ACCELERATE
THE TRANSFORMATION

Annual and Sustainability Report 2022

Epiroc

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THE TRANSFORMATION

The world needs metals and minerals for the energy transition and our cities and infrastructure must be developed to serve a growing population.

To succeed, we need to speed up the shift towards a more sustainable mining and construction industry.

We at Epiroc accelerate this transformation.

Content

Sustainability report
Annual Report

The audited annual accounts and consolidated accounts can be found on pages 54-65 and 85–139. The corporate governance report examined by the auditors can be found on pages 68-85. Epiroc reports its sustainability work for 2022 according to the Global Reporting Initiative (GRI) Standards. The sustainability report has been prepared in accordance with disclosure requirements set out in the Swedish Annual Accounts Act, chapter 6, paragraph 11. The sustainability information that has been reviewed by the auditors, excluding information related to the EU Taxonomy, can be found on pages 34–53 and 144–161. The assurance report issued by the auditors can be found on page 159 and a detailed GRI and other sustainability reporting standards index can be found at www.epirocgroup.com.

2022 in brief

Orders received
MSEK 53 222
+17%

Revenues
MSEK 49 694
+25%

Adjusted operating margin
up from 22.9% previous year
23.7%

Return on capital employed
up from 26.1% previous year
28.0%

Total shareholder return
(A share)
-15.8%

Dividend (proposed)
SEK/Share
3.40

Safety
is on top of the agenda. We can do better.

Climate impact
Battery-electric offering wider than ever.

Acquisitions
Six acquisitions
Approx. MSEK 2 385 in annual revenues

SmartROC T35 E
The world's first ever top-hammer battery-electric drill rig was presented at the Bauma construction fair in Munich, Germany, in October. The rig enables zero-emission drilling in surface mines and quarries. The customer response was good! For example, the Rental Group in Norway signed a Letter of Intent (LoI) for 15 battery-electric drill rigs.

Profitable growth

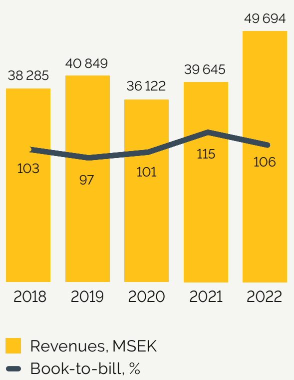
In 2022, we experienced high demand, with many large equipment orders, and strong development in our aftermarket. It was also a year of challenges. In March, we stopped deliveries into Russia and had to handle significant supply-chain disruptions. Despite all this, the organization showed strong execution and we delivered record results and profitable growth. Many ground- breaking innovations were launched and we maintained a high pace of strategic acquisitions.

In brief

	2022	2021	Δ,%	Financial goals	Average 2015-2022[2]
Orders received, MSEK	53 222	45 648	17		
Revenues, MSEK	49 694	39 645	25	To achieve annual revenue growth of 8% over a business cycle and to grow faster than the market. Growth will be organic and supported by selective acquisitions.	Annual revenue growth of 8%
Operating profit, EBIT, MSEK	11 147	8 995	24		
Operating margin, EBIT, %	22.4	22.7		To have an industry-best operating margin, with strong resilience over the cycle.	19.8
Operating cash flow, MSEK	5 662	6 867	-18		
Basic earnings per share, SEK	6.96	5.85	19		
Dividend per share, SEK	3.40[1]	3.00	13	To provide long-term stable and rising dividends. The dividend should correspond to 50% of net profit over the cycle.	51% pay-out ratio (2018-2022)
Return on capital employed, %	28.0	26.1		To improve capital efficiency and resilience. Investments and acquisitions shall create value.	25.8
Net debt/EBITDA ratio	0.28	-0.12		To have an efficient capital structure and the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating.	BBB+
Total injury frequency rate (TRIFR)[3]	5.7	5.1	12		
Sick leave, %	2.4	2.4	-		
Total energy use[4], GWh	175	177	-1		
Transport CO_2e, tonnes/COS, MSEK[5]	3.2	3.6	-11		

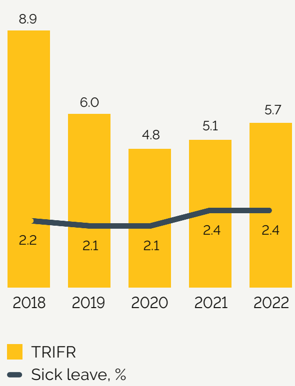
1) Proposed by the Board. 2) See pages 54-65 and 162-163. 3) Number of recordable injuries per million hours worked. 4) Comparable units.
5) Carbon dioxide equivalent, CO_2e, is a unit that standardizes the climate effects of various greenhouse gases. COS = Cost of Sales.

Revenues and book-to-bill

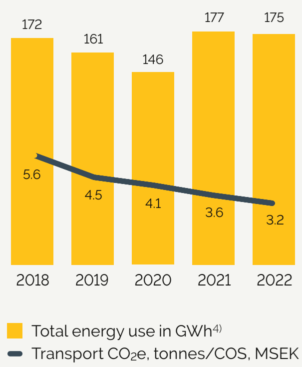


Operating profit and margin

Total recordable injury frequency rate and sick leave



Energy consumption and transport CO_2e emissions



Strong execution and profitable growth

In 2022, orders received increased 17% to a record-high MSEK 53 222, supported by large equipment orders, and strong development in the aftermarket. Many orders included automation, digitalization and electrification solutions, which help our customers increase safety and productivity, and reduce emissions. It was also a year of challenges. In March, we stopped deliveries into Russia and had to handle significant supply-chain disruptions. The organization made great stride in delivering according to the strategy and we delivered record results and profitable growth. Many ground- breaking innovations were launched and we maintained a high acquisition pace.

Productivity and sustainability partner

Improved safety is vital to both our and our customers' operations. Our machines are always designed with safety in focus, and we are continuously adding more safety features, such as collision avoidance systems. In Africa, we won a large order for this type of system, which will be used on more than 60 underground machines, strengthening safety for the customer's operators while boosting productivity.

Reduced emissions and improved environmental performance are other features that are important to our customers. Battery-electric equipment is increasingly popular among our customers, and we have received orders for both existing and new mines. One of the largest battery-electric orders in 2022 was for a greenfield mine. Canadian Malartic Partnership will use Epiroc battery-electric equipment in a new underground gold mine. We received several recurring orders for battery-electric equipment, which is testament to how well accepted our solutions are.

Increased productivity is also an important focus in our discussions with customers. Automation is one of the keys to making operations more efficient and at the same time safer. In 2022, we received several large orders that include advanced automation solutions. These included orders from Fresnillo in Mexico, the world's largest silver producer, CITIC Pacific Mining in Australia and Boliden in Sweden.

Delivering best-in-class machines is of course crucial, but equally important for customers is for the equipment to work efficiently with maximum uptime. Our aftermarket solutions are critical for customers, regardless of business climate and geopolitical events. 69% of our revenues come from the aftermarket and we are constantly broadening our offering.

Challenges managed well

We had quite a few challenges to overcome in 2022.

In view of the horrific situation in Ukraine, we decided to cease deliveries to the Russian market from March 1. In the third quarter, we removed the order book in Russia completely. As Russia was previously our fourth-largest market, we needed to redirect and find other customers for our solutions, which the organization handled well.

The impact from the Covid-19 pandemic decreased further, but the disruptions in the supply chain continued to impact our operations. We experienced constraints in transport, difficulties finding certain components, and rising input prices. That said, throughout the year the organization continuously managed the challenges, and we were successful in increasing output from our production facilities.

Profitable growth

High demand and increased output led to strong growth in revenues. Organically, they increased 11% to a record-high MSEK 49 694. Operating profit also reached a new record of MSEK 11 147, corresponding to an operating margin of 22.4%.

A solid financial position

To translate profit into cash is something that we always strive for, and our operating cash flow for 2022 was MSEK 5 662. It was supported by higher operating profit but offset by a build-up of working capital due to the strong growth and supply chain disruptions.

The strong growth is of course positive, but solid growth also leads to increased levels of inventory. With a possible improvement in the overall supply chain and transportation situation, there are opportunities to improve our working capital ratios in 2023.

