984** | **28,418** |

# Combined statement of changes in equity

| 2017 | Equity attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| **Amounts in SEK million** | **Share capital** | **Other paid-in capital** | **Trans-lation reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| Opening balance, Jan. 1 | 20 | 4 | 937 | 14,852 | 15,813 | 0 | 15,813 |
| Profit for the year | | | | 4,313 | 4,313 | | 4,313 |
| Other comprehensive income for the year | | | –755 | 51 | –704 | –1 | –705 |
| **Total comprehensive income for the year** | | | **–755** | **4,364** | **3,609** | **–1** | **3,608** |
| Dividends to Atlas Copco | | | | –5,178 | –5,178 | | –5,178 |
| Bonus issue | 1 | –1 | | | 0 | | 0 |
| Share-based payment | | | | –46 | –46 | | –46 |
| Other transactions with shareholders | | | | –2,096 | –2,096 | 7 | –2,089 |
| **Closing balance, Dec. 31** | **21** | **3** | **182** | **11,896** | **12,102** | **6** | **12,108** |

| 2016 | Equity attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| **Amounts in SEK million** | **Share capital** | **Other paid-in capital** | **Trans-lation reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| Opening balance, Jan. 1 | 20 | 4 | –234 | 15,045 | 14,835 | 94 | 14,929 |
| Profit for the year | | | | 3,235 | 3,235 | –4 | 3,231 |
| Other comprehensive income for the year | | | 1,171 | 32 | 1,203 | 1 | 1,204 |
| **Total comprehensive income for the year** | | | **1,171** | **3,267** | **4,438** | **–3** | **4,435** |
| Dividends to Atlas Copco | | | | –380 | –380 | | –380 |
| Share-based payment | | | | –133 | –133 | | –133 |
| Other transactions with shareholders | | | | –2,947 | –2,947 | –91 | –3,038 |
| **Closing balance, Dec. 31** | **20** | **4** | **937** | **14,852** | **15,813** | **0** | **15,813** |

| 2015 | Equity attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| **Amounts in SEK million** | **Share capital** | **Other paid-in capital** | **Trans-lation reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| Opening balance, Jan. 1 | 20 | 4 | – | 13,752 | 13,776 | 105 | 13,881 |
| Profit for the year | | | | 3,582 | 3,582 | –11 | 3,571 |
| Other comprehensive income for the year | | | –234 | 151 | –83 | 0 | –83 |
| **Total comprehensive income for the year** | | | **–234** | **3,733** | **3,499** | **–11** | **3,488** |
| Dividends to Atlas Copco | | | | –299 | –299 | | –299 |
| Share-based payment | | | | –135 | –135 | | –135 |
| Other transactions with shareholders | | | | –2,006 | –2,006 | | –2,006 |
| **Closing balance, Dec. 31** | **20** | **4** | **–234** | **15,045** | **14,835** | **94** | **14,929** |

## Combined statement of cash flows

| For the year ended December 31, Amounts in SEK million | Note | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Operating profit | | 5,949 | 4,548 | 5,175 |
| Adjustments for: | | | | |
| Depreciation, amortization and impairment | 12, 13 | 1,254 | 1,217 | 1,397 |
| Capital gain/loss and other non-cash items | | –133 | –349 | –251 |
| Net financial items received/paid | | –344 | –40 | 23 |
| Taxes paid | | –666 | –511 | –294 |
| Pension funding and payment of pension to employees | | –90 | –67 | –45 |
| **Cash flow before change in working capital** | | **5,970** | **4,798** | **6,005** |
| | | | | |
| **Change in:** | | | | |
| Inventories | | –1,415 | 838 | 472 |
| Operating receivables | | –1,087 | 22 | –110 |
| Operating liabilities | | 2,079 | 35 | 55 |
| **Change in working capital** | | **–423** | **895** | **417** |
| Increase in rental equipment | | –793 | –677 | –899 |
| Sale of rental equipment | | 422 | 386 | 335 |
| **Net cash from operating activities** | | **5,176** | **5,402** | **5,858** |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Investments in other property, plant and equipment | | –424 | –293 | –368 |
| Sale of other property, plant and equipment | | 70 | 58 | 453 |
| Investments in intangible assets | 12 | –289 | –287 | –313 |
| Acquisition of subsidiaries | 3 | –137 | – | – |
| Investment in other financial assets, net[1)] | | 6,323 | –1,283 | –2,947 |
| **Net cash from investing activities** | | **5,543** | **–1,805** | **–3,175** |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Acquisition of non-controlling interest | | 6 | –91 | – |
| Dividend paid to Atlas Copco | | –5,178 | –380 | –299 |
| Change in interest-bearing liabilities | | –889 | 510 | 433 |
| **Net cash from financing activities** | | **–6,061** | **39** | **134** |
| | | | | |
| **Net cash flow for the year** | | **4,658** | **3,636** | **2,817** |
| Cash and cash equivalents, Jan. 1 | | 481 | 461 | 530 |
| Exchange-rate difference in cash and cash equivalents | | –39 | 39 | –27 |
| Other cash flow from transactions with shareholders | | –3,292 | –3,655 | –2,859 |
| **Cash and cash equivalents, Dec. 31** | 19 | **1,808** | **481** | **461** |

1) The increase in cash flow from investing activities in 2017 is mainly related to a reduction of funds placed with the Atlas Copco cash-pool.

# Notes

## 1. Significant accounting principles, accounting estimates and judgements

### Significant accounting principles

The combined 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. These financial statements were authorized for issue by the board of directors on May 25, 2018.

#### Basis for preparation

The combined 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.

IFRS does not specifically address the preparation of combined financial statements. The term "combined financial statements" refers to financial information prepared by aggregating financial information for entities under common control that do not meet the definition of a group according to IFRS 10. The combined financial statements are intended to present Epiroc's historical financial information. One important requirement for the preparation of these combined financial statements is that all entities are under common control via Atlas Copco AB's ownership.

The formation of the Epiroc Group comprised transactions between entities that are under common control. Since these transactions are not covered by any IFRS standard, a suitable accounting principle has been applied in accordance with IAS 8. A suitable and established method is to use the previous carrying amount (predecessor basis of accounting), which is the principle that the Epiroc Group has applied. In short, this entails that the assets and liabilities of the units forming part of the Epiroc Group have been aggregated and recognised based on the carrying amounts they represent in Atlas Copco AB's consolidated financial statements as from the date they became part of the Atlas Copco AB Group.

These combined financial statements are Epiroc's first financial statements prepared in accordance with IFRS. IFRS 1 does not involve any impact on the measurement of assets and liabilities, however Epiroc Group has chosen, for the presentation of the financial statements to apply the voluntary exception in IFRS 1 to reset translation differences to zero in the opening balance for 2015.

Considering that it was not only separate legal entities that were transferred as part of Epiroc's formation, but also parts of legal entities, the following considerations were taken into account in the preparation of the combined financial statements to determine which assets, liabilities, revenues and expenses as well as cash flows that are included. The accounting principles set out below have been applied consistently to all periods presented, unless otherwise stated, and for all entities included in the combined financial statements.

##### *Allocation of revenues and costs*

The basis for allocating revenues and costs to Epiroc has primarily been Atlas Copco's operating reporting. Atlas Copco has performed an internal cost allocation whereby central costs, *inter alia* the IT and HR functions as well as other employee costs, have been charged to each operating segment. As a result, related costs for the operating segments that have formed Epiroc have been included in the combined financial statements. Previously unallocated central costs in Atlas Copco such as share-based compensations have been allocated to Epiroc applying relevant allocation key.

##### *Pension obligations*

Pension obligations and related plans assets have been recognized in the combined financial statements based on the calculated obligations in accordance with IAS 19 for the individuals and the individual pension obligations for former senior executives that were transferred to the Epiroc Group.

##### *Financial expenses and capital structure*

Financial expenses charged to Epiroc entities are based on the actual borrowing and interest expenses owed to Atlas Copco's central treasury function for those entities that were separate legal entities in the historical periods and now form part of the Epiroc Group. For legal entities that have been shared between Epiroc and Atlas Copco operations which will continue to be part of the Atlas Copco AB Group no financial items have been included in the historical financial statements due the unavailability to gather this information in a reliable manner.

The Epiroc Group's historical capital structure is not necessarily representative of the capital structure for a separate entity.

##### *Income tax*

In the combined financial statements, tax is recognised based on the taxable earnings generated by the entities included in the combined financial statements. Consistently with how group contributions received and granted are treated, tax and any related tax equalization have been recognized as transactions with shareholders.

##### *Earnings per share*

The calculation of earnings per share in these combined financial statements is based on Epiroc's net profit/loss for the year attributable to the parent company's shareholders, divided by the number of shares outstanding.

##### *Transactions with shareholders*

Group contributions and transactions between Atlas Copco and Epiroc without compensation have been accounted for as Other transactions with shareholders in equity. Intercompany transactions with Atlas Copco in ordinary course of business have been disclosed as external. Further guidance are given in note 28 Related parties.

##### *Segment*

Epiroc's management monitors its operations from a product and service perspective i.e. operating segments. It has been decided, in accordance with IFRS 8 Operating segments, to aggregate operating segments into two reportable segments, Equipment & Service and Tools & Attachments.

#### Basis of consolidation

The income statements and balance sheets of the Group include all entities in which the Company or Atlas Copco AB, directly or indirectly, has control. Control exists when the Company or Atlas Copco AB 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

## 1. *Significant accounting principles, accounting estimates and judgements, cont.*

based on ownership. In a few exceptions, consolidation is based on agreements that give the Group control over an entity.

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 other than the formation of the Epiroc group are accounted for using the acquisition method. Business combinations is 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. Transactions 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 either

- at fair value, or
- 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 equity attributable to 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 percent 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 statements, comprises the Group's share of the associate's and joint venture's income after tax adjusted for any amortization and depreciation, impairment losses, and other adjustments arising from any remaining fair value adjustments recognized at acquisition date. Dividends received from an associated company or joint venture reduce the carrying value of the investment.

Unrealized gains and losses arising from transactions with an associate or a joint venture are eliminated to the extent of the Group's interest, but losses only to the extent that there is no evidence of impairment of the asset. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognize further losses unless the Group has incurred obligations or made payments on behalf of the associate.

### Functional currency and foreign currency translation

The financial statements are presented in Swedish krona (SEK), which is the functional 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 (SEK million).

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 advanced 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 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*" 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 exchanges rates at the end of the reporting period 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 shown in note 27.

### Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. 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 reportable segments, Equipment & Service and Tools & Attachments, in accordance with IFRS 8. See note 4 for additional information.

## 1. *Significant accounting principles, accounting estimates and judgements, cont.*

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and reduced for value added tax, estimated customer returns, discounts and other similar deductions. See note 4 for further information on revenue by segment and by geographical area.

### Goods sold

Revenue from goods sold is recognized when the significant risks and rewards of ownership have been transferred to the buyer, i.e. when the Group retains neither continuing right to dispose of the goods nor hold effective control of the goods sold, recovery of the consideration is probable and the amount of the revenue and associated costs can be measured reliably. When the product requires installation and this constitutes a significant part of the contract, revenue is recognized when the installation is completed. Revenue is not recorded for buy-back commitments if the substance of the agreement is that the risks and rewards of ownership have not been transferred to the buyer. No revenue is recognized if there is significant uncertainty regarding the possible return of goods.

### Services rendered

Revenue from services is recognized by reference to the stage of completion of the contract. The stage of completion is determined by the proportion of costs incurred to date compared to the estimated total costs of the transaction. 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. When services are performed by an indeterminate number of activities over the service contract period, revenue is recognized linearly over that period.

### 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 sales of rental equipment are included in cash flows 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 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. There are no diluted 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 CGU's. Impairment testing is made at least annually or whenever the need is indicated. Goodwill is reported as an indefinite useful life intangible asset.

### Technology-based intangible assets

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

- the product or process being developed is estimated to be technically and commercially feasible, and
- the Group has the intent and ability to complete and sell or use the product or process.

## 1. *Significant accounting principles, accounting estimates and judgements, cont.*

The expenditure capitalized includes the cost of materials, direct labour, and other costs directly attributable to the project. Capitalized development expenditure is carried at cost less accumulated amortization and impairment losses. Amortization related to research and development expenditure for 2017, 2016 and 2015 amounted to 265 (215, (299)). This has been reported as part of research and development costs in the income statement since the Group monitors the research and development function as a whole.

### 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 cost 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 recognized as an expense in profit or loss when incurred.

### Rental equipment

The rental fleet is comprised of 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 lives of the equipment. Rental equipment is depreciated to a residual value estimated at 0–10 percent 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 lives of the parts do not coincide with the useful lives of other parts of the item.

The following useful lives are used for depreciation and amortization:
Technology-based intangible assets 3–15 years
Trademarks 5–10 years
Marketing and customer related intangible assets 5–10 years
Buildings 25–50 years
Machinery and equipment 3–10 years
Vehicles 4–5 years
Computer hardware and software 3–10 years
Rental equipment 3–8 years

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

### Leasing

The Group acts both as lessor and lessee. Leases are classified as either finance leases or operating leases. A finance lease entails the transfer to the lessee of substantially all of the economic risks and benefits associated with ownership. If this is not the case, the lease is accounted for as an operating lease.

### Group as lessee

For the lessee, a financial lease implies that the fixed asset leased is recognized as an asset in the balance sheet. Initially, a corresponding liability is recorded. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the future minimum lease payments. Fixed assets under finance leases are depreciated over their estimated useful lives, while the lease payments are reported as interest and amortization of the lease liability. For operating leases, the lessee does not account for the leased asset in its balance sheet. The costs of operating leases are recorded in the income statement on a straight-line basis over the term of the lease.

### Group as lessor

In cases where the Group acts as the 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 interest income and repayment of the lease receivable. See note 22 for more details on leases.

### 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

## 1. *Significant accounting principles, accounting estimates and judgements, cont.*

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 Epiroc 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.

### 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 any impairment loss on the asset associated with the contract. For details on provisions see note 25.

### 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. Other post-employment benefit plans are defined benefit plans and it is 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 financial non-current assets. The cost for defined benefit plans is 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 cost. 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 will have 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 may be offered synthetic shares.

Employees in Epiroc participate in certain share based payment programs offered by Atlas Copco. The expense for share options in the combined financial statements has been accounted for according to the same principles as in Atlas Copco which are as follows: 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 principles 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 principles for cash-settled share-based payments, regardless of whether they are related to equity- or cash-settled share-based payments. See note 23 for details.

## 1. *Significant accounting principles, accounting estimates and judgements, cont.*

### Financial assets and liabilities – financial instruments

#### Recognition and derecognition

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 mature, 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.

#### Measurement of financial instruments

Financial instruments are measured, classified and recognized according to IAS 39 in the following categories: The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Assets available for sale

The Group classifies its financial liabilities in the following categories:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortized cost using the effective interest method

*Financial assets and liabilities at fair value through profit or loss*: This category includes financial assets and liabilities held for trading or are designated as such upon initial recognition. A financial asset or liability is held for trading if the Group manages such investments and makes purchase and sale decisions based on their fair value. A derivative that is not designated or effective as hedging instrument is also categorized as held for trading. Financial instruments in this category are measured at fair value and changes therein are recognized in profit or loss. Fair value is determined in the manner described in note 27.

*Loans and receivables*: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market, such as trade and other receivables and cash and cash equivalents. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*Held-to-maturity investments*: Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Held-to-maturity-investments are measured at amortized cost using the effective interest rate method, less any impairment losses.

*Available-for-sale financial assets*: This category consists of non derivatives that are either designated as available-for-sale or are not classified as any of above categories. These assets are measured at fair value. Changes therein are recognized in "*Other comprehensive income*", except for impairment losses and foreign exchange gains and losses on available-for-sale monetary items which are recognized in profit or loss. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Fair value is determined in the manner described in note 27.

*Other financial liabilities*: Other financial liabilities are measured at amortized cost using the effective interest method. Trade payables and loan liabilities are recognized in this category.

#### Impairment of financial assets

Financial assets, except those classified as fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. A financial asset is considered to be impaired if objective evidence indicates that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment has been affected negatively. The impairment is made on an individual basis for significant financial assets and in some cases collectively in groups with similar credit risks. Impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in "*other comprehensive income*".

#### Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are 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 swaps are recognized as interest income or expense, whereas changes in fair value of future payments are presented as gains or losses from financial instruments. In order to qualify for hedge accounting the hedging relationship must be:

- formally designated,
- expected to be highly effective, and
- documented.

The Group assesses, evaluates, and documents effectiveness both at hedge inception and on an on-going basis.

*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 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. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amount previously recognized

## 1. *Significant accounting principles, accounting estimates and judgements, cont.*

in "*other comprehensive income*" and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability.

*Hedge of net investments in foreign operations*: The Group can hedge a part of net investments in foreign operations. Changes in the value of the hedge instrument relating to the effective portion of the hedge are recognized in "*other comprehensive income*" and accumulated in equity. Gains or losses relating to the ineffective portion are recognized immediately in profit or loss. On divestment of foreign operations, the gain or loss accumulated in equity is recycled through profit or loss, increasing or decreasing the profit or loss on the divestment. The Group can use loans and forward contracts as hedging instruments.

*Accounting for discontinuation of hedges*: Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. 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.

### Assets held for sale

Assets are classified as held for sale if their value, within one year, is expected to be recovered through a sale and not through continued use in the operations. On the reclassification date, assets and liabilities are measured at the lower of fair value less selling expenses and the carrying amount. Following reclassification, the assets are no longer depreciated or amortized. Gains and losses recognized on remeasurements and disposals are reported in profit or loss. Assets held for sale are carried at the lower of carrying amount of fair value less cost to sell.

### 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 in 2017

The following amended IFRS standards have been applied by the Group from 2017 but had none or no material impact on the Group.

#### *Amendments to IAS 7 Statement of Cash Flows issued in January 2016.*

The amendments requires disclosures of changes in liabilities from financing activities, applicable both for changes from cash flows and non-cash changes.

#### *Amendments to IAS 12 Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses issued in January 2016.*

The amendment to IAS 12 provides guidance on how future taxable profits should be determined and explain under which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. Furthermore, the amendments clarifies that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses.

### New or amended accounting standards effective after 2017

The following standards, interpretations, and amendments have been issued but were not effective as of December 31, 2017 and have not been applied by the Group.

#### *IFRS 16 Leases*

The standard defines the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The changes relate to the accounting treatment by the lessee. IFRS 16 introduces a single accounting model and requires the recognition of substantially all leases in the balances sheet and the separation of depreciation of lease assets from interest on lease liabilities in the income statement. IFRS 16 is effective from January 1, 2019. The assessment of the effect from this standard is under investigation.

In addition to the above, other new or revised accounting standards have been published, but are not yet effective. They are not expected to have a material overall impact on the financial statements of Epiroc.

For accounting standards effective January 1, 2018 see note 2.

## 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 from services is recognized in profit or loss by reference to the stage of completion of the transaction at the balance sheet date. The stage of completion is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction.

#### Accounting judgment

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

- if the risks and rewards have been transferred to the buyer, to determine if revenue and cost should be recognized in the current period,
- the degree of completion of service contracts and the estimated total costs for such contracts, to determine the revenue and cost to be recognized in the current period and whether any losses need to be recognized, 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.

## 1. *Significant accounting principles, accounting estimates and judgements, cont.*

### Impairment of goodwill, other intangible assets and other long-lived assets

**Key sources of estimation uncertainty**

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

**Accounting judgment**

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

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

Changing the assumptions selected by management to determine the level, if any, of impairment 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 judgment**

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

### Trade and financial receivable

**Key sources of estimation uncertainty**

The Group estimates the risk that receivables will not be paid and provides for doubtful accounts based on specific provisions for known cases and collective provisions for losses based on historical loss levels.

**Accounting judgment**

Management's judgment considers rapidly changing market conditions which may be particularly sensitive in customer financing operations. Additional information is included in section "*Credit risk*" in note 27.

### Pension and other post-employment benefit valuation assumptions

**Key sources of estimation uncertainty**

Pensions and other 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 pension and 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.

## 2. Changes in accounting policies

### IFRS 15 Revenue from Contracts with Customers

This new standard will replace existing revenue recognition standards and establishes a five-step model to account for revenue from contracts with customers. Revenue recognized will reflect the expected and entitled consideration for transferring goods and/or services to customers. Mandatory effective date of the new standard is January 1, 2018 for annual periods beginning on or after January 1, 2018. The Group has adopted the new standard on the effective date using the full retrospective method using the following expedients:

- For completed contracts, the Group has not restated contracts that were completed before the beginning of the earliest period presented (2017).
- For all reporting periods presented before the initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognize that amount as revenue will not be disclosed.

The Group performed a preliminary assessment of the effects of IFRS 15 during 2016. This assessment continued with a more detailed analysis and was completed during 2017. The below implications have been identified to effect the timing of revenue from contracts with customers:

### (a) Sales of goods

In some cases, the Group has made a different assessment of when control has passed to the customer compared to when risk and rewards have passed to the customer. According to IFRS 15 revenue should be recognize when the goods has been transferred to the customer. The goods has been transferred when the customer obtains control of the goods.

### (b) Rendering of service

The Group provides installation, commissioning and other services with certain equipment. These services are either sold separately in contracts with customers or bundled together with the sale of the equipment to the customer. Due to the more detailed requirements for determining whether goods or services are performance obligation under IFRS 15, the assessment of identified performance obligation might differ from identified deliverables according to the current revenue recognition standard. IFRS 15 also requires allocation of the transaction price to the identified performance obligations.

### (c) Variable consideration

Some contracts with customers provide a right of return, volume rebate or variable prices depending on certain factors. In order to prevent over-recognition of revenue, IFRS 15 requires estimated variable consideration to be constrained. Variable consideration may only be included in the transaction price allocated to the performance obligations if it is highly probable that a significant reversal of revenues will not occur when the uncertainty of the variable consideration has been resolved.

### Presentation and disclosure

IFRS 15 presentation and disclosure requirements are more detailed compared to current revenue recognition standard. This will be a significant change from what is currently disclosed and will increase the volume of disclosures required in the financial statement. Development and testing of appropriate systems, internal controls and procedures to collect and disclose the required information continued during 2017.

### (d) Other adjustments

In addition to the adjustments described above, on the implementation of IFRS 15, other items of the financial statement such as deferred tax and exchange difference on translation of foreign operations will be affected and adjusted accordingly.

### Summary

In summary, the impact of the implementation of IFRS 15 was, as follows:

*Impact on Equity of December 31, 2017 (January 1, 2017: (SEK –47 million)):*

| | Adjustments | SEK million |
|---|---|---|
| **Assets** | | |
| Deferred tax assets | (d) | 0 |
| Inventories | (a) (b) (c) | 168 |
| **Total assets** | | **168** |
| | | |
| **Liabilities** | | |
| Deferred tax liabilities | (d) | –17 |
| Other Liabilities | (a) (b) (c) | 246 |
| **Total liabilities** | | **229** |
| | | |
| Retained earnings | | –61 |
| Non-Controlling interest | | 0 |

*Impact on the Consolidated income statement for 2017*

| | Adjustments | SEK million |
|---|---|---|
| Revenue | (a) (b) (c) | –76 |
| Cost of Sales | (a) (b) (c) | 56 |
| Income tax expense | (d) | 5 |
| Net impact on profit for the year | | –15 |
| | | |
| Profit attributable to: | | |
| – owners of the parent | | –15 |
| – non controlling interest | | 0 |
| Basic earnings per share, SEK | | –0,01 |

*Impact on Consolidated statement of comprehensive income*

| | | SEK million |
|---|---|---|
| Translation differences on foreign operations | | 0 |
| Net impact on Consolidated statement of comprehensive income | | –15 |

## 2. *Changes in accounting policies, cont.*

### Revenue recognition from January 1, 2018

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.

### Goods sold

Revenue from goods sold is recognized at one point in time when control of the good has been transferred to the customer. This occur when e.g. the Group has a present right to payment for the good, the customer has legal title of the good, the good has 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 is 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 good 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 a lease.

### Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. If revenue cannot be reliably measured, the Group defers revenue until the uncertainty is 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 good within a specified period, the Group accounts for the right of return using the expected value method. The amount of revenue related to the expected returns is deferred and recognized in the statement of financial position within "*Other liabilities*". A corresponding adjustment is made to the cost of sales and recognized in the statement of financial position within Inventories.

### 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.

### Critical accounting estimates and judgments for revenue recognition from January 1, 2018

#### *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 good has been transferred to the customer.

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

- the degree of progress towards satisfaction of the performance obligations and the estimated total costs for such contracts when revenue is recognized over time, to determine the revenue and cost to be recognized in the current period, and whether any losses need to be recognized,
- if the control has been transferred to the customer (i. e. the Group has a present right to payment for the good, the customer has legal title of the good, the good has been delivered to the customer and/or the customer has the significant risks and rewards of the ownership of the good), 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.

### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. Similar to IAS 39, financial assets are classified into different categories, whereas some are valued at amortized cost and some at fair value. IFRS 9 introduces a new classification model for financial assets that is more based on principles than the current requirements under IAS 39. Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. Additionally, IFRS 9 introduces a new model for impairment of financial assets. The model's purpose is to recognize credit losses earlier than IAS 39. The classification of financial liabilities remains largely unchanged compared with IAS 39. The only change introduced by IFRS 9 in respect of financial liabilities is related to liabilities designated as fair value through profit or loss. The part of the fair value changes of such financial liabilities that is attributable to the change in the entity's own credit risk is presented in other comprehensive income instead of profit or loss, unless doing so would introduce an accounting mismatch. Changed criteria for hedge accounting may lead to more economic hedging strategies fulfilling the requirements for hedge accounting according to IFRS 9 than IAS 39.

IFRS 9 Financial Instruments is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Group and Parent Company has adopted the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity. However, the classification of some financial instruments will change. Expected effects are summarized and disclosed below. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018.

### a) Classification and valuation

All financial assets that is valued at fair value presently is expected to continuingly be valued at fair value. Investments made in debt instrument belonging to the insurance operations will be valued at fair value through profit or loss. Investments in liquidity funds will be valued to fair value through profit or loss. The Group has made the judgement that accounts receivables also continuingly fulfills the criteria to be valued as amortized cost.

## 2. *Changes in accounting policies, cont.*

### b) Impairment

The Group will apply the simplified method for accounting of expected losses related to trade receivable and lease receivables. This means that expected losses for remaining maturity will be taken into account. For certain financial receivables and liquid funds, the general method of expected losses is applied, but these receivables generally have a short maturity.

### c) Other adjustments

Other than above mentioned adjustments some other items in the financial reports may be affected, such as deferred tax, investments in associates and joint ventures and translation differences.

### Summary

In summary, the impact of the implementation of IFRS 9 is expected to be, as follows:

| | Adjustments | SEK million |
|---|---|---|
| **Assets** | | |
| Deferred tax assets | (b) | 0 |
| Trade receivables and other receivables, including lease receivables and cash equivalents | (b) | –1 |
| **Total assets** | | **–1** |
| | | |
| **Equity** | | |
| Retained earnings | | –1 |
| **Total Equity** | | **–1** |

### Financial assets and liabilities from January 1, 2018

#### *Recognition and derecognition*

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 is recognized in profit or loss.

#### *Measurement of financial instruments*

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

#### *Classification and measurement of financial assets*

*Equity instruments*: are classified at fair value through profit or loss (FVTPL) unless they are not held for 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:

- 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 the effective interest rate 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 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 "*Other comprehensive income*" (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, except derivatives. Financial liabilities at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at the effective interest rate method.

Derivatives 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).

Fair value for financial assets and financial liabilities is determined in the manner described in note 27.

#### *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 when there is an exposure to credit risk, usually at first recognition of an asset or receivable. 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, contract assets and certain other financial receivables. 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

## 2. *Changes in accounting policies, cont.*

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.

In the respective model applied the measurement of ECL is based on different methods for different credit risk exposures. For trade receivables, contract assets and certain other financial receivables, the method is based on historical loss rates in combination with forward looking considerations. Lease receivables, certain other financial receivables and cash and cash equivalent 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 consider potential collaterals and other credit enhancements in the form of guarantees.

The financial assets are presented in the financial statements 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.

### *Derivatives and Hedge Accounting*

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are 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 expense, 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 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 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.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amount previously recognized in "*Other comprehensive income*" and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability. The Group uses foreign currency forwards to hedge part of the future cash flows from forecasted transactions in foreign currencies. Interest rate swaps are also used as cash flow hedges for hedging interest on borrowings with variable interest.

*Hedge of net investments in foreign operations*: The Group can hedge a part of net investments in foreign operations. Changes in the value of the hedge instrument relating to the effective portion of the hedge are recognized in "*Other comprehensive income*" and accumulated in equity. Gains or losses relating to the ineffective portion are recognized immediately in profit or loss. On divestment of foreign operations, the gain or loss accumulated in equity is recycled through profit or loss, increasing or decreasing the profit or loss on the divestment. The Group can use loans and forward contracts as hedging instruments.

*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 dominate 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 net investment hedges, any gain and loss recognized in "*Other comprehensive income*" and accumulated in equity at that time of hedge discontinuation remains in equity until divestment of foreign operations, when the gain or loss accumulated in equity is recycled through profit or loss.

### Critical accounting estimates and judgements for trade and financial receivables from January 1, 2018.

#### *Key sources of estimation uncertainty*

The Group measure 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, probability-weighted outcome based on reasonable and supportable forecasts.

#### *Accounting judgement*

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. Additional information is included in section "*Credit risk*" in note 27.

# 3. Acquisitions

Epiroc made no acquisitions in 2015 and 2016.

On February 2017, reportable segment Tools & Attachments acquired Erkat Spezialmaschinen und Service GmbH by purchasing 100 percent of shares and voting rights. The Group received control over the operations upon the date of acquisition. The company makes drum cutter attachments for excavators used primarily in construction and demolition and quarries and tunnels. Drum cutters are a complementary product for Epiroc as a solution provider in rock excavation, tunnel and foundation profiling and demolition. The acquisition has been accounted for using the acquisition method, no equity instruments have been issued in connection with the acquisition. Intangible assets of SEK 25 million and goodwill of SEK 28 million were recorded on the purchase.The acquisition is considered to have immaterial effects on the group's financial statements.