We concluded the year with a solid financial position and a Net Debt/EBITDA level of 0.28.

Accelerating the sustainability and productivity transformation

A strong financial position allows us to invest in innovation – both organically and inorganically. During the year, we invested MSEK 1 438 in R&D, corresponding to almost 3% of revenues. We also acquired companies with total yearly revenues of MSEK 2 385.

Much of the investment in innovation is directed to our equipment divisions that provide, for example, the widest offering of battery-electric machines and world-leading automation solutions.

"The organization executed well on the strategy, and we delivered profitable growth."

"A strong financial position allows us to invest in innovation – both organically and inorganically."

Innovations
Our vision to dare to think new led to many ground-breaking innovations in 2022, such as:

- **SmartROC T35** – the first ever battery-electric surface drill rig.
- **Boltec ABR** – a fully mechanized bolt reloading system that increases safety.
- **Mobius for Drills** – a platform that improves the implementation of automation and connectivity.
- **V-cutter** – a cutter that revolutionizes trenching and reduces energy by 40%.
- **Powerbit X** - a drill bit with diamond-protected buttons that prolong the replacement intervals.

Acquisitions
Acquisitions are a way for us to accelerate growth and to build leadership positions in critical niches. We announced nine acquisitions in 2022, which upon completion will add approximately 5% to our revenues. The acquired companies broaden our offering of solutions for automation, digitalization and electrification, as well as extending our equipment and aftermarket offering.

- **Remote Control Technologies (RCT), Mernok** and **Radlink** strengthen our position as a world-leading provider of automation and digitalization.
- **Geoscan** enhances ore body knowledge, which in turn increases productivity throughout the mining process.
- **JTMEC** provides electrical infrastructure solutions supporting the transition to electrification.
- **AARD Mining Equipment, RNP México, WainRoy** and **CR** are additions to our existing product segments. AARD Mining Equipment for example, widens our range of underground machines for mines with low mining heights. RNP México strengthens Epiroc's presence in Latin America for rock drills. Wain-Roy strengthens Epiroc's presence in the North American construction market and increases our capacity for manufacturing advanced attachments in that region. CR expands Epiroc's first-rate offering of essential consumables.

Collaboration
To leverage innovations further, we collaborate closely with customers, universities, and other innovation leaders. For example, in 2022 we started a collaboration with the steel manufacturer SSAB to utilize fossil-free steel in the production of our underground mining equipment. By collaborating we can make a greater positive impact, not only to our customers, but also to society.

Excellence and execution
Operational excellence is about doing the right things and continuously working to make them better. Every improvement counts and it includes all aspects of the business, from products to the organization. It is also about the ability to execute.

At Epiroc, we have an organization with decentralized responsibility. This means that our employees have authority to swiftly develop and adjust the business in response to any market development. During 2022, the organization executed well, and our strong financial results are a testament to this.

Achievements and actions in 2022 include:

- To enhance the focus on digitalization, we created a dedicated, customer-focused division for our digital solutions and appointed a Chief Technology Officer.
- We split the Parts & Services organization into three regions to enhance the service focus further and build even stronger customer relations.
- We bolstered our workshop efficiency and increased the number of certified service technicians by 1 869. This means that 87% of the total number of service technicians are certified.
- The supply-chain improvement program has contributed to high availability of our spare parts and consumables.
- We established Regional Centers of Excellence to simplify and align administration processes.

Aftermarket providing agility and resilience
Our aftermarket revenues are resilient. As long as customers are operational, there will be a recurring need for service, spare parts and consumables.

Our footprint is global, yet with a local presence. By always being close to the market, regardless of where in the world, we have gained trust as a true productivity partner to our vast network of customers. We have more than 7 100 service employees globally.

We are providing service and spare parts to approximately half of our installed base of equipment, although the extent of the service varies between customers and sites. We can grow this share and our service revenues by expanding our offering, improving the value propositions to customers, and through internal improvements.

We have seen strong demand for our new service products, e.g. mid-life services, remanufacturing of components, Batteries as a Service, electrical infrastructure, and digital solutions.

We capture a larger share of the service potential for more technologically advanced equipment, so the technology shifts to more automation, electrification and digitalization are encouraging. We see that our relationships with our customers are strengthening; transitioning more from transactional to partnerships.

It all starts with people. Helena Hedblom visited customers and colleagues in South Africa in connection with the Mining Indaba conference. Here with colleagues at our Ground Support facilities.

A responsible market leader

Being a market leader with customers in around 150 countries with 17 000 employees comes with great responsibility.

We are a signatory to the UN Global Compact and fully support the 10 principles in the areas of human rights, labor rights, environment, and anti-corruption. Our sustainability goals for 2030 are guiding us in the right direction.

During 2022, we issued SEK 2 billion in green bonds. The green bond proceeds can be used to finance projects in the eco-efficient/circular economy, energy efficiency and sustainable water management categories and will support our continued sustainability journey.

Safety

We also strive to have no work-related injuries and here the trend unfortunately did not go in the right direction. In 2022, the number of injuries increased, despite us having several safety programs in place. We obviously have to do more. It is crucial that all Epiroc employees come home safe and sound after the working day.

Walk the talk

We require that all employees adhere to the Code of Conduct, and our business partners must comply with the Epiroc Business Partner Code of Conduct.

In 2022 we updated our E-learning training and 94% of all employees and 98% of all managers confirmed compliance with our Code of Conduct.

Inclusion and diversity

We are working strategically to improve diversity in general and gender diversity in particular. We are convinced that a diverse workforce leads to better and more creative decisions and higher productivity. The share of women in the Group is 18.2%, while the share of female managers is 22.7%. We continue to launch activities to increase diversity and inclusion.

Reducing emissions

We have committed to halve absolute CO_2e emissions in our own operations and from the use of sold products by 2030. Our CO_2e targets are validated by the Science Based Targets initiative (SBTi), which means that our goals are aligned to keep global warming at a maximum of 1.5° C. In addition we have also set goals to halve CO_2e emissions from transport and relevant suppliers by 2030.

Looking ahead

As we enter 2023, the future is more uncertain than ever, but Epiroc also stands stronger than ever. Our employees are our greatest asset and I am proud of the hard work and all achievements. To capture all opportunities and to handle challenges in efficient way, we will continue to strengthen our agility and resilience and execute on our strategy.

That means that Epiroc will continue to offer innovative products and solutions to customers in attractive niches with structural growth. We will build an even stronger aftermarket presence. We strive to be efficient and constantly improve how we do things, and all our activities rest on a foundation of sustainability and strong corporate culture.

In this report, you will be guided through our strategy and given proof points on how Epiroc is a vital part of building a sustainable society and how we accelerate the productivity and sustainability transformation in our industry.

Helena Hedblom, President and CEO
January 2023

Leading productivity and sustainability partner

Access to metals and minerals is a prerequisite to build a sustainable society. Our role is to ensure that our customers within mining and infrastructure can work in the safest, most environmentally friendly, and efficient way possible.

With ground-breaking technology, Epiroc develops and provides innovative and safe equipment, such as drill rigs, rock excavation and construction equipment and tools for surface and underground applications. We also offer world-class service and other aftermarket support as well as solutions for automation, digitalization and electrification.

We have been an independent company since 2018, but our roots date back to 1873. We therefore have the advantage of being a young company with passionate employees in a decentralized organization, while also having long and strong customer relationships. We see ourselves as a 150-year-old start-up company, which enables quick decision making and speed in the launch of innovative solutions.