# 4. Segment information

| 2017 | Equipment & Service | Tools & Attachments | Common group functions | Eliminations | Group |
|---|---|---|---|---|---|
| Revenues from external customers | 22,406 | 8,691 | 253 | – | 31,350 |
| Inter-segment revenues | 53 | 7 | 39 | –99 | – |
| Revenue from Atlas Copco | 0 | 40 | 50 | – | 90 |
| **Total revenues** | **22,459** | **8,738** | **342** | **–99** | **31,440** |
| | | | | | |
| **Operating profit** | **5,127** | **1,146** | **–310** | **–14** | **5,949** |
| *– of which share of profit in associated companies and joint ventures* | *–1* | – | – | – | *–1* |
| Net financial items | – | – | – | – | –136 |
| Income tax expense | – | – | – | – | –1,500 |
| **Profit for the year** | **–** | **–** | **–** | **–** | **4,313** |
| | | | | | |
| **Non-cash expenses** | | | | | |
| Depreciation/amortization | 811 | 287 | 218 | –62 | 1,254 |
| Impairment | – | – | – | – | – |
| Other non-cash expenses | –2 | –25 | 98 | – | 71 |
| | | | | | |
| **Segment assets** | **14,625** | **7,014** | **1,324** | **–640** | **22,323** |
| *– of which goodwill* | *731* | *907* | – | – | *1,638* |
| Investments in associated companies and joint ventures | 94 | – | – | – | 94 |
| Unallocated assets | | | | | 4,944 |
| **Total assets** | | | | | **27,361** |
| | | | | | |
| **Segment liabilities** | **5,356** | **1,658** | **7,230** | **–4,530** | **9,714** |
| Unallocated liabilities | | | | | 5,539 |
| **Total liabilities** | | | | | **15,253** |
| | | | | | |
| **Capital expenditures** | | | | | |
| Property, plant and equipment | 779 | 207 | 383 | –116 | 1,253 |
| *– of which assets leased* | *20* | *16* | – | – | *36* |
| Intangible assets | 217 | 8 | 64 | – | 289 |
| **Total capital expenditures** | **996** | **215** | **447** | **–116** | **1,542** |
| Goodwill acquired | – | 28 | – | – | 28 |

## 4. *Segment information, cont.*

| 2016 | Equipment & Service | Tools & Attachments | Common group functions | Eliminations | Group |
|---|---|---|---|---|---|
| Revenues from external customers | 18,881 | 7,887 | 244 | – | 27,012 |
| Inter-segment revenues | 1 | 4 | 17 | –22 | – |
| Revenue from Atlas Copco | 16 | 34 | 40 | – | 90 |
| **Total revenues** | **18,898** | **7,925** | **301** | **–22** | **27,102** |
| | | | | | |
| **Operating profit** | **3,802** | **937** | **–212** | **21** | **4,548** |
| *– of which share of profit in associated companies and joint ventures* | – | – | – | – | – |
| Net financial items | | | | | –137 |
| Income tax expense | | | | | –1,180 |
| **Profit for the year** | | | | | **3,231** |
| | | | | | |
| **Non-cash expenses** | | | | | |
| Depreciation/amortization | 753 | 313 | 212 | –61 | 1,217 |
| Impairment | – | – | – | – | – |
| Other non-cash expenses | –43 | 1 | 13 | – | –29 |
| | | | | | |
| **Segment assets** | **13,474** | **6,446** | **6,791** | **–584** | **26,127** |
| *– of which goodwill* | *744* | *910* | – | – | *1,654* |
| Investments in associated companies and joint ventures | 15 | – | – | – | 15 |
| Unallocated assets | | | | | 3,842 |
| **Total assets** | | | | | **29,984** |
| | | | | | |
| **Segment liabilities** | **3,952** | **1,343** | **7,793** | **–3,495** | **9,593** |
| Unallocated liabilities | | | | | 4,578 |
| **Total liabilities** | | | | | **14,171** |
| | | | | | |
| **Capital expenditures** | | | | | |
| Property, plant and equipment | 743 | 187 | 183 | –77 | 1,036 |
| *– of which assets leased* | *55* | *11* | – | – | *66* |
| Intangible assets | 262 | 25 | 0 | – | 287 |
| **Total capital expenditures** | **1,005** | **212** | **183** | **–77** | **1,323** |

## 4. *Segment information, cont.*

| 2015 | Equipment & Service | Tools & Attachments | Common group functions | Eliminations | Group |
|---|---|---|---|---|---|
| Revenues from external customers | 20,238 | 8,051 | 204 | – | 28,493 |
| Inter-segment revenues | 0 | 6 | 76 | –82 | – |
| Revenue from Atlas Copco | 79 | 31 | 60 | – | 170 |
| **Total revenues** | **20,317** | **8,088** | **340** | **–82** | **28,663** |
| | | | | | |
| **Operating profit** | **4,370** | **957** | **–146** | **–6** | **5,175** |
| *– of which share of profit in associated companies and joint ventures* | *2* | – | – | – | *2* |
| Net financial items | | | | | –220 |
| Income tax expense | | | | | –1,384 |
| **Profit for the year** | | | | | **3,571** |
| | | | | | |
| **Non-cash expenses** | | | | | |
| Depreciation/amortization | 781 | 333 | 210 | –61 | 1,263 |
| Impairment | 134 | – | – | – | 134 |
| Other non-cash expenses | –20 | 4 | –19 | – | –35 |
| | | | | | |
| **Segment assets** | **13,230** | **6,370** | **5,663** | **–542** | **24,721** |
| *– of which goodwill* | *702* | *877* | – | – | *1,579* |
| Investments in associated companies and joint ventures | 16 | – | – | – | 16 |
| Unallocated assets | | | | | 3,681 |
| **Total assets** | | | | | **28,418** |
| | | | | | |
| **Segment liabilities** | **3,953** | **1,186** | **7,347** | **–3,164** | **9,322** |
| Unallocated liabilities | | | | | 4,167 |
| **Total liabilities** | | | | | **13,489** |
| | | | | | |
| **Capital expenditures** | | | | | |
| Property, plant and equipment | 884 | 186 | 388 | –121 | 1,337 |
| *– of which assets leased* | *54* | *16* | – | – | *70* |
| Intangible assets | 296 | 16 | 1 | – | 313 |
| **Total capital expenditures** | **1,180** | **202** | **389** | **–121** | **1,650** |

The Group is organized in separate and focused but still integrated operating segments, so called divisions, aggregated into two reportable segments; Equipment & Services and Tools & Attachments. The reportable segments offer different products and services. They are also, together with the operating segments, 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, includes Epiroc Payments Solutions i.e. functions which serve all operating segments or the Group as a whole, is not considered a segment. Revenue from operating leases owned by Epiroc Payments Solutions are reported under common group functions.

The accounting principles 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 are comprised of property, plant and equipment, intangible assets, 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. 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.

## 4. *Segment information, cont.*

### Geographical information

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

| By geographic area/country | Revenues | | | Non-current assets | | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** |
| **North America** | | | | | | |
| U.S.A. | 3,312 | 2,784 | 3,030 | 1,372 | 1,456 | 1,330 |
| Canada | 2,434 | 2,167 | 2,374 | 245 | 283 | 244 |
| Other countries | 1,408 | 1,294 | 1,318 | 54 | 50 | 59 |
| | **7,154** | **6,245** | **6,722** | **1,671** | **1,789** | **1,633** |
| **South America** | | | | | | |
| Chile | 1,690 | 1,475 | 1,791 | 105 | 82 | 73 |
| Peru | 1,227 | 880 | 977 | 74 | 102 | 60 |
| Brazil | 612 | 593 | 635 | 52 | 61 | 56 |
| Other countries | 757 | 589 | 733 | 24 | 24 | 15 |
| | **4,286** | **3,537** | **4,136** | **255** | **269** | **204** |
| **Europe** | | | | | | |
| Russia | 1,852 | 1,526 | 1,166 | 24 | 16 | 12 |
| Sweden | 1,071 | 1,029 | 948 | 2,020 | 2,074 | 2,274 |
| Germany | 461 | 390 | 458 | 215 | 174 | 172 |
| Finland | 321 | 344 | 263 | 62 | 55 | 52 |
| Great Britain | 291 | 307 | 362 | 47 | 51 | 58 |
| Other countries | 4,015 | 3,299 | 3,428 | 362 | 368 | 366 |
| | **8,011** | **6,895** | **6,625** | **2,730** | **2,738** | **2,933** |
| **Africa/Middle East** | | | | | | |
| South Africa | 1,690 | 1,384 | 1,591 | 84 | 90 | 75 |
| Zambia | 391 | 366 | 459 | 22 | 22 | 14 |
| Other countries | 2,014 | 2,090 | 2,472 | 42 | 42 | 55 |
| | **4,095** | **3,840** | **4,522** | **148** | **154** | **144** |
| **Asia/Australia** | | | | | | |
| Australia | 3,049 | 2,526 | 2,551 | 168 | 231 | 287 |
| China | 1,619 | 1,374 | 1,346 | 930 | 1,024 | 1,076 |
| India | 1,152 | 973 | 866 | 367 | 264 | 247 |
| Kazakhstan | 505 | 374 | 378 | 7 | 5 | 6 |
| Japan | 224 | 260 | 237 | 271 | 287 | 256 |
| Other countries | 1,345 | 1,078 | 1,280 | 60 | 81 | 80 |
| | **7,894** | **6,585** | **6,658** | **1,803** | **1,891** | **1,951** |
| **Total** | **31,440** | **27,102** | **28,663** | **6,607** | **6,840** | **6,864** |

| Revenues (SEK million) | 2017 | 2016 | 2015 |
|---|---|---|---|
| Equipment & Service | 22,459 | 18,898 | 20,317 |
| *whereof Equipment* | *9,849* | *7,710* | *8,510* |
| *whereof Service* | *12,610* | *11,188* | *11,807* |
| Tools & Attachments | 8,738 | 7,925 | 8,088 |
| Common Group functions/eliminations | 243 | 279 | 258 |
| **Total** | **31,440** | **27,102** | **28,663** |

## 4. *Segment information, cont.*

**Quarterly data**

| Revenues by reportable segment | 2017 | | | | 2016 | 2015 |
|---|---|---|---|---|---|---|
| **SEK million** | **1** | **2** | **3** | **4** | **Dec. 31, 2016** | **Dec. 31, 2015** |
| Equipment & Service | 5,213 | 5,449 | 5,480 | 6,317 | 18,898 | 20,317 |
| – of which external | 5,184 | 5,459 | 5,456 | 6,307 | 18,881 | 20,238 |
| – of which internal | 29 | –10 | 24 | 10 | 17 | 79 |
| Tools & Attachments | 2,161 | 2,297 | 2,140 | 2,140 | 7,925 | 8,088 |
| – of which external | 2,155 | 2,283 | 2,124 | 2,129 | 7,887 | 8,051 |
| – of which internal | 6 | 14 | 16 | 11 | 38 | 37 |
| Common Group functions/eliminations | 30 | 86 | 65 | 62 | 279 | 258 |
| **Total** | **7,404** | **7,832** | **7,685** | **8,519** | **27,102** | **28,663** |

| Operating profit by reportable segment | 2017 | | | | 2016 | 2015 |
|---|---|---|---|---|---|---|
| **SEK million** | **1** | **2** | **3** | **4** | **Dec. 31, 2016** | **Dec. 31, 2015** |
| Equipment & Service | 1,156 | 1,228 | 1,281 | 1,462 | 3,802 | 4,370 |
| *in % of revenues* | *22.2,%* | *22.5,%* | *23.4,%* | *23.1,%* | *20.1,%* | *21.5,%* |
| Tools & Attachments | 321 | 328 | 279 | 218 | 937 | 957 |
| *in % of revenues* | *14.8,%* | *14.3,%* | *13.0,%* | *10.2,%* | *11.8,%* | *11.8,%* |
| Common Group functions/eliminations | –73 | –103 | –19 | –129 | –191 | –152 |
| **Operating profit** | **1,404** | **1,453** | **1,541** | **1,551** | **4,548** | **5,175** |
| *in % of revenues* | *19.0,%* | *18.6,%* | *20.0,%* | *18.2,%* | *16.8,%* | *18.1,%* |
| | | | | | | |
| Net financial items | –23 | –10 | –20 | –84 | –137 | –220 |
| **Profit before tax** | **1,381** | **1,443** | **1,521** | **1,467** | **4,411** | **4,955** |
| *in % of revenues* | *18.7,%* | *18.4,%* | *19.8,%* | *17.2,%* | *16.3,%* | *17.3,%* |

# 5. Employees and personnel expenses

| Average number of employees | 2017 | | | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Women** | **Men** | **Total** | **Women** | **Men** | **Total** | **Women** | **Men** | **Total** |
| **Parent company** | | | | | | | | | |
| Sweden | 3 | 2 | 5 | – | – | – | – | – | – |
| **Subsidiaries** | | | | | | | | | |
| North America | 267 | 1,555 | 1,822 | 237 | 1,445 | 1,682 | 244 | 1,600 | 1,844 |
| South America | 160 | 1,245 | 1,405 | 151 | 1,183 | 1,334 | 153 | 1,296 | 1,449 |
| Europe | 801 | 3,538 | 4,339 | 687 | 3,350 | 4,037 | 691 | 3,428 | 4,119 |
| *– of which Sweden* | *496* | *2,213* | *2,709* | *442* | *2,112* | *2,554* | *453* | *2,185* | *2,638* |
| Africa/Middle East | 196 | 1,194 | 1,390 | 187 | 1,269 | 1,456 | 192 | 1,290 | 1,482 |
| Asia/Australia | 509 | 2,885 | 3,394 | 484 | 2,756 | 3,240 | 529 | 2,960 | 3,489 |
| **Total subsidiaries** | **1,933** | **10,417** | **12,350** | **1,746** | **10,003** | **11,749** | **1,809** | **10,574** | **12,383** |
| **Total** | **1,936** | **10,419** | **12,355** | **1,746** | **10,003** | **11,749** | **1,809** | **10,574** | **12,383** |

## 5. *Employees and personnel expenses, cont.*

| **Females in the Board of Directors and Group Management, %** | **Dec. 31, 2017[1]** |
|---|---|
| **Parent Company** | |
| Board of Directors | 20% |
| Group Management | 20% |

1) Disclosure about the females in the Board and Group Management is only made as per December 31, 2017, since the former Board of Epiroc AB is not representative for the Epiroc Group and Group Management was formed in 2017.

| **Remuneration and other benefits** | **Group** | | |
|---|---|---|---|
| **SEK million** | **2017** | **2016** | **2015** |
| Salaries and other remuneration | 5,642 | 5,367 | 5,657 |
| Contractual pension benefits | 313 | 353 | 367 |
| Other social costs | 907 | 863 | 909 |
| **Total** | **6,862** | **6,583** | **6,933** |

**Remuneration and other benefits to the Board[1]**

| **SEK thousand** | **Fee[2]** | **Total expense recognized 2017** |
|---|---|---|
| **Chairman:** | | |
| Ronnie Leten | 427 | 427 |
| **Other members of the Board:** | | |
| Ulla Litzén | 137 | 137 |
| Lennart Evrell | 137 | 137 |
| **Total 2017** | **701** | **701** |

1) Board members Johan Forssell and Anders Ullberg have not received any remuneration during 2017.
2) The fees refer to Q4, 2017.

### Remuneration and other benefits to Group Management during 2017

Three members of group management received salary during Oct–Dec 2017. Two new members of management, CEO and SVP Corporate communication, will join the management Group during 2018. See info regarding renumeration policy below.

### Remuneration and other fees for members of the Board, the President and CEO, and other members of Group Management

*For the years 2015–2017, the guidelines for remuneration to senior executives have been applied as decided by the Annual General Meeting of Atlas Copco for each year. Below are the guidelines that apply for Epiroc 2018.*

#### *Principles for remuneration to the Board and Group Management*

The principles for remuneration to the Board and Group Management will be approved at the Annual General Meeting of the shareholders. The principles until such meeting for Group Management has been approved by the Remuneration Committee of the Board.

#### *Board members*

The remuneration committee that was formed during the fall of 2017 decided about remuneration to board members from October 1st until the listing of Epiroc. The chairman was remunerated SEK 1,300,000. Ulla Litzén and Lennart Evrell were remunerated SEK 417,000. Anders Ullberg was remunerated SEK 417,000 from April 25, 2018 until listing and Johan Forssell SEK 0 until listing. Jeanne Hull and Astrid Skarheim Onsum were remunerated SEK 417,000 from January 1, 2018 until listing.

During 2018 after listing:
*The chairman will be remunerated SEK 1,950,000 and board members (non-executive) elected by the General Meeting SEK 625,000.*

#### *Group Management*

Group Management consists of the CEO and President and four other members of the Executive Committee. The compensation to Group Management shall consist of base salary, variable compensation, possible long-term incentive, pension premium and other benefits.

The following describes the various guidelines in determining the amount of remuneration:

- Base salary is determined by position, qualification, and individual performance.
- Variable compensation is dependent upon how certain quantitative and qualitative goals set in advance are achieved. The variable compensation is maximized to 70 percent of the base salary for the President and CEO, 60 percent for Senior Executive Vice President Mining and Infrastructure, and 40 percent for other members of Group Management.
- Upon approval of the Epiroc Board and the Annual General Meeting, Group Management will be eligible to performance related personnel option program.
- Pension premiums are paid in accordance with a defined contribution plan with premiums ranging between 25 percent and 35 percent of base salary depending on age.
- Other benefits consist of company car and private health insurance.

A mutual notice of termination of employment of six months shall apply.

The Board has the right to deviate from the principles stated above if special circumstances exist in a certain case. No fees are paid to Group Management for board memberships in Group companies nor do they receive compensation for other duties that they may perform outside the immediate scope of their duties.

#### *President and CEO*

The variable compensation can give a maximum of 70 percent 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 Atlas Copco pension policy for Swedish executives, which is a defined contribution plan. The contribution is age related and is 35 percent of the base salary. These pension plans are vested. A pension plan for Epiroc Swedish Executives will be in place during 2018. The Present and CEO is entitled to retire at the age of 65.

#### *Other members of Group Management*

Members of Group Management employed in Sweden have a defined contribution pension plan, with contribution ranging from 25 percent to 35 percent of the base salary according to age. The variable compensation is not included in the basis for pension benefits. The retirement age is 65.

## 5. *Employees and personnel expenses, cont.*

*Option/share appreciation rights, holdings for Group Management*

The stock options/share appreciation rights holdings as at December 31 2017 are detailed below. See also note 23 for additional information.

**Stock Options/share appreciation rights holdings as at Dec. 31, 2017[1)]**

| Grant Year | President and CEO | Other members of Group Management |
|---|---|---|
| 2015 | – | 153,864 |
| 2016 | – | 142,213 |
| 2017[2)] | – | 158,371 |
| **Total** | **–** | **454,448** |

1) Stock options/share appreciations rights refer to Atlas Copco AB shares.
2) Estimated grants for the 2017 stock option program including matching shares.

*Termination of employment*

The CEO is entitled to a severance pay of twelve months if the Company terminates the employment and a further six months if there has not been any engagement in a new employment contract.

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 is never less than 12 months and never more than 24 months salary.

*Remuneration and other committees*

In the fall of 2017 two board committees were formed. A remuneration committee consisting of Ronnie Leten, Chair, Johan Forssell and Lennart Evrell was formed and an audit committee consisting of Ulla Litzén, Chair, Anders Ullberg and Ronnie Leten was formed. The committees started their work in the beginning of 2018.

# 6. Renumeration to auditors

| Audit fees and other services | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Deloitte** | | | |
| Audit fee | 19 | 15 | 15 |
| Other services, tax | 1 | 2 | 2 |
| Other services, other | 2 | 2 | 2 |
| **Other audit firms** | | | |
| Audit fee | 1 | 1 | 1 |
| **Total** | **23** | **20** | **20** |

Audit fee refers to audit of the financial statements and the accounting records. For the Parent Company this 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. Tax services include both tax consultancy services and tax compliance services. Other services essentially comprise consultancy services, such as due-diligence services in connection with acquisitions.

At the Annual General Meeting of Atlas Copco 2017, Deloitte was elected as auditor for the Atlas Copco group until the Annual General Meeting 2018.

# 7. Other operating income and expense

| Other operating income | 2017 | 2016 | 2015 |
|---|---|---|---|
| Commissions received | 2 | 3 | 6 |
| Capital gain on sale of property, plant and equipment | 45 | 15 | 149 |
| Capital gain on divestment of business | – | 15 | 7 |
| Exchange-rate differences | – | 130 | – |
| Other operating income | 33 | 11 | 27 |
| **Total** | **80** | **174** | **189** |

| Other operating expenses | 2017 | 2016 | 2015 |
|---|---|---|---|
| Capital loss on sale of property, plant and equipment | –30 | –12 | –46 |
| Capital loss on divestment of business | –2 | – | – |
| Exchange-rate differences | –166 | – | –90 |
| Other operating expenses | –19 | –8 | –25 |
| **Total** | **–217** | **–20** | **–161** |

### Additional information on costs by nature

Cost of goods sold includes expenses for inventories, see note 16, warranty costs, environmental fees, and transportation costs.

Salaries, remunerations and employer contributions amounted to 6,862 (6,583, (6,933)) whereof expenses for post employment benefits amounted to 313 (353, (367)). See note 5 for further details.

Included in the operating profit are exchange rate changes on payables and receivables. Amortization, depreciation and impairment charge for the year amounted to 1,254 (1,217, (1,397)). See note 12 and 13 for further details. Costs for research and development, including amortization, depreciation and impairment charge, amounted to 795 (662, (861)).

## 8. Financial income and expense

| Financial income and expenses | 2017 | 2016 | 2015 |
|---|---|---|---|
| Interest income | | | |
| – cash and cash equivalents | 8 | 12 | 12 |
| – finance lease receivables | 187 | 166 | 164 |
| **Capital gain** | | | |
| Other assets | 6 | – | – |
| **Change in fair value-other assets** | **31** | **–** | **–** |
| Foreign exchange gain net | – | 36 | – |
| **Financial income** | **232** | **214** | **176** |
| Interest expenses | | | |
| – borrowings | –34 | –40 | –58 |
| – borrowings from Atlas Copco group | –231 | –187 | –242 |
| – derivatives | –14 | – | – |
| – pension provisions, net | –5 | –6 | –10 |
| – other | –36 | –24 | 0 |
| **Capital loss** | | | |
| – other assets | – | –10 | –10 |
| Change in fair value – other liabilities and borrowings | – | –8 | –8 |
| Foreign exchange loss, net | –31 | – | –47 |
| Impairment loss | –18 | –76 | –21 |
| **Financial expenses** | **–368** | **–351** | **–396** |
| **Financial expenses, net** | **–136** | **–137** | **–220** |

"Foreign exchange gain, net" includes foreign exchange gains of 135 (41, (5)) on financial assets at fair value through profit and loss and foreign exchange losses of 166 (5, (52)) on other liabilities.

## 9. Taxes

| Income tax expense | 2017 | 2016 | 2015 |
|---|---|---|---|
| Current taxes | –1,589 | –1,065 | –1,410 |
| Deferred taxes | 89 | –115 | 26 |
| **Total** | **–1,500** | **–1,180** | **–1,384** |

The following is a reconciliation of the companies' weighted average tax based on the national tax for the country as compared to the actual tax charge:

| | 2017 |
|---|---|
| **Profit before tax** | **5,813** |
| Weighted average tax based on national rates | –1,425 |
| – in % | 24.5% |
| Tax effect of: | |
| Non-deductible expenses | –55 |
| Withholding tax on dividends | –46 |
| Tax-exempt income | 30 |
| Adjustments from prior years: | |
| – current taxes | –7 |
| – deferred taxes | –17 |
| Effects of tax losses/credits utilized | –6 |
| Change in tax rate, deferred tax | 12 |
| Tax losses not recognized | –14 |
| Other items | 28 |
| Income tax expense | –1,500 |
| **Effective tax in %** | **25.8%** |

The effective tax rate was 25,8% (26,8%, (27,9%)).

## 9. *Taxes, cont.*

The following table reconciles the net liability balance of deferred taxes at the beginning of the year to the net liability at the end of the year:

| **Change in deferred taxes** | **2017** | **2016** | **2015** |
|---|---|---|---|
| Opening Net balance, Jan. 1 | 347 | 435 | 462 |
| Charges to profit for the year | 89 | –115 | 26 |
| Tax on amounts recorded to equity | –14 | –7 | –35 |
| Transaction differences | –11 | 30 | –23 |
| Transaction with shareholders | –4 | 4 | 5 |
| **Net balance, Dec. 31** | **407** | **347** | **435** |

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following:

| | **2017** | | |
|---|---|---|---|
| **Deferred tax assets and liabilities** | **Assets** | **Liabilities** | **Net balance** |
| Intangible assets | 50 | 390 | –340 |
| Property, plant and equipment | 142 | 240 | –98 |
| Other financial assets | 9 | 14 | –5 |
| Inventories | 666 | 4 | 662 |
| Current receivables | 50 | 9 | 41 |
| Operating liabilities | 172 | 0 | 172 |
| Provisions | 68 | – | 68 |
| Post-employment benefits | 41 | 0 | 41 |
| Borrowings | 8 | 2 | 6 |
| Loss/credit carry-forwards | 27 | – | 27 |
| Other items[1)] | 2 | 175 | –173 |
| **Deferred tax assets/liabilities** | **1,235** | **834** | **401** |
| Netting of assets/liabilities | –828 | –834 | 6 |
| **Net deferred tax balances** | **407** | **0** | **407** |

1) Other items primarily include tax deductions which are not related to specific balance sheet items.

Deferred tax assets regarding tax loss carry-forwards are reported to the extent that realization of the related tax benefit through future taxable results is probable. To the extent that it is not probable that taxable results will be available against which the unused tax losses can be utilized, a deferred tax asset is not recognized. At December 31, 2017, the Group had total tax loss carry-forwards of 325, of which deferred tax assets were recognized for 100. The tax value of reported tax loss carry-forwards totals 27. There is no expiration date for utilization of the major part of the tax losses carry-forwards for which deferred tax assets have been recognized.

Tax losses carry-forwards for which no deferred tax have been recognized expires in accordance with below table:

| | **2017** |
|---|---|
| Expires after 1–2 years | 57 |
| Expires after 3–4 years | 95 |
| Expires after 5–6 years | 73 |
| No expiry date | – |
| **Total** | **225** |

Changes in temporary differences during the year that are recognized in the income statement are attributable to the following:

| | **2017** |
|---|---|
| Intangible assets | 101 |
| Property, plant and equipment | 31 |
| Other financial assets | 7 |
| Inventories | 33 |
| Current receivables | –13 |
| Operating liabilities | 0 |
| Provisions | –17 |
| Post-employment benefits | –10 |
| Borrowings | –3 |
| Other items | –42 |
| **Changes due to temporary differences** | **87** |
| Loss/credit carry-forwards | 2 |
| **Charges to profit for the year** | **89** |

## 10. Other comprehensive income

| Other comprehensive income for the year | 2017 Before tax | 2017 Tax | 2017 After tax | 2016 Before tax | 2016 Tax | 2016 After tax | 2015 Before tax | 2015 Tax | 2015 After tax |
|---|---|---|---|---|---|---|---|---|---|
| **Attributable to owners of the parent** | | | | | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | | | | | |
| Remeasurements of defined benefit plans | 65 | –14 | 51 | 39 | –7 | 32 | 186 | –35 | 151 |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | | | | |
| Translation differences on foreign operations | –755 | | –755 | 1,171 | | 1,171 | –234 | | –234 |
| **Total other comprehensive income** | **–690** | **–14** | **–704** | **1,210** | **–7** | **1,203** | **–48** | **–35** | **–83** |
| **Attributable to non-controlling interests** | | | | | | | | | |
| Translation differences on foreign operations | –1 | | –1 | 1 | | 1 | | | |
| **Total other comprehensive income** | **–691** | **–14** | **–705** | **1,211** | **–7** | **1,204** | **–48** | **–35** | **–83** |

## 11. Earnings per share

| | Basic earnings per share | | |
|---|---|---|---|
| **Amounts in SEK** | **2017** | **2016** | **2015** |
| Earnings per share | 3.56 | 2.67 | 2,95 |

The calculation of earnings per share presented above is based on profits and number of shares as detailed below.

| **Profit for the year attributable to owners of the parent in MSEK** | **2017** | **2016** | **2015** |
|---|---|---|---|
| Profit for the year | 4,313 | 3,235 | 3,582 |

| **Number of shares outstanding (in millions of shares)** | **2017** | **2016** | **2015** |
|---|---|---|---|
| Basic number of shares outstanding | 1.212 | 1.212 | 1.212 |

## 12. Intangible assets

Impairment tests are performed at least annually or when there are indications of impairment. Current goodwill is monitored for internal management purposes at operating segment level. The goodwill has therefore been tested for impairment at operating segment level.

The recoverable amounts of the cash generating units have been calculated as value in use based on management's five-year forecast for net cash flows where the most significant assumptions are revenues, operating profits, working capital, capital expenditures, foreign currency and raw material prices.

All assumptions for the five-year forecast are estimated individually for each operating segment based on their particular market position and the characteristics and development of their end markets. The forecasts represent management's assessment and are based on both external and internal sources. The perpetual growth for the period after five years is estimated at 3 percent.

The Group's average weigthed cost of capital was 8 percent after tax for all periods presented (approximately 10,5 percent before tax) and has been used in discounting the expected future cash flow to generate a return well above the values to be tested, including sensitivity analysis/worst case scenarios.

The table on the following page presents the carrying value of goodwill allocated by operating segments and reportable segments.

## 12. *Intangible assets, cont.*

Carrying value of goodwill by cash generating unit:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| | Goodwill | Goodwill | Goodwill |
| Underground Rock Excavation | 145 | 145 | 145 |
| Surface and Exploration Drilling | 322 | 320 | 297 |
| Drilling Solutions | 106 | 111 | 105 |
| Mining & Rock Excavation Service | 158 | 168 | 156 |
| **Equipment & Service** | **731** | **744** | **703** |
| Rock Drilling Tools (Secoroc) | 771 | 805 | 775 |
| Hydraulic Attachment Tools | 136 | 105 | 102 |
| **Tools & Attachments** | **907** | **910** | **877** |
| **Total** | **1,638** | **1,654** | **1,579** |

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| | Internally generated and Acquired | Internally generated and Acquired | Internally generated and Acquired |
| Cost of sales | 5 | 5 | 5 |
| Marketing expenses | 32 | 39 | 47 |
| Administrative expenses | 37 | 29 | 22 |
| Research and development expenses | 265 | 215 | 299 |
| **Total** | **339** | **288** | **373** |

Impairment charges on intangible assets totaled 0 (0, (132)) of which 0 (0, (130)) were classified as research and development expenses in the income statement, and 0 (0, (2)) were classified as marketing expenses. Of the impairment charges, 0 (0, (127)) were due to capitalized development costs relating to projects discontinued.

| | Acquired and internally generated intangible assets | | | | | |
|---|---|---|---|---|---|---|
| **2017** | Product development | Trademark | Marketing and customer related | Other technology and contract based | Goodwill | Total |
| **Cost, Amortization and Impairment losses** | | | | | | |
| Opening balance, Jan. 1 | 1,098 | 55 | 92 | 286 | 1,654 | 3,185 |
| Investments | 176 | – | – | 113 | – | 289 |
| Amortization | –235 | –11 | –19 | –74 | – | –339 |
| Business acquisitions | 0 | 15 | 5 | 5 | 28 | 53 |
| Disposals | –1 | – | – | 0 | – | –1 |
| Transactions with owners | 32 | 0 | 0 | –1 | – | 31 |
| Translation differences | –40 | –1 | –5 | –7 | –44 | –97 |
| **Closing balance, Dec. 31** | **1,030** | **58** | **73** | **322** | **1,638** | **3,121** |

| | Acquired and internally generated intangible assets | | | | | |
|---|---|---|---|---|---|---|
| **2016** | Product development | Trademark | Marketing and customer related | Other technology and contract based | Goodwill | Total |
| **Cost, Amortization and Impairment losses** | | | | | | |
| Opening balance, Jan. 1 | 1,005 | 63 | 110 | 305 | 1,579 | 3,062 |
| Investments | 244 | – | – | 43 | – | 287 |
| Amortization | –185 | –9 | –23 | –71 | – | –288 |
| Transactions with owners | 1 | – | 0 | 2 | – | 3 |
| Translation differences | 33 | 1 | 5 | 7 | 75 | 121 |
| **Closing balance, Dec. 31** | **1,098** | **55** | **92** | **286** | **1,654** | **3,185** |

## 12. *Intangible assets, cont.*

| 2015 | Acquired and internally generated intangible assets | | | | | |
|---|---|---|---|---|---|---|
| | Product development | Trademark | Marketing and customer related | Other technology and contract based | Goodwill | Total |
| **Cost, Amortization and Impairment losses** | | | | | | |
| Opening balance, Jan. 1 | 1,025 | 71 | 133 | 307 | 1,574 | 3,110 |
| Investments | 255 | – | – | 58 | – | 313 |
| Amortization | –146 | –9 | –28 | –58 | – | –241 |
| Impairment | –127 | – | – | –5 | – | –132 |
| Divestments | – | 0 | – | –1 | 0 | –1 |
| Disposals | – | – | – | –1 | – | –1 |
| Reclassifications | –18 | – | – | – | – | –18 |
| Transactions with owners | –3 | – | 0 | 2 | – | –1 |
| Translation differences | 19 | 1 | 5 | 3 | 5 | 33 |
| **Closing balance, Dec. 31** | **1,005** | **63** | **110** | **305** | **1,579** | **3,062** |

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 principles, see note 1.