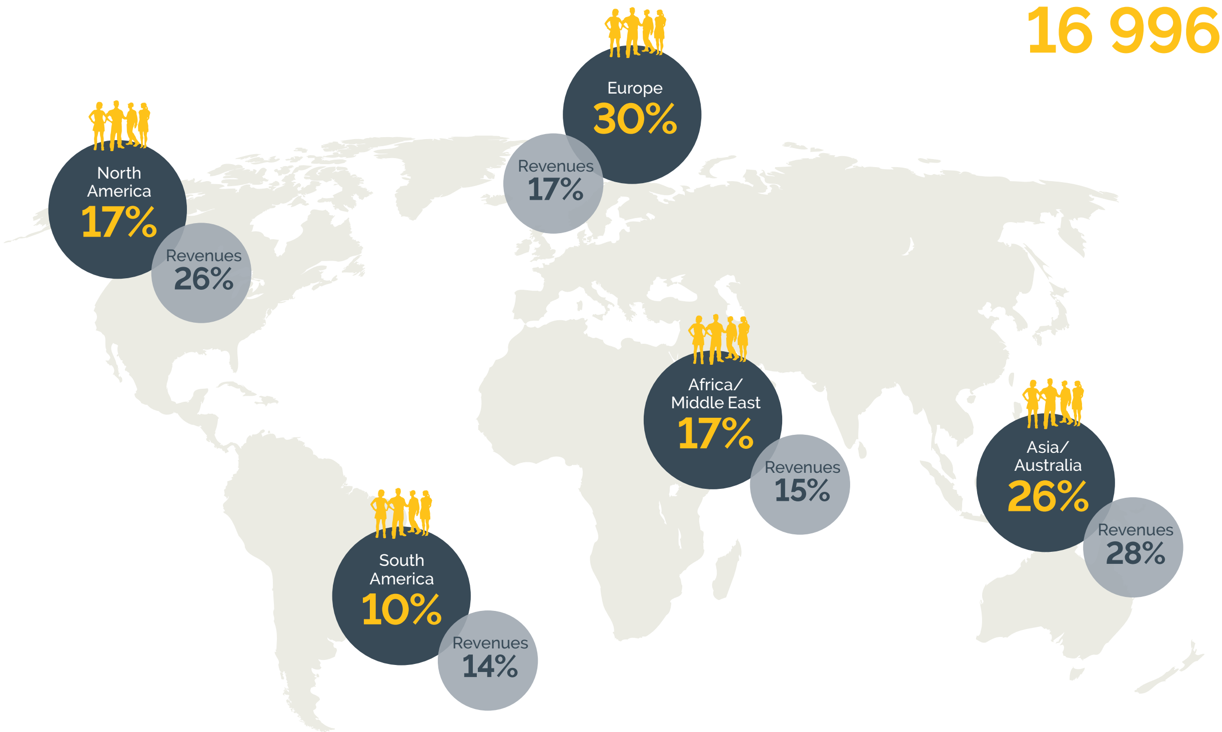
To ensure continued leadership and accelerated transformation, we develop equipment and solutions in close collaboration with customers, suppliers and other business partners. This helps our customers to become more productive and sustainable, while reducing their total cost of ownership.

Sales in
~150 countries

Revenues MSEK
49 694

Operating margin
22.4%

Employees December 31
16 996



Global presence
Average employees and full-year revenues

7 100 service technicians

The type of service our customers want varies. Our service offering is therefore tailor made, ranging from supplying spare parts to have Epiroc service technicians on site 24/7, performing all maintenance for the customer.

Underground solutions represent about half of our revenues

In 2022, Epiroc launched the Mobilaris Tunneling Intelligence. One of the first customers to test the new solution was Veidekke Entreprenør AS, for use in a tunneling project north of Oslo in Norway.

Equipment

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

Mining
77%
of orders received 2022

Surface mining

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

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

Underground mining

Underground mining is becoming increasingly common.

For underground applications, we provide drilling rigs for blast-hole drilling and rock reinforcement, loaders and trucks, equipment for mechanical rock excavation, and ventilation systems. We have the widest offering of battery-electric machines in the market.

Exploration

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

We provide a wide range of exploration drilling rigs.

Surface infrastructure

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

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

Underground infrastructure

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

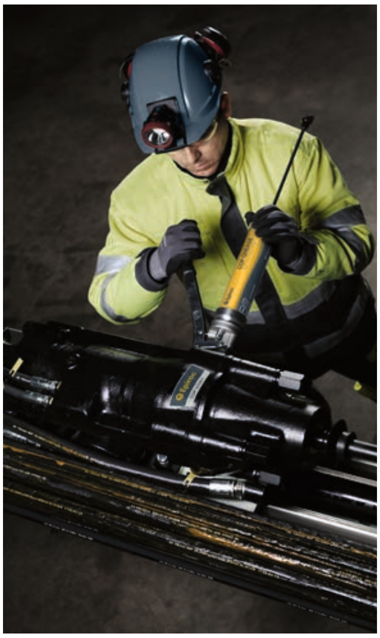
We provide drill rigs for blast-hole drilling and rock reinforcement, grouting systems, loaders and trucks, as well as ventilation systems.

Infrastructure
23%
of orders received 2022

Equipment
33%
of orders received 2022

Aftermarket

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



Service

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

Examples of services and solutions:

- Replacement parts and kits
- Service agreements and audits
- Remanufacturing solutions for components
- Batteries as a Service
- Midlife services, including battery conversion
- Electrical infrastructure solutions, such as chargers and battery swapping stations
- A broad range of productivity enhancing software and digital solutions, incl. enablers such as wireless connectivity
- Custom-engineered solutions
- Training and other service solutions

Rock drilling tools

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

Examples of tools:

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

Hydraulic attachments

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

Examples of attachments:

- Hydraulic breakers, shears and pulverizers
- Concrete cutters and busters
- Drumcutters
- Excavator grapples
- Excavator magnets
- Hydraulic compactors
- Crusher and screening buckets
- Auger drive units
- HATCON - Hydraulic Attachment Tools Connectivity

Aftermarket

67%

of orders received 2022

Value-creating strategy

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

Attractive niches

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

"Attractive niches with structural growth"

See pages 16–19

Innovation

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

"Drive the productivity and sustainability transformation in our industry"