# 13. Property, plant and equipment

| 2017 | Buildings and land | Machinery and equipment | Construction in progress and advances | Total | Rental equipment |
|---|---|---|---|---|---|
| **Cost, depreciation and impairment losses** | | | | | |
| Opening balance, Jan. 1 | 650 | 1,441 | 194 | 2,285 | 1,370 |
| Investments | 8 | 226 | 226 | 460 | 793 |
| Depreciation for the period | –43 | –415 | – | –458 | –457 |
| Business acquisitions | – | 2 | – | 2 | – |
| Disposals | –23 | –33 | –4 | –60 | –267 |
| Reclassifications | 32 | 172 | –192 | 12 | –161 |
| Transactions with owners | 78 | 35 | –6 | 107 | –5 |
| Translation differences | –35 | –39 | –3 | –77 | –58 |
| **Closing balance, Dec. 31** | **667** | **1,389** | **215** | **2,271** | **1,215** |

| 2016 | Buildings and land | Machinery and equipment | Construction in progress and advances | Total | Rental equipment |
|---|---|---|---|---|---|
| **Cost, depreciation and impairment losses** | | | | | |
| Opening balance, Jan. 1 | 606 | 1,591 | 201 | 2,398 | 1,404 |
| Investments | 18 | 158 | 138 | 314 | 722 |
| Depreciation for the period | –47 | –412 | – | –459 | –470 |
| Disposals | –1 | –52 | – | –53 | –248 |
| Reclassifications | 40 | 102 | –150 | –8 | –125 |
| Transactions with owners | –3 | –16 | – | –19 | 6 |
| Translation differences | 37 | 70 | 5 | 112 | 81 |
| **Closing balance, Dec. 31** | **650** | **1,441** | **194** | **2,285** | **1,370** |

### 13. *Property, plant and equipment, cont.*

| 2015 | Buildings and land | Machinery and equipment | Construction in progress and advances | Total | Rental equipment |
|---|---|---|---|---|---|
| **Cost, depreciation and impairment losses** | | | | | |
| Opening balance, Jan. 1 | 837 | 1,838 | 226 | 2,901 | 1,348 |
| Investments | 37 | 181 | 185 | 403 | 934 |
| Depreciation for the period | –47 | –477 | – | –524 | –498 |
| Impairment charge for the period | – | – | – | – | –2 |
| Disposals | –235 | –109 | – | –344 | –190 |
| Reclassifications | 5 | 176 | –178 | 3 | –169 |
| Transactions with owners | –1 | 7 | –34 | –28 | 8 |
| Translation differences | 10 | –25 | 2 | –13 | –27 |
| **Closing balance, Dec. 31** | **606** | **1,591** | **201** | **2,398** | **1,404** |

For information regarding depreciation, see note 1.

## 14. Investments in associated companies and joint ventures

| Accumulated capital participation | 2017 | 2016 | 2015 |
|---|---|---|---|
| Opening balance, Jan. 1 | 15 | 16 | 14 |
| Acquisitions of associated companies | 81 | – | – |
| Dividends | – | –1 | – |
| Profit for the year after income tax | –1 | 0 | 2 |
| Translation differences | –1 | 0 | – |
| **Closing balance, Dec. 31** | **94** | **15** | **16** |

| Summary of financial information for associated companies | Country | Assets | Liabilities | Equity | Revenues | Profit for the year | Group's share, %[1] |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Associated companies** | | | | | | | |
| Shenzen Nectar Engineering & Equipment Co. Ltd. | China | 129 | 61 | 68 | 112 | 4 | 25 |
| Zhejiang GIA Machinery Manufacturing Co., Ltd | China | 34 | 1 | 33 | 36 | 0 | 49 |
| Mobilaris MCE AB | Sweden | 74 | 29 | 45 | 13 | –7 | 34 |
| **2016** | | | | | | | |
| **Associated companies** | | | | | | | |
| Shenzen Nectar Engineering & Equipment Co. Ltd. | China | 134 | 63 | 71 | 96 | 1 | 25 |
| **2015** | | | | | | | |
| **Associated companies** | | | | | | | |
| Shenzen Nectar Engineering & Equipment Co. Ltd. | China | 135 | 66 | 69 | 131 | 8 | 25 |
| Yanggu Wuyue Special Steel Co. Ltd. | China | 1,064 | 1,303 | –239 | 134 | –97 | 25 |

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.
In the third quarter of 2016, the Epiroc Group exercised the option to swap the shares in Yanggu Wuyue Special Steel Co. Ltd to the remaining non-controlling interest in Shandong Rock Drilling Tools Co. Ltd.

## 15. Other financial assets

Fair value of financial instruments under other financial assets, except held-to-maturity investments, corresponds to their carrying value.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Non-current** | | | |
| Pension and other similar benefit assets (note 23) | 39 | 15 | 8 |
| Financial assets classified as loans and receivables | | | |
| – finance lease receivables | 423 | 427 | 410 |
| – other financial receivables | 639 | 1,057 | 879 |
| **Closing balance, Dec. 31** | **1,101** | **1,499** | **1,297** |
| **Current** | | | |
| Cash-pool with Atlas Copco | 7 | 5,653 | 4,591 |
| Financial assets classified as loans and receivables | | | |
| – finance lease receivables | 479 | 504 | 452 |
| – other financial receivables | 666 | 943 | 875 |
| **Closing balance, Dec. 31** | **1,152** | **7,100** | **5,918** |

See note 22 on finance leases and note 27 for information on credit risk.

## 16. Inventories

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Raw materials | 356 | 364 | 353 |
| Work in progress | 1,520 | 1,106 | 896 |
| Semi-finished goods | 1,362 | 1,034 | 1,125 |
| Finished goods | 5,034 | 4,557 | 4,779 |
| **Closing balance, Dec. 31** | **8,272** | **7,061** | **7,153** |

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 309 (346, (422)). Reversals of write-downs which were recognized in earnings totaled 139 (115, (133)). Previous write-downs have been reversed as a result of improved market conditions in certain markets. Inventories recognized as expense amounted to 14,126 (13,075, (11,960)).

## 17. Trade receivables

Fair value for trade receivables corresponds to their carrying value. Trade receivables are categorized as loans and receivables.

| **Provisions for bad debts, trade** | 2017 | 2016 | 2015 |
|---|---|---|---|
| Provisions at Jan. 1 | 377 | 347 | 265 |
| Business acquisitions and divestments | 1 | – | – |
| Provisions recognized for potential losses | 166 | 155 | 201 |
| Amounts used for established losses | –104 | –41 | –52 |
| Release of unnecessary provisions | –70 | –104 | –53 |
| Change in discounted amounts | – | –1 | – |
| Transaction with shareholders | –23 | – | – |
| Translation differences | –11 | 21 | –14 |
| **Closing balance, Dec. 31** | **336** | **377** | **347** |

Trade receivables of 6,271 (5,701, (5,203)) are reported net of provisions for doubtful accounts and other impairments amounting to 336 (377, (347)). Provisions for doubtful accounts and impairment losses recognized in the income statement totaled 166 (155, (201)). Other receivables amount to 1,362 (877, (919)). For credit risk information, see note 27.

## 18. Other receivables

Fair value for other receivables corresponds to their carrying value.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Derivatives | | | |
| – held for trading | 193 | – | – |
| Financial assets classified as loans and receivables | | | |
| – other receivables | 920 | 628 | 644 |
| – accrued income | 31 | 16 | 27 |
| Prepaid expenses | 218 | 233 | 248 |
| **Closing balance, Dec. 31** | **1,362** | **877** | **919** |

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.

## 19. Cash and cash equivalents

Fair value of cash and cash equivalents corresponds to their carrying value. Cash and cash equivalents are classified in the category "*Loans and receivables*". Cash and cash equivalents had an estimated average effective interest rate of 0,7 percent (2,46 percent, (2,37 percent)). Estimated average effective interest rate has decreased due to lower deposits in currencies with higher interest rates. See note 27 for additional information.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Cash | 1,639 | 477 | 434 |
| Cash equivalents | 169 | 4 | 27 |
| **Closing balance, Dec. 31** | **1,808** | **481** | **461** |

## 20. Equity

On December 31, 2017, Epiroc AB's share capital amounted to SEK 20,688,500 distributed among 206,885 shares. In calculating earnings per share for historical periods the number of shares have been based on the number of shares in Atlas Copco as of April 24, 2018, the date of the decision made by the shareholders in Atlas Copco to distribute one share in Epiroc per Atlas Copco share. Such number of shares was 1,212,360,000 and has been applied for all periods presented.

### Reserves

Consolidated equity includes certain reserves which are described below:

#### *Translation reserve*

The translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations, the translation of intra-group receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as from the translation of liabilities that hedge the company's net investments in foreign operations.

#### *Non-controlling interest 2015*

Non-controlling interest amount to 94 (105) and refers to the non-controlling interest in the subsidiary Shandong Rock Drilling Tools Co, Ltd. The non-controlling interest is not material to the Group.

#### *Non-controlling interest 2016*

Non-controlling interest amount to 0 (94). In the third quarter 2016, the Group exercised the option to swap the shares in the associated company Yanggu Wuyue Special Steel Co. Ltd to the remaining non-controlling interest in Shandong Rock Drilling Tools Co. Ltd. None of these are material to the Group.

#### *Non-controlling interest 2017*

Non-controlling interest amount to 6 (0). In the first quarter, the Group founded the subsidiary GIA Mining Equipment Co.,Ltd with a non-controlling interest of 49 percent. The non-controlling interest is not material to the Group.

## 20. *Equity, cont.*

### Other transactions with shareholders

Other transactions with shareholders includes transactions without compensation between Atlas Copco and Epiroc.

| Other transactions with shareholders | 2017 | 2016 | 2015 |
|---|---|---|---|
| Effective tax adjustment | 330 | 24 | 210 |
| Group contribution | –4,122 | –3,074 | –2,873 |
| Effective tax on group contribution | 907 | 678 | 635 |
| Acquisition of subsidiaries | –345 | 142 | 395 |
| Change in non-controlling interest | 7 | –91 | – |
| Pensions IAS 19 | 43 | –1 | –5 |
| Share based compensation | 105 | 166 | 178 |
| Transfer of assets and liabilities without consideration[1] | 986 | –882 | –546 |
| **Total** | **–2,089** | **–3,038** | **–2,006** |

1) Transfer of assets and liabilities without consideration consists of economic activities that have been carved out from companies under common control. For more information see note 28.

# 21. Borrowings

| | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| **Non-current** | | | | | | |
| Other bank loans | 20 | 20 | 53 | 53 | 74 | 74 |
| Borrowings from Atlas Copco | 2,169 | 2,169 | 4,091 | 4,091 | 4,006 | 4,006 |
| Less current portion of long-term borrowings | –1 | –1 | –32 | –32 | –50 | –50 |
| **Total non-current bonds and loans** | **2,188** | **2,188** | **4,112** | **4,112** | **4,030** | **4,030** |
| Financial lease liabilities | 62 | 62 | 81 | 81 | 74 | 74 |
| Other financial liabilities | 0 | 0 | 0 | 0 | 65 | 65 |
| **Total non-current borrowings** | **2,250** | **2,250** | **4,193** | **4,193** | **4,169** | **4,169** |
| **Current** | | | | | | |
| Current portion of long-term borrowings | 1 | 1 | 32 | 32 | 50 | 50 |
| Short term loans | 658 | 658 | 455 | 455 | 94 | 94 |
| Borrowings from Atlas Copco | 4,108 | 4,108 | 3,131 | 3,131 | 2,852 | 2,852 |
| Financial lease liabilities | 41 | 41 | 56 | 56 | 47 | 47 |
| **Total current borrowings** | **4,808** | **4,808** | **3,674** | **3,674** | **3,043** | **3,043** |
| **Closing balance, Dec. 31** | **7,058** | **7,058** | **7,867** | **7,867** | **7,212** | **7,212** |

The carrying value of borrowings corresponds to fair value since the interest duration is short. See additional information about the Group's exposure to interest rate risk and foreign currency risk in note 27.

As per December 31, 2017, the Epiroc Group is funded by Atlas Copco. A bridge facility with core banks will be drawn in connection with the listing and used to repay the debt to Atlas Copco. Epiroc AB intends to take up long term debt to repay the bridge facility following the listing. A credit facility of SEK 4,000 million was committed by a group of core banks during the first quarter of 2018.

# 22. Leases

### Operating leases – lessee

The leasing costs of assets under operating leases amounted to 324 and are derived primarily from rented premises, machinery, and computer and office equipment. Operating leasing contracts for office and factory facilities typically run for a period of 10 to 15 years. For a limited number of operating leasing contracts, purchase and renewal options exist for machinery and renewal options exist for premises. The total leasing cost includes minimum lease payments of 294 and contingent rent of 3. Future payments for non-cancelable operating leasing contracts fall due as follows:

| | 2017 |
|---|---|
| Less than one year | 264 |
| Between one and five years | 576 |
| More than five years | 261 |
| **Total** | **1,101** |

The total of future minimum sublease payments expected to be received was 1.

### 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 Payment Solutions and certain other subsidiaries. Future payments for non-cancelable operating leasing contracts fall due as follows:

| | 2017 |
|---|---|
| Less than one year | 454 |
| Between one and five years | 416 |
| More than five years | 18 |
| **Total** | **888** |

Contingent rent recognized as income amounted to 5.

### Finance leases – lessee

**Assets utilized under finance leases**

| | Machinery and equipment | Rental equipment |
|---|---|---|
| Carrying amounts, Jan. 1, 2017 | 68 | 69 |
| Carrying amounts, Dec. 31, 2017 | 71 | 42 |

Assets utilized under finance leases are comprised primarily of vehicles. For a limited number of finance leasing contracts, both purchase and renewal options exist.

Future payments for assets held under finance leases as lessee will fall due as follows:

| | 2017 | | |
|---|---|---|---|
| | Minimum lease payments | Interest | Principal |
| Less than one year | 46 | 5 | 41 |
| Between one and five years | 65 | 7 | 58 |
| More than five years | 5 | 1 | 4 |
| **Total** | **116** | **13** | **103** |

### Finance leases – lessor

The Group offers lease financing to customers via Epiroc Customer Finance and certain other subsidiaries. See note 27 for information on financial exposure and principles for control of financial risks. Future lease payments to be received fall due as follows:

| | 2017 | |
|---|---|---|
| | Gross investment | Present value of minimum lease payments |
| Less than one year | 508 | 479 |
| Between one and five years | 426 | 419 |
| More than five years | 4 | 4 |
| | **938** | **902** |
| Unearned finance income | – | 36 |
| **Total** | **938** | **938** |

# 23. Employee benefits

### Post-employment benefits

Epiroc provides post-employment defined benefits pensions 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 the United States. The plans in these four countries are funded with different local financing vehicles, held separately from the Group for the future benefit payments. In Sweden the financing vehicle for the main ITP2-plans old age pension is the Group's pension foundation. Further Epiroc insures the family pension under ITP2 with a third party insurer, Alecta. This plan is accounted for as a defined contribution plan as sufficient information is not available for calculating the net pension obligation.

The Group identifies a number of risks in investments of pension plan assets. The main risks are interest rate risk, market risk, counterparty risk, liquidity and inflation risk, and currency risk. The Group is working on a regular basis to handle the risks and has 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 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.

## 23. *Employee benefits, cont.*

The net obligations for post-employment benefits and other long-term employee benefits have been recorded in the balance sheet as follows:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Financial assets (note 15) | –39 | –15 | –8 |
| Post-employment benefits | 181 | 253 | 259 |
| Other provisions (note 25) | 47 | 40 | 29 |
| **Closing Balance, net** | **189** | **278** | **280** |

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 balance sheet amounted to 189 (278, (280)). The weighted average duration of the obligation is 21,1 (19,3 (18,9)) in years.

| **Post-employment benefits**<br>**2017** | **Funded pension plans** | **Unfunded pension plan** | **Other funded plans** | **Other unfunded plans** | **Total** |
|---|---|---|---|---|---|
| Present value of defined benefit obligations | 1,245 | 46 | – | 46 | 1,337 |
| Fair value of plan assets | –1,149 | – | – | – | –1,149 |
| **Present value of net obligations** | **96** | **46** | **–** | **46** | **188** |
| Other long-term service obligations | – | – | 1 | – | 1 |
| **Net amount recognized in balance sheet** | **96** | **46** | **1** | **46** | **189** |
| **2016** | | | | | |
| Present value of defined benefit obligations | 1,339 | 81 | – | 40 | 1,460 |
| Fair value of plan assets | –1,189 | – | – | – | –1,189 |
| **Present value of net obligations** | **150** | **81** | **–** | **40** | **271** |
| Other long-term service obligations | – | – | 7 | – | 7 |
| **Net amount recognized in balance sheet** | **150** | **81** | **7** | **40** | **278** |
| **2015** | | | | | |
| Present value of defined benefit obligations | 1,324 | 71 | – | 29 | 1,424 |
| Fair value of plan assets | –1,144 | – | – | – | –1,144 |
| **Present value of net obligations** | **180** | **71** | **–** | **29** | **280** |
| Other long-term service obligations | – | – | – | – | – |
| **Net amount recognized in balance sheet** | **180** | **71** | **–** | **29** | **280** |

| | **2017** | | | | |
|---|---|---|---|---|---|
| **Plan assets consist of the following:** | **Quoted market price** | **Unquoted market price** | **Total** | **2016** | **2015** |
| Debt instruments | 521 | – | 521 | 630 | 650 |
| Equity instruments | 131 | – | 131 | 155 | 127 |
| Property | 33 | 291 | 324 | 262 | 240 |
| Assets held by insurance companies | 151 | – | 151 | 96 | 92 |
| Cash | 19 | – | 19 | 46 | 33 |
| Investment funds | 3 | – | 3 | – | – |
| Others | – | – | – | – | 2 |
| **Closing balance, Dec 31** | **858** | **291** | **1,149** | **1,189** | **1,144** |

## 23. *Employee benefits, cont.*

| Movement in plan assets | 2017 | 2016 | 2015 |
|---|---|---|---|
| Fair value of plan assets at Jan 1 | 1,189 | 1,144 | 1,097 |
| Interest income | 27 | 33 | 27 |
| Remeasurement – return on plan assets | 96 | –16 | 45 |
| Settlements | –47 | –3 | –33 |
| Employer contributions | 9 | 22 | 18 |
| Plan members contributions | 1 | 3 | 5 |
| Benefit paid by the plan | –27 | –80 | –25 |
| Reclassifications | – | 60 | – |
| Transactions with Atlas Copco | –95 | – | – |
| Translation differences | –4 | 26 | 10 |
| **Fair value of plan assets at Dec 31** | **1,149** | **1,189** | **1,144** |

| The plan assets are allocated among the following geographic areas: | 2017 | 2016 | 2015 |
|---|---|---|---|
| Europe | 1,143 | 1,085 | 1,058 |
| North America | – | 102 | 85 |
| Rest of the world | 6 | 2 | 1 |
| **Total** | **1,149** | **1,189** | **1,144** |

| Movement in present value of the obligations for defined benefits | 2017 | 2016 | 2015 |
|---|---|---|---|
| Defined benefit obligations at Jan. 1 | 1,460 | 1,424 | 1,518 |
| Current service cost | 61 | 72 | 84 |
| Past service cost | –18 | – | – |
| Gain/loss on settlement | – | 3 | –1 |
| Interest expense (+) | 32 | 39 | 37 |
| Actuarial gains (–)/ losses (+) arising from experience adjustments | –13 | –109 | –31 |
| Actuarial gains (–)/ losses (+) arising from financial assumptions | 58 | 62 | –104 |
| Actuarial gains (–)/ losses (+) arising from demographic assumptions | –3 | –1 | 3 |
| Settlements | –47 | –3 | –33 |
| Benefits paid from plan or company assets | –70 | –120 | –64 |
| Reclassifications | 5 | 57 | 7 |
| Transactions with Atlas Copco | –120 | – | – |
| Translation differences | –8 | 36 | 8 |
| **Defined benefit obligations, Dec. 31** | **1,337** | **1,460** | **1,424** |

Remeasurements recognized in other comprehensive income amounts to –65 (–39, (–185)) and 9 (7, (8)) in profit and loss. The Group expects to pay 48 in contributions to defined benefit plans in 2018. Transactions with Atlas Copco during 2017 refers to the liability for defined benefits in the US, which was allocated to Atlas Copco in is entirety.

| Expenses recognized in the income statement | 2017 | 2016 | 2015 |
|---|---|---|---|
| Current service cost | 61 | 72 | 84 |
| Past service cost | –18 | – | – |
| Gain/loss on settlements | – | 3 | –1 |
| Net interest cost | 5 | 6 | 10 |
| Employee contribution/ Participant contribution | –1 | –3 | –5 |
| Remeasurement of other long-term benefits | 9 | 7 | 8 |
| **Total** | **56** | **85** | **96** |

## 23. *Employee benefits, cont.*

The total benefit expense for defined benefit plans amounted to –56 (–85, (–96)) of which –51 (–79, (–86)) has been charged to operating expenses and –4 (–6, (–10)) to financial expenses. Expenses related to defined contribution plans amounted to –245 (–274, (–281)).

| Principal actuarial assumptions at the balance sheet date (expressed as weighted averages, in %) | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Discount rate** | | | |
| Europe | 2.46% | 2.60% | 2.69% |
| North America | 5.84% | 4.01% | 3.87% |
| **Future salary increases** | | | |
| Europe | 2.55% | 2.53% | 2.48% |
| North America | 3.56% | 3.51% | 3.49% |
| **Medical cost trend rate** | | | |
| North America | – | 7.01% | 7.80% |

The Group has identified discount rate, future salary increases, and mortality 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 increase in life expectancy and describes the potential effect on the present value of the defined pension obligation.

| | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|
| **Sensitivity analysis** | **Europe** | **North America** | **Europe** | **North America** | **Europe** | **North America** |
| Change in discount rate + 0.50% | –128 | 0 | –132 | –4 | –125 | –3 |
| Change in discount rate – 0.50% | 146 | 0 | 140 | 2 | 136 | 3 |
| Increase in life expectancy, + 1 year | 52 | 0 | 46 | 1 | 45 | 1 |

### Share value based incentive programs

Employees in Epiroc have historically been offered to participate in certain share based payment programs offered by Atlas Copco. In 2013–2017, the Annual General Meeting of Atlas Copco decided on performance-based personnel stock option programs based on a proposal from the Board of Atlas Copco on an option program for the respective years. In 2017, the Annual General Meeting of Atlas Copco decided on a performance based personnel stock option program for 2017 similar to the 2013–2016 programs.The portion of these programs relating to Epiroc employees impacts the combined financial statements and therefore terms and conditions for the wider Atlas Copco programs are described below.

### Option programs 2013–2017

At the Annual General Meeting 2013–2017 of Atlas Copco respectively, it was decided to implement performance related personnel stock option programs. The decision to grant options was made in April each year and the options were issued in March the following year (issue date). The number of options issued each program year depended on the value creation in the Atlas Copco group, measured as Economic Value Added (EVA), for the respective program year. For the 2017 option program, the number of options varies on a linear basis within a preset EVA interval. The size of the plan and the limits of the interval have been established by the Board of Atlas Copco and have been approved by the Annual General Meeting of Atlas Copco and are compatible with the long term business plan of the Atlas Copco group.

In connection with the issue, the exercise price was calculated as 110 percent of the average trading price for series A shares during a ten day period following the date of the publishing of the fourth quarter report. The options were issued without compensation paid by the employee and the options remain the property of the employee only to the extent that they are exercisable at the time employment is terminated.

The 2013–2015 programs have a term of five years from the grant date whereas the 2016–2017 programs have a term of seven years. The options in the 2013–2017 programs are not transferable and become exercisable at 100 percent three years after grant. The 2013–2017 programs include a requirement for senior executives (38 in total) to purchase Atlas Copco A shares for 10 percent of their gross base salary in order to be granted options. A lower amount of investment will reduce the number of options proportionately. Further, senior executives who have invested in Atlas Copco A shares will have the option to purchase one matching share per each share purchased at a price equal to 75 percent of the average trading price for series A shares during a ten day period following the date of the publishing of the fourth quarter report. This right applies from three years after grant until the expiration of the stock option program.

The Board of Atlas Copco had the right to decide to implement an alternative incentive solution (SARs) for key persons in such countries where the grant of personnel options was not feasible. In the 2013–2017 programs, the options may, on request by an optionee in Sweden, 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 are classified for accounting purposes as cash-settled in accordance with IFRS 2.

## 23. *Employee benefits, cont.*

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 2016 and 2017, the fair value of the options/SARs was based on the following assumptions:

| Key assumptions | 2017 Program (Dec. 31, 2017) | 2016 Program (at issue date) |
|---|---|---|
| Expected exercise price | SEK 396/270 SEK[1] | SEK 313/214[1,2] |
| Expected volatility | 30% | 30% |
| Expected options life (years) | 4.64 | 4.40 |
| Expected share price | SEK 360.10 | SEK 318.90 |
| Expected dividend (growth) | SEK 6.80 (6%) | SEK 6.80 (6%) |
| Risk free interest rate | 1.00% | 1.00% |
| Expected average grant value | SEK 62.50/105.10 | SEK 66.70/106.20 |
| Number of outstanding options | 617,966 | 1,030,616 |

1) Matching shares for senior executives.
2) Actual.

The expected volatility has been determined by analyzing the historic development of the Atlas Copco A share price as well as other shares on the stock market.

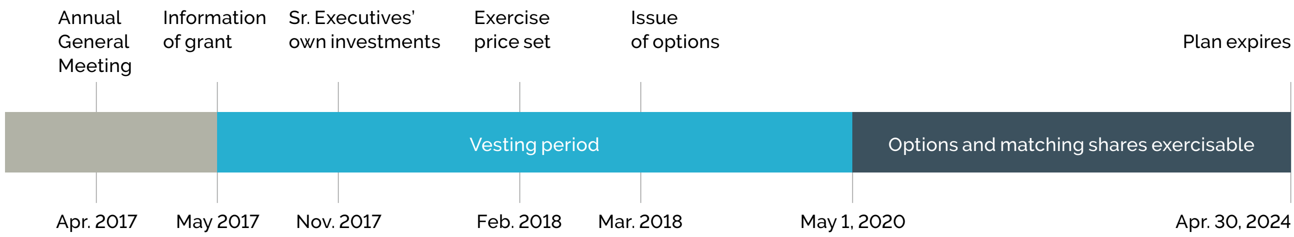
When determining the expected option life, assumptions have been made regarding the expected exercising behavior of different categories of optionees.

For the stock options in 2013–2017 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** |
| 2013 | June 2013 | April 2016 | May 2016 | April 2018 |
| 2014 | May 2014 | April 2017 | May 2017 | April 2019 |
| 2015 | May 2015 | April 2018 | May 2018 | April 2020 |
| 2016 | May 2016 | April 2019 | May 2019 | April 2023 |
| 2017 | May 2017 | April 2020 | May 2020 | April 2024 |

For the 2017 program, a new valuation of the fair value has been made and will be made at each reporting date until the issue date.

**Timeline 2017 option plan**



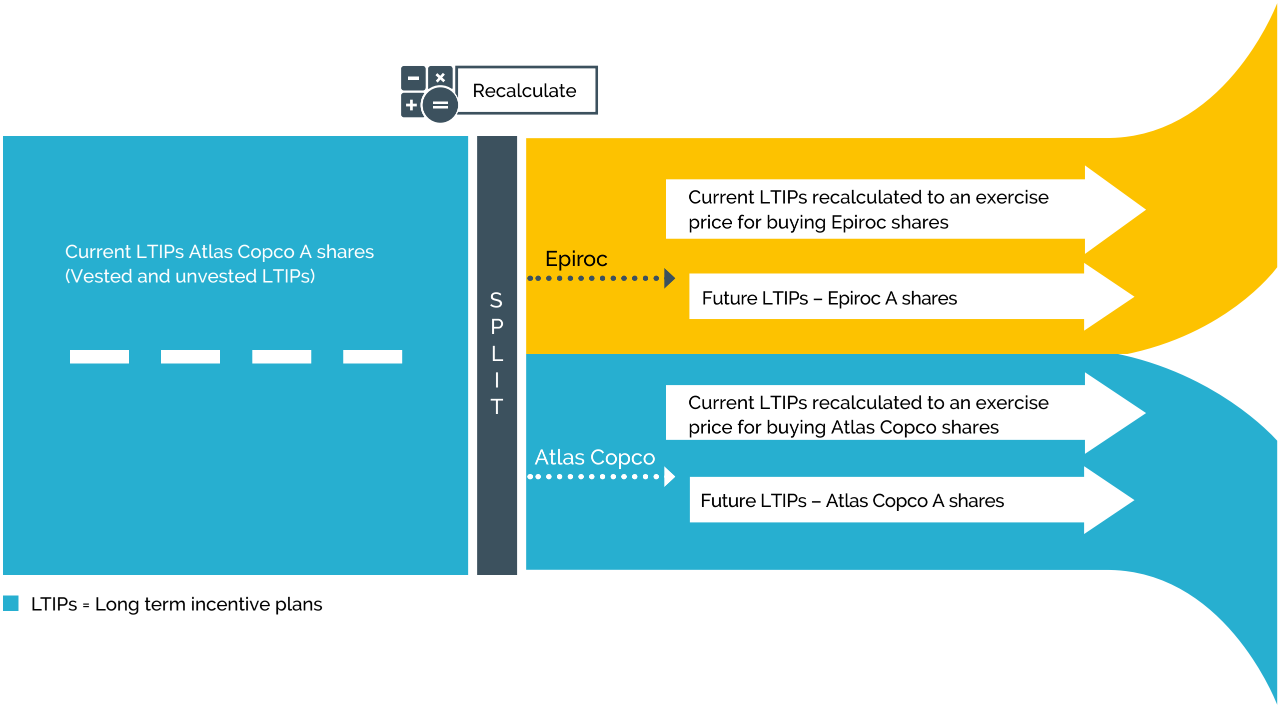
## 23. *Employee benefits, cont.*

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 2017 for the Epiroc Group for all share-based incentive programs amounted to 135 (63, (15)) excluding social costs of which 13 (9, (8)) 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 Epiroc Group for share appreciation rights and stock options classified as cash-settled as of December 31, 2017, amounted to 140 (55, (20)).