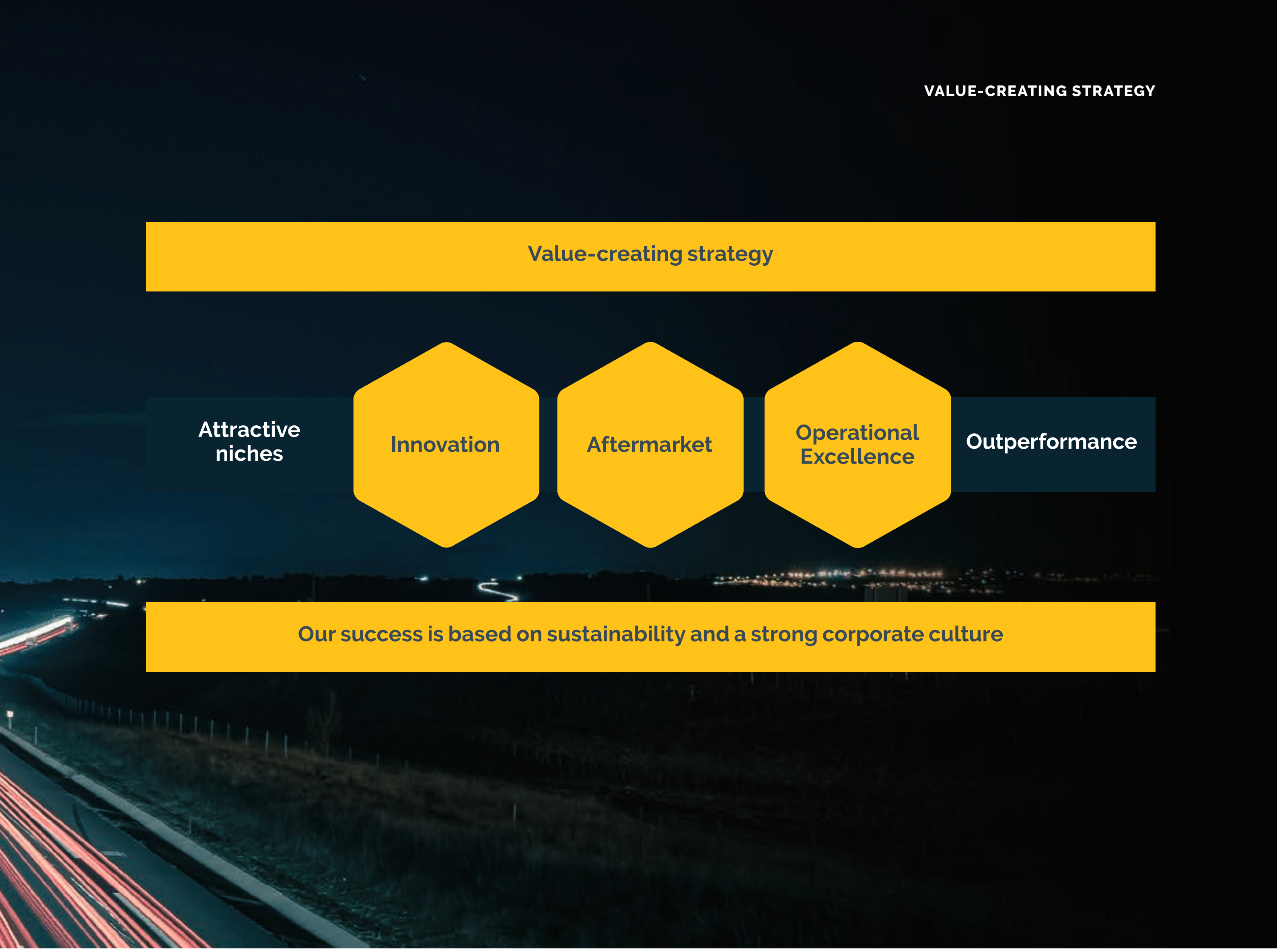
See pages 20–27

Aftermarket

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

"High proportion of recurring business"

See pages 28–29

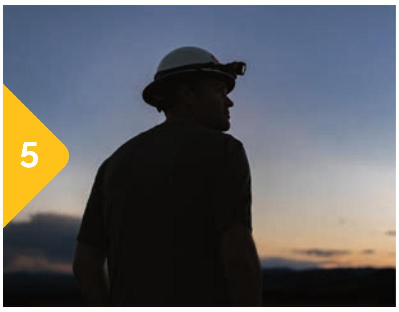


Operational excellence

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

"Well-proven business model"

See pages 30–31



Outperformance

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

"Value for our stakeholders"

See pages 32–33

Our success is based on sustainability and a strong corporate culture

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

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

See pages 34–53

1

Attractive niches with structural growth

Our customers, found within selected niches of mining and infrastructure, serve an important purpose. They build communities. Access to metals and minerals is a prerequisite to build a sustainable society. Our role is to ensure that our customers can work in the safest, most environmentally friendly, and efficient way possible.

Performance-critical solutions

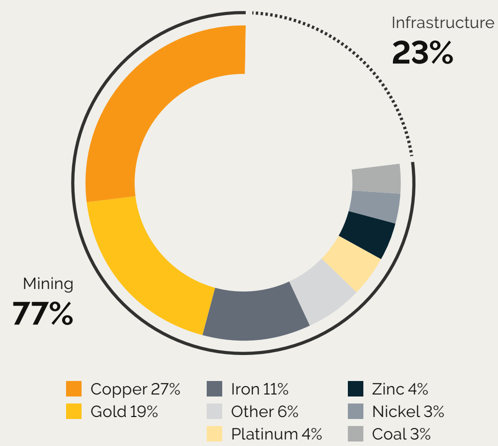
Epiroc offers equipment and aftermarket solutions for applications in hard formations. Many times, our equipment is performance-critical to the customer's operations.

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

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

The biggest challenges for our customers are to increase the productivity and utilization rate of the equipment while reducing their operating costs. In addition, customers place great emphasis on improving both safety and environmental performance. We continuously widen our offering to help our customers increase productivity in a sustainable way.

Hard-formation exposure (orders received)



Mining – 77% of orders received

Our mining customers are often large companies, operating several mines – both on surface and underground - around the world, but we also have smaller mining companies and contractors as customers. Customers that extract copper and gold make up a large proportion of our orders received.

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

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

Customers' demand for aftermarket services is usually relatively stable over the business cycle as maintaining production is prioritized even in challenging times.

Many of our mining customers have an ambitious sustainability agenda. In addition to safety - which is absolutely critical in rock excavation – reducing environmental footprint is also important to our customers.

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

Infrastructure – 23% of orders received

Our customers are active both underground and above ground. Underground, our rock drilling equipment is used in tunneling for roads, railways and hydroelectric power plants. Above ground, we have rock drilling equipment for construction work and quarries, and hydraulic attachments for demolition and recycling.

In infrastructure, we have a broad customer base with large global customers as well as small local customers, such as contractors with only one machine or hydraulic attachment. The growing global population and the urbanization trend are two long-term drivers that make the infrastructure market grow.

Strong customer relationships

We meet our customers primarily through direct sales and local service, which contributes to strong customer relationships.

Approximately 87% of our revenues come from direct sales. Examples of customers are: Anglo American, Assmang Proprietary Limited, Barrick Gold Corporation, Boliden, BHP, Dragados, Freeport-McMoRan, First Quantum Minerals, Glencore, Heidelberg Cement, Hochtief, LKAB, Lundin Mining Corporation, Newmont Goldcorp, Peñoles, Rental Group, Rio Tinto, Roy Hill, Sibanye-Stillwater, Vale, Veidekke, Votorantim and Züblin.

Our ten largest customers accounted for 17% (17) of Epiroc's revenues in 2022. All of these ten are mining customers but none of them are dominant.

Strong position in a competitive environment

With our long history and innovative solutions, we have established technology leadership in the industry. The complexity of our products makes the entry barriers high.

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

"Direct sales and local service, contribute to strong customer relationships."

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

Structural growth

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

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

Positive trends that benefit demand for our hydraulic attachments are demolition, recycling and urban mining. Metals such as copper, iron ore and aluminum are separated and recycled when buildings or infrastructure are demolished. Despite the strong trend in recycling, we still anticipate that new raw material needs to be extracted going forward in order to meet the growth in demand.

Customer challenges

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

Challenge 1 - Low utilization rate

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

Challenge 2 - Lower ore grades

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

Positive trends that benefit demand for our hydraulic attachments are demolition, recycling and urban mining.

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

Structural growth
Increases the underlying need for minerals and infrastructure

Increasing challenges for customers
Increase the cost of hard rock excavation

Focus on safety and sustainability

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

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

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

The mining and construction industries serve an important purpose. They have been building communities for centuries – and still do. In London, the construction company Dragados used an Epiroc tunneling ventilation system when they reconstructed the Bank station.

Challenge 3 - Trend towards underground mining

The share of underground mining is increasing, especially for minerals such as gold and copper. Lower ore grades, deeper deposits and more regulatory pressure to conduct underground mining instead of open pit mining, contribute to the trend towards underground mining.

Today, an estimated quarter of all global copper mining takes place underground, and it is expected to grow to about a third by 2030. The existing underground mines are also getting deeper - on average 30 meters each year.

Deeper mines mean higher demand for enhanced safety features, automation and battery-electric equipment. Automation contributes to better utilization of the equipment and battery operation means a lower need for ventilation, which means large cost savings and a healthier working environment.

Focus on safety and sustainability

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

We have the right solutions

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

Drive the productivity and sustainability transformation in our industry

Just like our customers, we have a high ambition level when it comes to sustainability. We always think of safety and reduced environmental impact when we develop new products. In fact, our innovation agenda goes hand in hand with our customers' sustainability agenda.

Oslo
Norway's capital has the ambition to become the world's first wholly emissions-free city by 2030. Is that maybe why Rental Group in Norway signed a letter of intent to buy 15 of our battery-electric surface rigs in 2022?

Research and development

To remain a technology leader, we dare to think new when it comes to innovation. We invest more than ever, promote an innovative culture, and collaborate with customers, suppliers and other business partners. Innovation is in our DNA, and we have almost 1 650 R&D engineers globally, who are constantly working on innovative solutions for our customers.

Strong trends

Automation, digitalization and electrification drive the productivity and sustainability transformation in our industry. A vast majority of our innovation efforts lie within these three areas.

Collaboration for success

Our relentless focus on innovation extends beyond what we do ourselves. We also benefit from R&D from customers, suppliers and other business partners, such as universities and interest groups. We are involved in the Next Generation Carbon Neutral Pilots for Smart Intelligent Mining Systems (NEXGEN SIMS), Sustainable Underground Mining (SUM) projects and CharIN (creating a global interoperable standard in charging BEV-vehicles).

Other examples of collaborations:

- With Skanska, we are field testing the world's first battery-electric drill rig for surface operations, which is a milestone in the journey towards zero-emission drilling in surface mines and quarries.
- With SSAB, we are securing fossil-free steel for use in the production of Epiroc's mining equipment.
- With ASI Mining (Epiroc has 34% ownership) and Combitech, we are developing solutions for autonomous operations. One example is the project with Roy Hill in which Epiroc is implementing the largest automated mixed-fleet in the world. A mixed fleet includes a variety of equipment, vehicles and trucks from several manufacturers.
- With Orica, we are developing solutions for semi-automatic explosive charging systems.
- With Northvolt and ABB, we are collaborating on battery-powered vehicles, batteries and electric powertrains.
- And with Ericsson, we are working with 5G for optimal connectivity in mines.

Acquisitions to gain speed

Acquisitions are a way for us to accelerate growth and build leadership positions in niches where it would take too long to do so organically. We have announced nine acquisitions in 2022, which upon completion are adding approximately 5% to our revenues.

The key criteria of an acquisition are as follows: Firstly, the target must be attractive on a stand-alone basis and well-run, with products and solutions that are valuable to customers. Its business needs to be supported by long-term favorable trends – attractive niches – and it must have talented, high integrity people and a strong culture. Secondly, we need to see a strategic fit and synergies with Epiroc. Thirdly, is that we want the acquisition to give us a leading market position. If that is not the case, there should be a clear strategy to become this.

Focus areas for inorganic growth

The acquired companies broaden our offering of solutions for automation, digitalization and electrification, as well as extending our equipment and aftermarket offering.

Automation

Make (OEM agnostic) automation work at scale, including automation kits for mixed fleets, wireless communication, and control systems.

Digitalization

Improve situational awareness by ensuring real-time knowledge of where all assets are. Use new technology to understand the ore body and rock conditions, thereby optimizing customer's operations. Offer data insights by gathering and managing data generated across the operations in different systems.

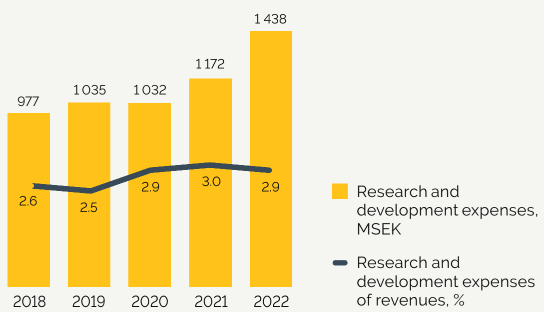
Electrification

Accelerate the electrification journey by offering diesel-to-battery conversion kits, power network infrastructure, charging infrastructure and more.

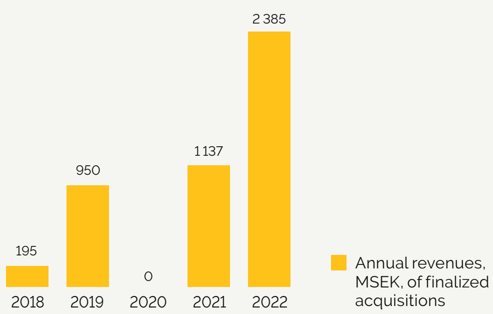
Extended offering

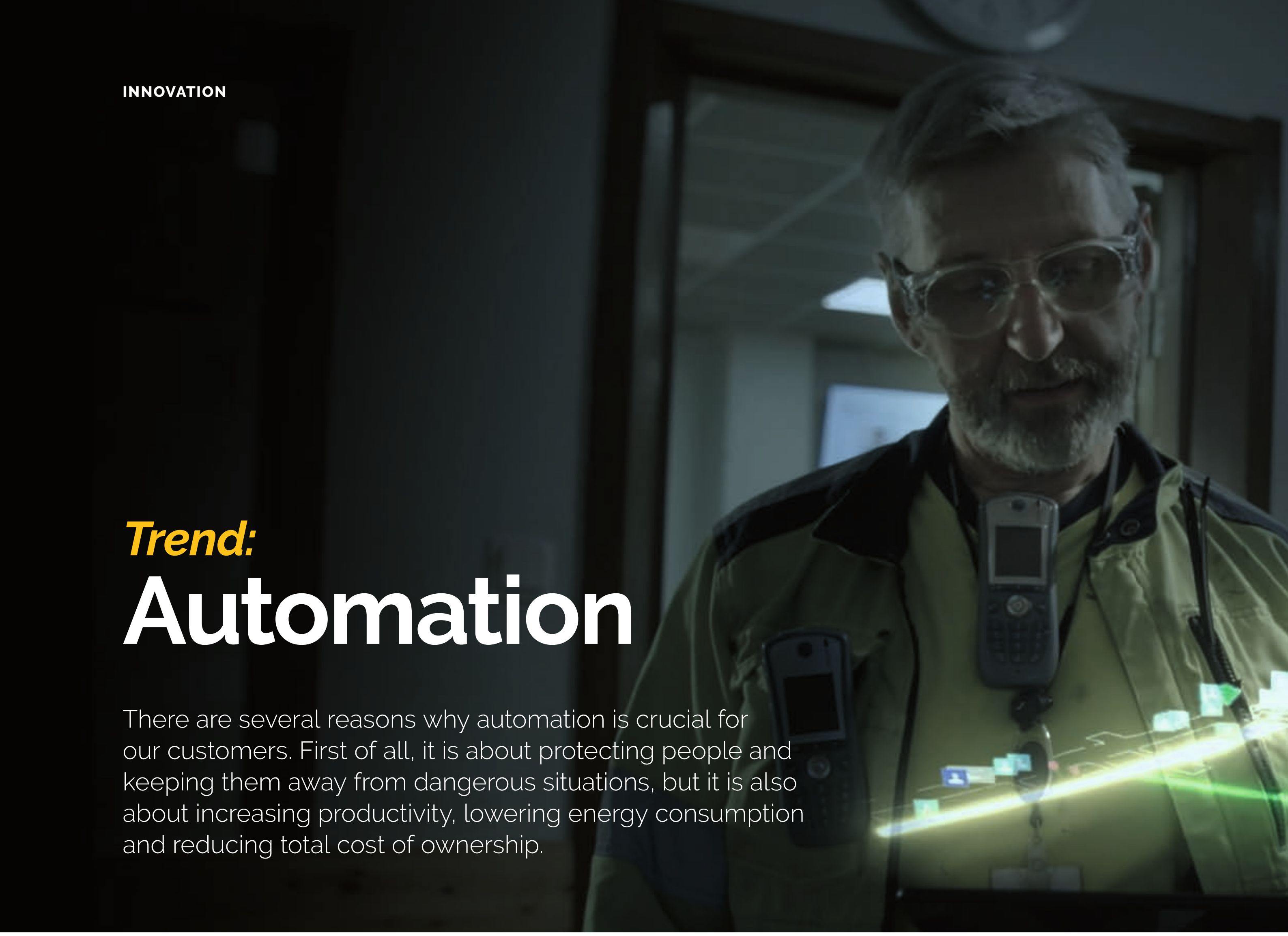
Expand existing product segments and add new customer segments.

Research and development expenses



Acquisitions, annual revenues





Trend:

Automation

There are several reasons why automation is crucial for our customers. First of all, it is about protecting people and keeping them away from dangerous situations, but it is also about increasing productivity, lowering energy consumption and reducing total cost of ownership.

Market-leading solutions for autonomous operations

Epiroc offers market-leading solutions in automation and autonomous operations for drilling, loading and hauling.

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

For example, together with ASI Mining, we are implementing the world's largest autonomous mixed fleet for one of Roy Hill's iron ore mines in Australia. In the next phase, as many as 300 vehicles will be run autonomously.

We are also proud of having delivered the first autonomous mixed fleet in production in the world to Newcrest in Australia. Interesting projects are being implemented continuously.

Increased safety

Safety in mining is always a priority. We offer several important solutions to improve safety and to avoid collisions.