**Effect on option programs 2014–2017 from upcoming split of the Atlas Copco group**

At the time of the expected split Atlas Copco will have four programs in place, 2014–2017. All plans will be adjusted in line with the method used by Nasdaq Stockholm to adjust exchange-traded options contracts. This means that the value of the programs for the participants and Epiroc will at the time of the split be the same as recognized in the combined financial statements. After the split the effects on Epiroc's financial statements will depend on the future price development of the Epiroc share. All Epiroc Group employees will have a future outcome of the personnel stock options programs that is linked to Epiroc's performance and the Epiroc A-share.




LTIPs = Long term incentive plans

## 24. Other liabilities

Fair value of other liabilities corresponds to carrying value.

| **Other current liabilities** | **2017** | **2016** | **2015** |
|---|---|---|---|
| Derivatives | | | |
| – designated for hedge accounting | 21 | – | – |
| Other financial liabilities | | | |
| – other liabilities | 644 | 523 | 479 |
| – accrued expenses | 1,724 | 1,620 | 1,553 |
| Advances from customers | 626 | 409 | 500 |
| Deferred revenues service contracts | 38 | 35 | 29 |
| **Closing balance, Dec 31** | **3,053** | **2,586** | **2,561** |

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

# 25. Provisions

| 2017 | Product warranty | Restructuring | Other | Total |
|---|---|---|---|---|
| Opening balance, Jan. 1 | 182 | 132 | 161 | 475 |
| Business acquisitions | 1 | – | 2 | 3 |
| During the year | | | | |
| – provisions made | 166 | 6 | 196 | 368 |
| – provisions used | –108 | –25 | –62 | –195 |
| – provisions reversed | –35 | –1 | –50 | –86 |
| Translation differences | –8 | –1 | –7 | –16 |
| **Closing balance, Dec. 31** | **198** | **111** | **240** | **549** |
| Non-current | 7 | 98 | 174 | 279 |
| Current | 191 | 13 | 66 | 270 |
| **Total** | **198** | **111** | **240** | **549** |

| 2017, Maturity | Product warranty | Restructuring | Other | Total |
|---|---|---|---|---|
| Less than one year | 191 | 13 | 66 | 270 |
| Between one and five years | 7 | 96 | 174 | 277 |
| More than five years | – | 2 | – | 2 |
| **Total** | **198** | **111** | **240** | **549** |

| 2016 | Product warranty | Restructuring | Other | Total |
|---|---|---|---|---|
| Opening balance, Jan. 1 | 176 | 148 | 162 | 486 |
| During the year | | | | |
| – provisions made | 217 | 15 | 185 | 417 |
| – provisions used | –166 | –38 | –118 | –322 |
| – provisions reversed | –55 | –1 | –84 | –140 |
| Translation differences | 10 | 8 | 16 | 34 |
| **Closing balance, Dec. 31** | **182** | **132** | **161** | **475** |
| Non-current | 6 | 188[1] | –[1] | 194 |
| Current | 176 | 105[1] | –[1] | 281 |
| **Total** | **182** | **293** | **–** | **475** |

1) A detailed split between non-current and current provisions between Restructuring and Other is not available. Instead total level is presented.

| 2015 | Product warranty | Restructuring | Other | Total |
|---|---|---|---|---|
| Opening balance, Jan. 1 | 190 | 144 | 172 | 506 |
| During the year | | | | |
| – provisions made | 188 | 64 | 98 | 350 |
| – provisions used | –172 | –47 | –35 | –254 |
| – provisions reversed | –29 | –8 | –63 | –100 |
| Translation differences | –1 | –5 | –10 | –16 |
| **Closing balance, Dec. 31** | **176** | **148** | **162** | **486** |
| Non-current | 8 | 123[1] | –[1] | 131 |
| Current | 168 | 187[1] | –[1] | 355 |
| **Total** | **176** | **310** | **–** | **486** |

1) A detailed split between non-current and current provisions between Restructuring and Other is not available. Instead total level is presented.

Other provisions consist primarily of amounts related to share-based payments including social fees, other long-term employee benefits (see note 23), and environmental remediation obligations.

## 26. Assets pledged and contingent liabilities

Epiroc has no material amounts for 2017, 2016 or 2015 concerning assets pledged and contingent liabilities. In 2017, Epiroc had SEK 10 million in securities and other contingent liability. These primarily relate to pension commitments and commitments related to customer claims and various legal matters.

## 27. Financial exposure and principles for control of financial risks

### Capital management

Epiroc defines capital as borrowings and equity, which at December 31 totaled SEK 19,160 (23,680, (22,047)) million. The Group's policy is to have a capital structure to maintain investor, creditor and market confidence and to support future development of the business. There are no external capital requirements imposed on the Group.

### Financial risks

The Group is exposed to various financial risks in its operations. These financial risks include:

- Funding and liquidity risk
- Interest rate risk
- Currency risk
- Credit risk
- Other market and price risks

Up until 2017 the Group's financial risks were managed as part of the Atlas Copco's financial risk management. The Group established its own financial risk policies and compliance functions in Q4 which became effective as from January 2018. The Board of Directors establishes the overall financial policies and monitors compliance to the policies. The Group's Financial Risk Management Committee (FRMC) manages the Group's financial risks as from February 1st 2018 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 will meet on a quarterly basis or more often 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.

### Funding and liquidity risk

***Group funding risk policy***

The Group's funding risk policy refers to Epiroc AB's external borrowings.

- The Group should maintain minimum SEK 4,000 million committed credit facilities to meet operational, strategic and rating objectives.
- The average tenor (i.e. time to maturity) of the Group's external debt shall be at least 3 years.
- No more than SEK 3,000 million of the Group's external debt may mature within the next 12 months.
- Adequate funding at subsidiary level shall at all times be in place.
- The short term liquidity should at minimum correspond to 3 months of known operating expenses including interest and loan repayments.

***Status at year-end***

As per December 31, 2017, the Epiroc Group is funded by Atlas Copco. A bridge facility with core banks is planned in connection with the listing and used to repay the debt to Atlas Copco. Epiroc AB will take up long term debt to repay the bridge facility following the listing. The credit facility was committed by core banks during the first quarter of 2018. The policy measurements above are expressed for the future long term debt, not for the bridge facility. Cash and cash equivalents totaled SEK 1,808 (481, (461)) million. The increase as per December 31, 2017, is due to the centralizing of subsidiaries cash pools to Epiroc Treasury AB.

The following table shows 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.

| Financial instruments | Up to 1 year | 1–3 years | 3–5 years | Over 5 years |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Liabilities to credit institutions | 20 | 69 | 14 | 5 |
| Interest bearing loans from Atlas Copco group | 2,173 | – | – | – |
| Other liabilities | – | 0 | 0 | – |
| **Non-current financial liabilities** | **2,193** | **69** | **14** | **5** |
| Liabilities to credit institutions | 698 | | | |
| Interest bearing loans from Atlas Copco group | 4,110 | – | – | – |
| Derivatives | 21 | – | – | – |
| Other accrued expenses | 1,724 | – | – | – |
| Trade payables | 3,966 | – | – | – |
| Other liabilities | 644 | – | – | – |
| **Current financial liabilities** | **11,163** | **–** | **–** | **–** |
| **Financial liabilities** | **13,356** | **69** | **14** | **5** |

### Interest rate risk

***Group interest rate risk policy***

The interest rate risk policy states that the average duration (i.e. period for which interest rates are fixed) should be a minimum of 6 months and a maximum of 48 months.

***Status at year-end***

The current and non-current debt is with the Atlas Copco group and will be replaced by external debt at the time of the listing. The policy measurements for duration are expressed for the future long-term debt. For more information about the Group's borrowings, see note 21.

## 27. *Financial exposure and principles for control of financial risks, cont.*

### Currency risk
The Group is present in various geographical markets and undertakes transactions denominated in foreign currencies and is consequently exposed to exchange rate fluctuations. This affects both transaction exposure (cash flow) and translation exposure (balance sheet).

### Transaction exposure
*Group currency risk policy*
Transaction exposure risk is the risk that profitability is negatively affected by changes in exchange rates, affecting cash flows in foreign currencies in the operations. Due to the Group's presence in various markets, there are inflows and outflows in different currencies. As a normal part of business, net surpluses or deficits in specific currencies merge. The values of these net positions fluctuate subject to changes in currency rates and, thus, render transaction exposure. The following describes the Group's general policies for managing transaction exposure:

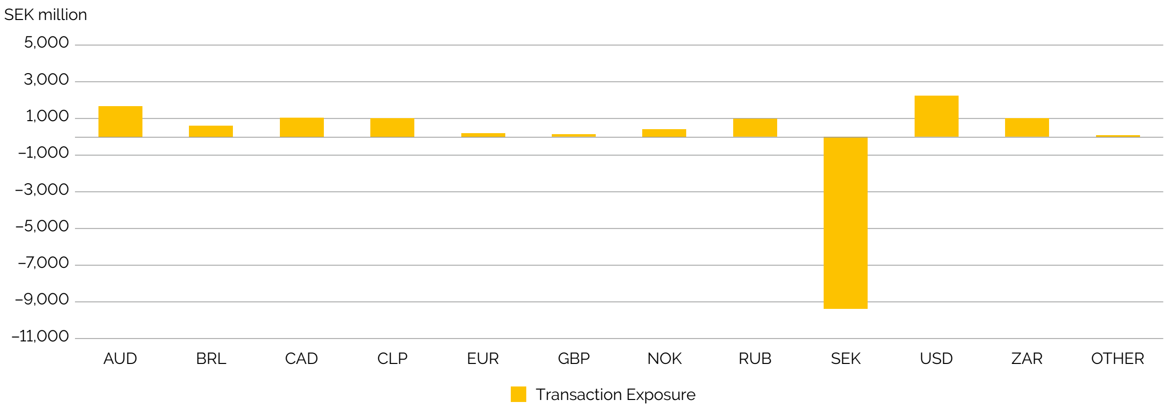
- Exposures shall be reduced by matching in- and outflows of the same currencies.
- Divisional management is responsible for maintaining readiness to adjust their operations (price and cost) to compensate for adverse currency movements.
- Based on the assumption that hedging does not have any significant effect on the Group's long-term result, the policy recommends to leave transaction exposures unhedged on an ongoing basis. In general, divisions shall not hedge currency risks. Hedging can, however, be motivated in case of long-term contracts where there is no possibility to adjust the contract price or the associated costs. Financial transaction exposure is fully hedged.
- The FRMC decides if parts of the transaction exposure shall be hedged. Transactions shall qualify for hedge accounting in accordance with IFRS and hedging beyond 18 months is not allowed.

*Status at year end*
The largest operational surplus and deficit currencies are shown in Graph 1. The amounts presented in Graph 1 represent estimates of the Group's net exchangeable amounts in different currencies. Estimates are based on the Group's intercompany payments and on payment flows from customers and to suppliers in the most significant currencies. The operational transaction exposure in SEK is 9,367 million and is calculated as the net operational cash flow exposure.

The following table indicates the effect from one percentage point weakening or strengthening of the SEK against all other currencies based on the transaction exposure.

| Transaction exposure sensitivity | 2017 |
|---|---|
| SEK exchange rate +1% | –94 |
| SEK exchange rate –1% | 94 |

**Graph 1, Estimated operational transaction exposure in the Group's most important currencies 2017**

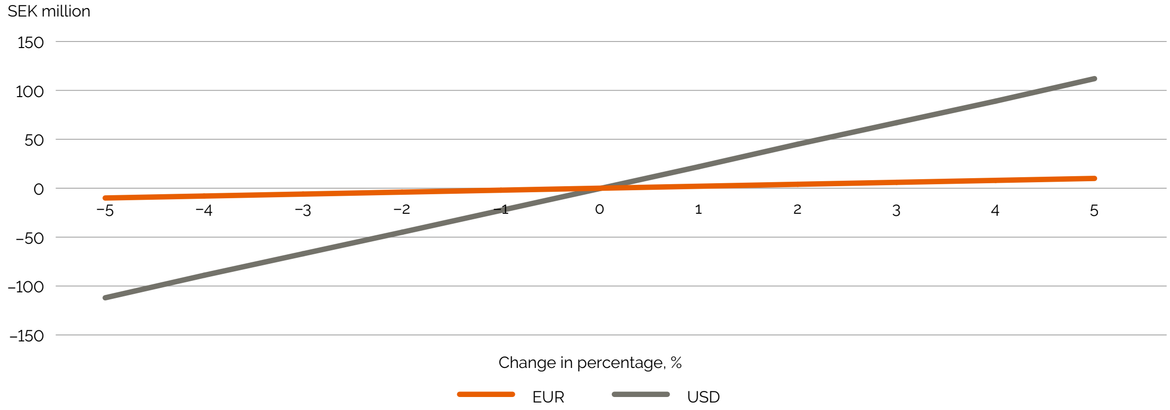



The table below indicates the effect on the Group's pretax earnings that one-sided fluctuations in USD and EUR exchange rates may have. The indication is based on the assumptions that no hedging transactions have been undertaken, and before any impact of offsetting price adjustments or similar measures. The sensitivity analysis is based on the operational transaction exposure for 2017.

| Transaction exposure sensitivity | 2017 |
|---|---|
| USD Currency rate +1% | 22 |
| USD Currency rate –1% | –22 |
| EUR Currency rate +1% | 2 |
| EUR Currency rate –1% | –2 |

## 27. *Financial exposure and principles for control of financial risks, cont.*

**Graph 2, Operational transaction exposure effect of EUR and USD before hedging**




### Translation exposure

#### *Group currency risk policy*

Translation exposure risk is the risk that the value of the Group's net investments in foreign currencies is negatively affected by changes in exchange rates. The Group's worldwide presence creates a currency effect since the financial statements of entities with functional currencies other than SEK are translated to SEK when preparing the consolidated financial statements. The net exposure in each currency represents the net of assets and liabilities denominated in that currency. The effect of currency rate fluctuations on these net positions is the translation effect.