By using Epiroc's rig control system (RCS), drilling, loading and hauling can replace manual operations, remove the operator from the work processes and prevent dangerous actions. Also, it enables real-time data, optimization of automatic drilling and a time-use model, which shows the utilization level in comparison to set goals.

Our Collision Avoidance System is able to detect objects in the collision risk area, evaluate the risk level and take proper action. The acquisition of Mernok Elektronik further strengthens our position as the leading provider of safety solutions.

Increasing level of automation and customer insight

Our goal is to offer a wide range of solutions that help customers adapt to automation.

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

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

Next level is the mixed-fleet automation. Many customers are interested in connecting a fleet of mixed machines from several different manufacturers and having these work completely autonomously together. The operator would only monitor the work from a safe place. Our collaborations with Roy Hill and Newcrest, mentioned above, are examples of an autonomous mixed fleet.

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

More and more connected machines

Certiq, our machine monitoring system, provides real-time data which helps equipment owners and operators to ensure that their machines always perform to the best of their ability.

How automation enables productivity and sustainability transformation

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

The number of machines that are enabled with telematics is constantly increasing. At year end, we had more than 7 000 machines connected.

Strengthening our position

The vast majority of our machines have the potential to be automated or remotely controlled. However, the number of fully autonomous machines on-site, relative to the full fleet, is still rather small but demand remains strong and is ever-increasing.

After finalizing the acquisition of RCT (Remote Control Technologies) at the end of 2022, Epiroc has become a world-leading automation solution provider for increased productivity and safety. Our solutions lead the way in the future of mining, not only for surface and underground rock drilling but also for underground loading. The increased productivity of the automated equipment leads to higher demand for consumables, services, and spare parts.

Providing solutions that enable automation

In addition to automated equipment, Epiroc also provides solutions to accelerate the implementation. For example, robust wireless connectivity solutions, including autonomous and teleremote solutions. In recent years, Epiroc has expanded its offering in this space through acquisitions.

Creating the world's largest autonomous mine with Roy Hill

Customer example:

After two years of successful testing, Epiroc and ASI Mining are now entering the third and final stage in creating the world's largest autonomous mine with Roy Hill in Australia. This will convert Roy Hill's mixed fleet of 96 haul trucks to driverless operation.

During the project's testing phase, 10 haul trucks were converted to driverless operation. They achieved higher productivity rates than the conventional haul truck fleet and met all the high safety requirements.

Trend: Digitalization

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

6th Sense – smart, safe and seamless

By combining different digital solutions, 6th Sense optimizes and automates customers' mining processes in a unique way. Customers can track and respond to real-time equipment needs and working conditions, which in turn leads to higher production and lower operating costs. Since its launch in 2019, it has attracted significant attention, resulting in multiple orders.

MineRP - from start to finish

MineRP provides a platform solution that can integrate all type of technical mining data, including business systems, and translate it into clear visual status of the entire mining process. By having all information at hand, customers can make better decisions and make the whole mining process more efficient.

My Epiroc – track everything, act anywhere

With My Epiroc, customers have instant access to all machine data through an app. It shows performance and location of a machine and identifies replacement needs. Spare parts and tools can be ordered directly through My Epiroc.

Mobilaris and Mining Tag– situational awareness

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

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

Multi-vehicle command

Epiroc has several technical solutions that enable automation and digitalization in mining and construction applications. One example is the Mobius Traffic Management System (TMS) platform, which is a software system that supports a broad spectrum of autonomy for mobile equipment. It supports teleoperation, semi and full autonomous modes and covers applications from drill and blast through autonomous haulage systems (AHS).

How digitalization enables productivity and sustainability transformation

- Increasing safety
- Providing insights and full control of fleet, equipment and people
- Increasing productivity
- Improving mine planning, reducing traffic congestion
- Optimizing mine production plans
- Increasing reliability in operations with less unplanned maintenance
- Measuring environmental impact in real-time (e.g., CO_2e and water)

Wireless connectivity
Radlink and 3D-P provide wireless connectivity solutions that enable automation and digitalization in mining and construction applications.

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

Ore Body Solutions
Epiroc offers several solutions that increase mine productivity through improved orebody knowledge.

Kinetic Logging Services, for example, provides mining-technology measurement services to build improved geological models that help mining companies increase productivity. The company's flagship product is OreSight, a highly advanced solution that provides near real-time borehole assay data and grade information allowing customers to make improved decisions on production and ore blending.

Another example is CoreScan, acquired in 2022, which is a leader in hyperspectral scanning, core photography and 3D laser profiling of drill core, rock chips and other geological samples with the associated processing and interpretation.

Safety in focus for Assmang Proprietary Limited in South Africa

Customer example:

In 2022, Assmang ordered several of Epiroc's battery loaders and mine trucks – the Scooptram ST14 Battery and Minetruck MT42 Battery, respectively - that will be deployed at its Black Rock underground mine in the Northern Cape Province.

The machines, manufactured in Örebro, Sweden, are built to face the toughest conditions and are packed with intelligent features. They will be equipped with Collision Avoidance System as well as with the telematics system Certiq, which allows for automated monitoring of productivity and machine performance. Also, already in 2019 Assmang decided to use Epiroc's Mobilaris Mining Intelligence digital solution to increase situational awareness of the mining operation in real-time.

Trend:

Electrification

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

High ambition level

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

Resilient battery-electric solutions

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

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

We have a standardized production approach whereby battery cells are put in modules, which in turn are put in subpacks. This enables us to use the same type of subpacks and components for different machine models. For customers, it means quicker roll-out of battery-electric models as well as the ability to perform battery conversions for their existing fleet.

With increasing volume, we can achieve scale in production, lower our inventories and perform service in a more efficient way.

We offer the world's first battery for the mining industry with CE certification that complies with the Low Voltage Directive, the EMC Directive and the Radio Equipment Directive.

Batteries as a Service

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

How electrification enables productivity and sustainability transformation

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

Battery conversions

For existing equipment, we offer battery conversion, whereby the diesel engine is replaced by an electric driveline, making it faster and cheaper for the customer to switch to electric operations compared to ordering new equipment. Our offering in battery conversions was launched in 2021.

Battery-electric infrastructure solutions

It is not only about delivering a ground-breaking machine, but also about making it work in the best way possible. Therefore we also offer solutions that enables implementation of electric electrification, such as charge posts and power modules that can be used by any equipment provider. We follow the Combined Charging System standard for charging.

Size of business

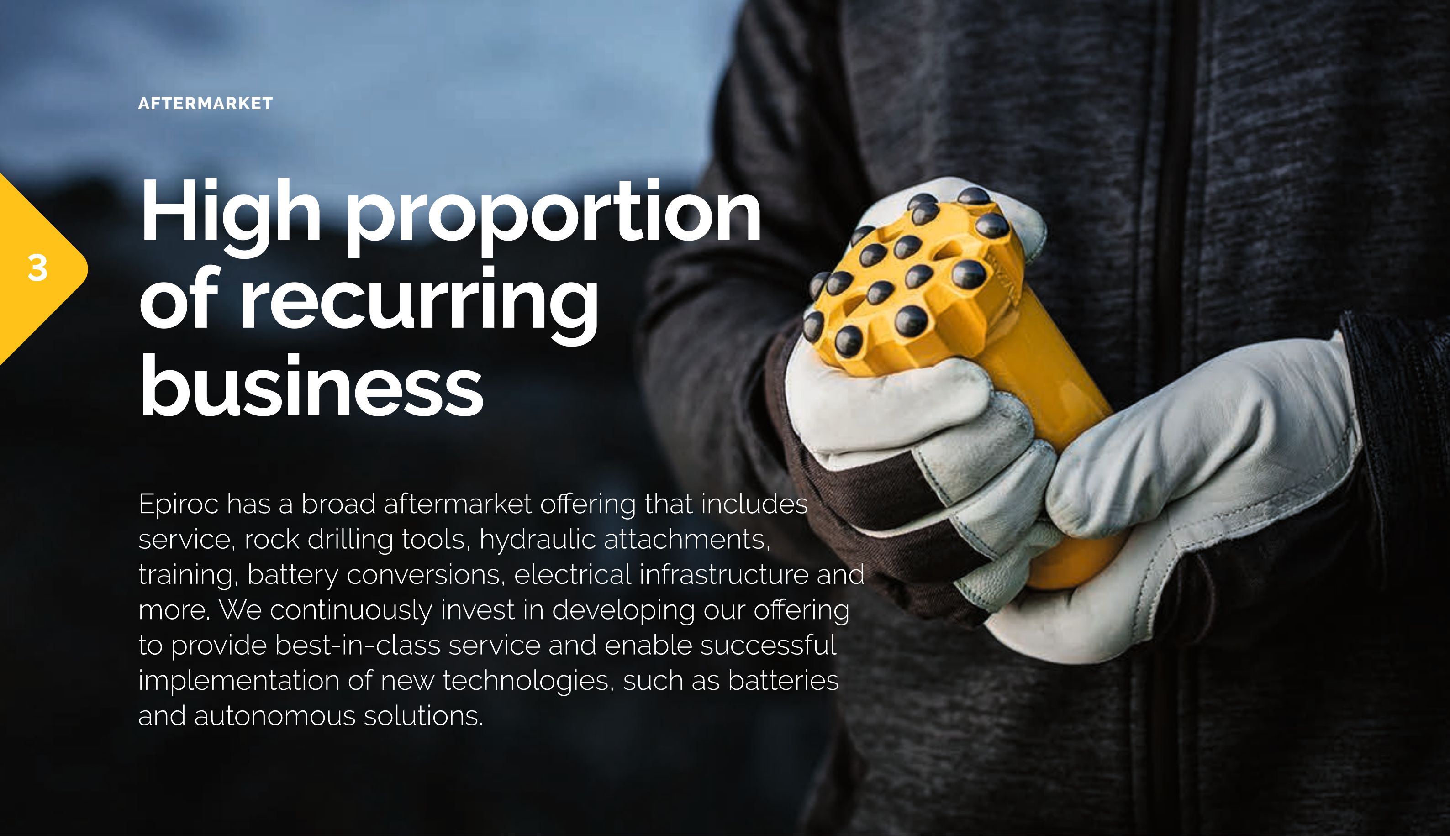
The electrification trend is strong and our offering is continuously broadening. In relation to the Group's revenues, however, battery-powered equipment and related services are still small. Our solutions "Batteries as a Service" and "Battery conversions" are booked as service revenues.

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

Glencore in Canada builds one of the world's first all -electric mines

Customer example:

In 2022, Epiroc won a large order (23 machines) from Glencore in Canada for battery-electric equipment and automation solutions that will be used at what will be one of the world's first all-electric mines, Onaping Depth Project. "Epiroc scored high on safety, design and testing of the entire battery system," says Peter Xavier, Vice President of Glencore's Sudbury Integrated Nickel Operations. "Epiroc also offers large capacity batteries, uses a standard CCS charging protocol, has a battery swap system, and the designs are universal and compatible. Also, the batteries have integrated cooling systems and safety systems built into the design."



High proportion of recurring business

Epiroc has a broad aftermarket offering that includes service, rock drilling tools, hydraulic attachments, training, battery conversions, electrical infrastructure and more. We continuously invest in developing our offering to provide best-in-class service and enable successful implementation of new technologies, such as batteries and autonomous solutions.

Recurring business

As our equipment is often performance-critical and used in harsh environments, the use of both consumables and spare parts is high.

In 2022, the aftermarket represented 69% of our revenues. In this definition, we include service revenues (45% of Group revenues) and the revenues in the Tools & Attachments segment (24% of group revenues). Tools & Attachments comprises both rock drilling tools and hydraulic attachments. Over time, our aftermarket revenues are both resilient and growing. In the last five years, our aftermarket revenues have grown on average 11% per year.

Reliability, productivity, and availability are important success factors to retain customers and grow the business further. Our customers need to know that we are there for them and that we can offer the aftermarket solutions they need when they need them.

Our experienced and technically skilled employees in the aftermarket are key. Around 60% of our employees work with supporting our customers in our aftermarket business – many times at customer sites.

Service

Sustainability is an important aspect of our aftermarket business. Of course, well performed maintenance, the right spare parts and mid-life rebuilds increase productivity for customers and frequently extend the life of existing equipment.

Our service organization focuses on the delivery of spare parts, high-quality service, support solutions and training. The spare parts are many times developed in-house and proprietary.

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

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

We also offer cost per meter contracts, upgrades and conversion kits that add new features, such as connectivity and batteries, as well as electrical infrastructure.

In short, our service organization safeguards optimum performance for our equipment and enables correct and safe implementation of new technologies.

Rock drilling tools

We provide an extensive range of high-end consumables for rock drilling, such as drill bits and drill rods for use both underground and on surface. We also offer tools for exploration drilling and rock reinforcement. Our rock drilling tools can be used on both Epiroc's and other manufacturers' equipment.

Our rock drilling tools are durable and efficient. This means that they last longer and drill faster than many comparable drilling tools. This in turn leads to more drilled meters per hour, lower production costs and less energy consumed per drilling meter for the customer. In addition, we offer re-sharpening of the drill bits, so that they can be used even longer. One important advantage of high-end drill-bits is increased safety. The longer a customer can use a drill bit, the less often it needs to be changed, which means that the customer is less exposed to injury when doing so. See more on typical injuries on page 156.

We also offer consumables and an inventory management system designed for self-service around the clock. It helps customers save time, reduce costs per drilled meter and have full control over consumption per machine and/or operator.

Hydraulic attachments

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

Hydraulic attachments contribute to a sustainable society. They are perfect for demolition and recycling of, for example, buildings and bridges. Separation of metals and material from concrete in the deconstruction phase is a fast-growing market, driven by regulations and increased focus on circularity.

Examples of hydraulic attachments and rock drilling tools

Tophammer rock drilling tools

Down-the-hole hammers and drill bits

Rotary drilling tools

Exploration consumables

Rock-reinforcement systems

Hydraulic breakers for demolition

Combi cutters for demolition

Drum cutters for hard material profiling

Magnets for picking up scrap metal

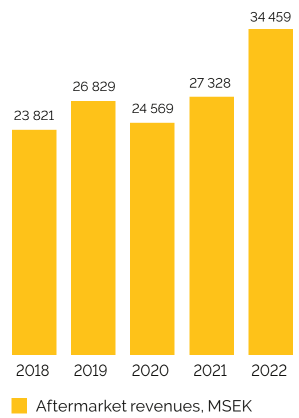
Broad aftermarket offering

Spare parts and components	Service agreements, audits and training	Midlife services, battery-conversions, automation solutions and more	Rock drilling tools	Hydraulic attachments

Service
45%
of revenues 2022
Reports in Equipment & Service

Tools & Attachments
24%
of revenues 2022

Aftermarket revenues



Well-proven business model

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

Boltec M10 Battery makes mining and tunneling safe
Epiroc has a wide offering of rock bolting rigs that increase safety in mines and tunnels. Thanks to the Boltec rigs' compatibility with different bolt types and intelligent options like the pumpable resin system, these rigs improve bolt installation quality.

Business model and operational excellence

Focus and decentralization	High degree of direct sales	Strong aftermarket business	Flexible manufacturing	Innovation and collaboration
Quick and efficient decision-making	87% direct sales	Aftermarket represents 69% of revenues	75% of product cost for equipment is purchased	Leadership in automation, digitalization and electrification

Operational excellence

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

In order to safeguard economies of scale and efficient processes, cross-divisional councils have been established in e.g., R&D, sourcing and production.

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

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

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

As an example, when capital expenditure is reduced in an economic downturn, maintenance is even more important to increase productivity and extend equipment life. In total, the aftermarket represents 69% of our revenues.

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

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

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

5

Value for our stakeholders

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

Magnetic culture:
Meet Joey, one of our service technicians, and see what he says about our strong culture:

"It is the biggest industry that very few people know much about. Everyone interacts daily with products that originally come from mines, all the time. We play an essential role. It's very important. This company is unique because they trust that every one of us in the company is doing the right thing and is doing it for the right reasons. And I think that's pretty special."