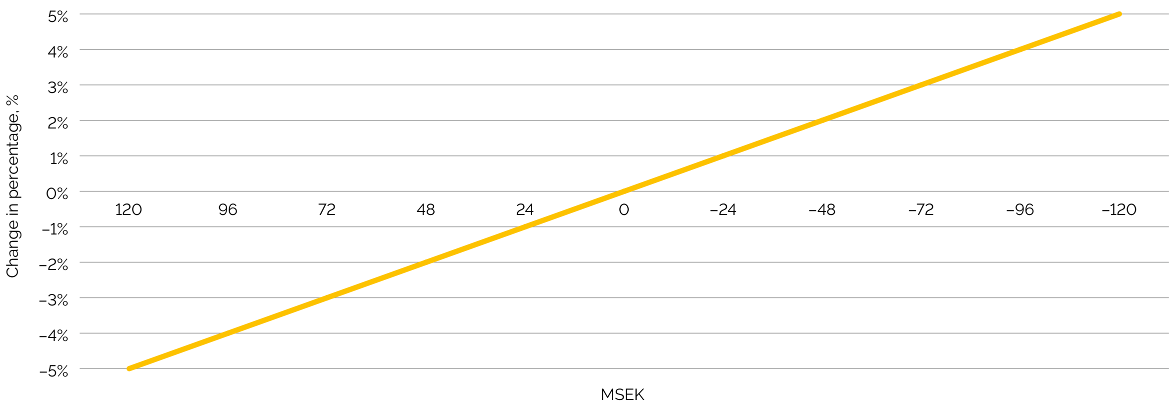
The Group's general policies for managing translation exposure is:

- 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. Any hedge of translation exposure shall qualify for hedge accounting in accordance with IFRS.

#### *Status at year end*

Graph 3 indicates the Group's sensitivity to currency translation effects when earnings of foreign subsidiaries are translated. The graph indicates for example that the translation effect on the Group's pretax earnings would be SEK –24 million if SEK is strengthened by 1 percent. A 1 percent SEK weakening would affect the Group's pretax earnings by SEK 24 million.

**Graph 3, Translation effect on earnings before tax**



## 27. *Financial exposure and principles for control of financial risks, cont.*

### Credit risk

Credit risk can be divided into operational and financial credit risk. These risks are described further in the following sections. The table below shows the total credit risk exposure related to assets classified as financial instruments as per December 31.

| Credit risk | 2017 | 2016 | 2015 |
|---|---|---|---|
| Loans and receivables | | | |
| – trade receivables | 6,271 | 5,701 | 5,203 |
| – finance lease receivables | 902 | 931 | 862 |
| – other financial receivables | 1,305 | 2,000 | 1,754 |
| – other receivables | 920 | 628 | 644 |
| – accrued income | 31 | 16 | 27 |
| – cash and cash equivalents | 1,808 | 481 | 461 |
| Derivatives | 193 | – | – |
| **Total** | **11,430** | **9,757** | **8,951** |

### Operational credit risk

*Group credit risk policy*

Operational credit risk is the risk that the Group's customers do not meet their payment obligations. 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.

*Status at year end*

Since the Group's sales are dispersed 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 business unit is required to have an approved commercial risk policy.

The Group has an in-house customer finance operation (part of Payment Solutions) as a means of supporting equipment sales. At December 31, 2017, the credit portfolio of the customer finance operations totaled approximately 2,253 (2,965, (2,607)) consisting of 65 (96, (91)) reported as trade receivables, 894 (925, (844)) reported as finance lease receivables, and 1,294 (1,944, (1,672)) reported as other financial receivables. In addition, Payment Solutions also has non-cancelable operating lease contracts of 705 (731, (747)). There were no significant concentrations of customer risks in these operations. No customer represented more than 5 percent of the total outstanding receivables. For further information, see note 22.

Epiroc Payment Solutions maintains collateral for its credit portfolio primarily through repossession rights in equipment. Business units may also partly transfer the commercial risk insurance to external entities (normally to an export credit agency).

*Provision for credit risks*

The business units establish provisions for their estimate of incurred losses in respect of trade and other receivables. The main components of this provision are specific loss provisions corresponding to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have not yet been identified. The collective loss provision is determined based on historical default statistics for similar financial assets. At year-end 2017, the provision for bad debt amounted to 5,1 percent of gross total customer receivables. The following table presents the gross value of trade receivables, both current and non-current, by maturity together with the related impairment provisions.

| | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|
| **Trade receivables** | **Gross** | **Impairment** | **Gross** | **Impairment** | **Gross** | **Impairment** |
| Not past due | 4,145 | 5 | 3,655 | 8 | 3,294 | 5 |
| **Past due but not impaired** | | | | | | |
| 0–30 days | 1,411 | – | 1,252 | – | 1,106 | – |
| 31–60 days | 283 | – | 259 | – | 295 | – |
| 61–90 days | 138 | – | 144 | – | 158 | – |
| More than 90 days | 550 | – | 596 | – | 568 | – |
| **Past due and individually impaired** | | | | | | |
| 0–30 days | 17 | 1 | 34 | 1 | 3 | – |
| 31–60 days | 4 | 1 | 7 | – | 5 | 1 |
| 61–90 days | 2 | 1 | 7 | 5 | 5 | 5 |
| More than 90 days | 57 | 60 | 124 | 94 | 116 | 100 |
| Collective impairment | – | 268 | – | 269 | – | 236 |
| **Total** | **6,607** | **336** | **6,078** | **377** | **5,550** | **347** |

The total estimated fair value of collateral for trade receivables amounted to 411 (136, (213)). The collateral mainly consisted of repossession rights and export credit insurance. Based on historical default statistics and the diversified customer base, the credit risk is assessed to be limited.

The gross amount of finance lease receivables amounted to 930 (970, (888)), of which 28 (39, (26)) have been impaired, and the gross amount of other financial receivables amounted to 1,392 (2,160, (1,803)), of which 87 (160, (49)) have been impaired. There are no significant amounts past due that have not been impaired. The total estimated fair value of collateral to finance lease receivables and other finance receivables was 534 (326, (353)) and 1,031 (1,622, (1,316)) respectively, consisting primarily of repossession rights.

## 27. *Financial exposure and principles for control of financial risks, cont.*

### Financial credit risk

*Group credit risk policy*

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.

*Investment transactions*

Efficient cash management systems should be maintained in order to minimize excess cash in operations where it cannot be invested or used to reduce interest-bearing debt. Cash may only be invested if at least one of the credit ratings (as rated by Standard & Poor's, Fitch Ratings or Moody's) of the approved counterpart or underlying investment is at least: A-/A3 in case of financial counterparties and funds, BBB-/Baa3 in case of non-financial counterparties. Investments in structured financial products are not allowed, unless approved by the FRMC. Furthermore, counterparty exposure, tenor and liquidity of the investment are considered before any investment is made. A list of each approved counterpart and its maximum exposure limit is maintained and monitored.

*Derivative transactions*

As part of the Group's management of financial risks, the Group can enter into derivative transactions with financial counterparts. Such transactions may only be undertaken with approved counterparts for which credit limits are established and with which ISDA (International Swaps and Derivatives Association) master agreements and CSA (Credit Support Annex) agreements are in force. Derivative transactions may only be entered into by Epiroc AB or Epiroc Treasury AB or in rare cases by another entity, but only with approval from the Group Treasurer. Epiroc primarily uses derivatives as hedging instruments and the policy allows only standardized (as opposed to structured) derivatives.

*Status at year-end*

During 2017 Epiroc has entered into derivatives with Atlas Copco to hedge currency exposure in internal lending. At year-end 2017, the measured credit risk on derivatives, taking into account the market-to-market value and collaterals, amounted to SEK 172 million. The table below presents the reported value of the Group´s derivatives.

| **Outstanding derivative instruments related to Financial exposures** | **2017** |
|---|---|
| **Foreign exchange forwards** | |
| Assets | 193 |
| Liabilities | –21 |

### 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 often 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 Epiroc'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. Below is a description of each level and valuation methods used for each financial instrument.

*Level 1*

In the Level 1 method, fair value is based on quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is considered as active if quoted prices from an exchange, broker, industry group, pricing service, or supervisory body are readily and regularly available and those prices represent actual and regularly occurring market transactions at arm's length.

*Level 2*

In the Level 2 method, fair value is based on models that utilize observable data for the asset or liability other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Such observable data may be market interest rates and yield curves.

*Level 3*

In the Level 3 method, fair value is based on a valuation model, whereby significant input is based on unobservable market data.

### Valuation methods

*Derivatives*

Fair values of forward exchange contracts are calculated based on prevailing markets. Interest rate swaps are valued based on market rates and present value of future cash flows. Discounted cash flow models are used for the valuation.

*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.

### 27. *Financial exposure and principles for control of financial risks, cont.*

**The Group's financial instruments by level**

The carrying value for the Group's financial instruments corresponds to fair value in all categories except for borrowings and held-to-maturity investments. See note 21 for additional information about the Group's borrowings.

| Currency rates used in the financial statements | | | Year-end rate | | | Average rate | | |
|---|---|---|---|---|---|---|---|---|
| | Value | Code | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Australia | 1 | AUD | 6.42 | 6.56 | 6.09 | 6.53 | 6.36 | 6.30 |
| Canada | 1 | CAD | 6.56 | 6.74 | 6.02 | 6.57 | 6.46 | 6.56 |
| China | 1 | CNY | 1.26 | 1.31 | 1.29 | 1.26 | 1.29 | 1.34 |
| EU | 1 | EUR | 9.84 | 9.56 | 9.13 | 9.63 | 9.44 | 9.34 |
| Hong Kong | 100 | HKD | 105.24 | 117.19 | 107.74 | 109.69 | 110.50 | 108.27 |
| United Kingdom | 1 | GBP | 11.09 | 11.17 | 12.38 | 11.03 | 11.60 | 12.82 |
| U.S.A. | 1 | USD | 8.22 | 9.09 | 8.35 | 8.55 | 8.58 | 8.39 |

## 28. Related parties

**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.

**Transactions with shareholders**

Epiroc AB's shareholder is Atlas Copco group. Between the Group's there are historical trade receivables and payables as well as cash pool and loan balances. Transactions related to transfer of assets and liabilities as part of the formation of the Epiroc Group between Atlas Copco group and Epiroc Group have been classified as transactions with shareholders. The transactions with shareholders that have been carried out via equity are presented in the Combined Statement of Changes in Equity. In the combined financial statements, accounts receivables and accounts payables include receivables and payables that will be collected and paid by another Group entity than the entity included in the combined financial statements.

In 2017 Epiroc sold a portfolio of financing and leasing contracts, related to customer financing, to the Atlas Copco group's German pension trust for a consideration of SEK 737 million resulting in a capital gain of 2. The consideration was on market terms. In 2015, premises in Sweden were sold to and leased back from the Group's German pension trust for a consideration of 420 resulting in a net gain of 101. The lease term for the premises varies between 6 and 15 years. The consideration and the lease payments are on market terms.

**Compensation to key management personnel**

Compensation to the Board and to Group Management is disclosed in note 5.

The following table summarizes the Group's related party transactions with its associates and joint ventures, as well as the Atlas Copco group.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Revenues | 93 | 90 | 170 |
| Goods purchased | 422 | 57 | 110 |
| Service purchased | 66 | –* | –* |
| Borrowings from Atlas Copco | 231 | 187 | 242 |
| Derivative income | 135 | – | – |
| Fair value change expense | 6 | 0 | 0 |
| | | | |
| At Dec, 31: | | | |
| Cash-pool with Atlas Copco | 7 | 5,653 | 4,591 |
| Payables | 11 | – | – |
| Current borrowings from Atlas Copco | 4,108 | 3,131 | 2,852 |
| Non-current borrowings from Atlas Copco | 2,169 | 4,091 | 4,006 |
| Receivables | 4 | 0 | 0 |
| Derivatives | 193 | – | – |

* The information regarding services purchased from Atlas Copco in 2016 and 2015 is not available.

## 29. Subsequent events

Epiroc has entered into material credit agreements with Bank of China (Luxembourg) S.A. Stockholm Branch, Citigroup Global Markets Limited, Danske Bank A/S, Danmark, Sverige Filial, Deutsche Bank AG Luxembourg S.A., Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB and Standard Chartered Bank regarding a BSEK 4 multicurrency revolving credit facility intended for Epiroc AB's general corporate purposes and as a back-up facility. The credit facility has a term of five years, on condition that the listing of Epiroc AB takes place and that customary terms and conditions are met. The credit facility contains customary representations and undertakings that, subject to certain exceptions, include negative pledge and restrictions on mergers and subsidiary financial indebtedness, as well as certain so-called "change of control clauses" (defined as a change of more than 50 percent of the shares and/or voting rights in the borrower).

Epiroc has also entered into credit facility agreements with Citibank Global Markets Limited, Danske Bank A/S, Nordea Bank AB (publ) and Skandinaviska Enskilda Banken AB (publ) regarding a BSEK 6 bridge facility intended for refinancing of outstanding debt in connection with the split from Atlas Copco. The credit facility has a term of up to 24 months, on condition that the requisite majority of the shareholders of Atlas Copco AB have resolved to distribute shares in Epiroc AB to the shareholders of Atlas Copco AB, that the record date has occurred and that customary terms and conditions are met. The credit facility contains customary representations and undertakings that, subject to certain exceptions, include negative pledge and restrictions on mergers and subsidiary financial indebtedness, as well as certain so-called "change of control clauses".

The extraordinary general meeting of Epiroc that is planned to be held on June 5, 2018 will resolve upon a share split and a reclassification of shares in order to align the share structure of Epiroc with the share structure of Atlas Copco. The share capital will be increased to SEK 500,000,000. After registration of the share split and the reclassification of shares with the Swedish Companies Registration Office, the number of shares in Epiroc will correspond to the number of shares in Atlas Copco, excluding treasury shares held by Atlas Copco. This enables a distribution of one share in Epiroc for each share in Atlas Copco held at the record date for the distribution.

# The Auditor's Report on combined historical financial statements

## To the Board of Directors of Epiroc AB, corporate identity number 556041-2149

We have audited the combined financial statements for Epiroc AB on pages F-27– F-73, which comprise the combined balance sheets as of 31 December 2017, 2016 and 2015 and the combined income statements, statements of comprehensive income, cash flow statements and statements of changes in equity for the years then ended, and a description of significant accounting policies and other explanatory notes.

### The Board of Directors' and the Managing Director's responsibility for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Prospectus Regulation (EC) No 809/2004.

### The auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR´s Recommendation RevR 5 Examination of Prospectuses. This recommendation requires that we comply with FAR`s ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. 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.

An audit in accordance with FAR´s Recommendation RevR 5 Examination of Prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and additional applicable framework of the combined financial position of Epiroc AB as of 31 December 2017, 2016 and 2015 and its combined financial performance, statement of changes in equity and cash flows for these years.

Stockholm, May 25, 2018

**Deloitte AB**

Thomas Strömberg
*Authorized Public Accountant*

# Definitions

**Atlas Copco** refers to, depending on the context, Atlas Copco Aktiebolag, reg. no. 556014-2720, the group of which Atlas Copco Aktiebolag is the parent company or a subsidiary of the group.

**Code** refers to the Swedish Corporate Governance Code.

**Epiroc, Company** or **Group** refers to, depending on the context, Epiroc Aktiebolag, reg. no. 556041-2149, the group of which Epiroc Aktiebolag is the parent company or a subsidiary of the group.

**EUR** refers to euro.

**Euroclear** refers to Euroclear Sweden AB.

**IFRS** refers to the International Financial Reporting Standards, as applied within the European Union.

**Nasdaq Stockholm** refers to the regulated marketplace operated by Nasdaq Stockholm Aktiebolag.

**Prospectus** refers to this Prospectus, which has been prepared in connection with listing of the Company's Class A and Class B shares on Nasdaq Stockholm.

**U.S. Exchange Act** refers to United States Securities Exchange Act of 1934, as amended.

**U.S. Securities Act** refers to United States Securities Act of 1933, as amended.

**SEK** refers to Swedish kronor.

**USD** refers to United States dollars.

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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.

**epiroc.com**

Epiroc