See the whole video here:

Attractive niches

Structural growth
- Growing population
- Urbanization
- Electrification

Increasing challenges for customers
- Low utilization rate
- Lower ore grades
- Trend towards underground mining

Strong focus on safety and sustainability

Resources and input

Natural
- 177 GWh total energy use

Financial
- MSEK 61 780 in assets
- MSEK 1 438 R&D expenses

Intellectual
- 8% of employees working in R&D
- Around 60% of employees in aftermarket *(Service and Tools & Attachments)*

People (average)
- 15 969 employees
- 1 630 external workforce

Value-creating strategy

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

Attractive niches | Innovation | Aftermarket | Operational Excellence | Outperformance

Our success is based on sustainability and a strong corporate culture

Created value

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

Shareholders
- 126.5% total shareholder return (A share) since listing
- 28.4% return on equity in 2022
- Proposed distribution to shareholders of MSEK 4 099

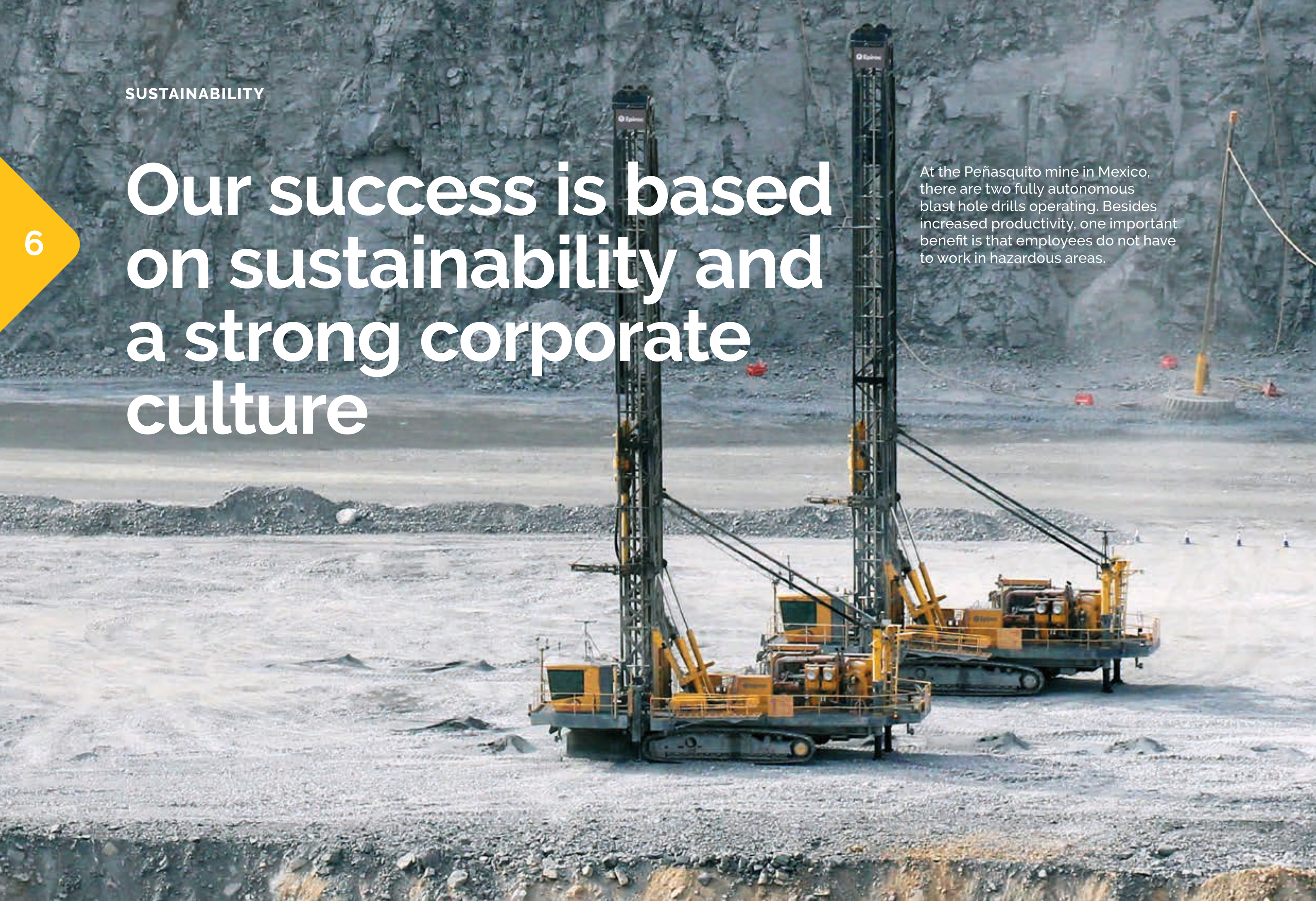
Employees
- Salaries and remuneration to roughly 17 000 employees totaling MSEK 10 595
- Several initiatives to improve safety and health

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

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

6

Our success is based on sustainability and a strong corporate culture



At the Peñasquito mine in Mexico, there are two fully autonomous blast hole drills operating. Besides increased productivity, one important benefit is that employees do not have to work in hazardous areas.

We have a strong corporate culture, and our innovation agenda goes hand in hand with our customers´ sustainability agenda.

Vital part of a sustainable society

Access to metals and minerals is a prerequisite for modern society to function. Our customers in the mining and infrastructure industries are playing important roles in providing society with what is needed for a transition to a low-carbon economy. It is, however, evident that operations must be sustainable. That means operations that use low-carbon solutions, have minimal environmental impact, and provide a good working environment in a productive and cost-effective way.

Epiroc is a signatory to the UN Global Compact, and we incorporate its ten principles on human and labor rights, environment and anti-corruption into our policies and approach to sustainability. In our Code of Conduct (CoC), we have committed to conduct business responsibly in accordance with several international standards, for example the UN Guiding Principles on Business and Human Rights. Our CoC, approved by Epiroc's Board, forms the basis for everything we do. All Epiroc employees must adhere to our CoC, and our business partners must comply with the Epiroc Business Partner Code of Conduct.

Innovation and collaboration foster sustainable solutions

Through innovation – particularly within automation, digitalization and electrification – we are achieving measurable environmental and safety gains. In the shift to a new, low-carbon economy where electrification, circularity, and development of new technologies will play key roles, our products and services will be vital for our customers. Automation solutions, battery conversions and remanufacturing of products and parts for a second life are examples of this.

We have the goal to halve the CO_2e emissions from machines sold by 2030. We will support our customers in achieving their sustainability goals by providing multiple solutions and thereby lowering the threshold for the transition from diesel to electrification. Epiroc is well positioned for the technological shifts that are expected to occur rapidly over the next decade. Recent acquisitions and our significant investments in research and development strengthen our ability to help our customers on this journey. In 2022, our research and development expenses were MSEK 1 438 (1 172). For more information on electrification, see pages 26-27.

Digitalization calls for a new way of working. Our customers need to synchronize their people, processes and technology. We call our solutions for this 6th Sense which is our way of optimizing customers' processes through automation, system integration and information management – enabling a smart, safe, and seamless operation. Automated and tele-remotely controlled operations can significantly increase productivity and improve safety. They also make daily operations more consistent and the results more predictable. For more information on 6th Sense, see pages 24-25.

Innovation leadership requires that we collaborate with customers and other industry leaders. Epiroc participates in numerous collaborations to develop more sustainable and efficient carbon-neutral mining operations and support the transformation towards a circular economy.

One example is the Sustainable Underground Mining

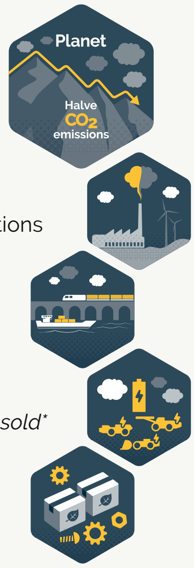
Epiroc 2030 goals for People and Planet

Safe, healthy, ethical

Safety and health
- No work-related injuries

Balanced workforce
- Double the number of women in operational roles

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



Halve CO_2e emissions

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

Transport
- Halve CO_2e emissions from transport

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

Suppliers
- Require 50% reduction of CO_2e emissions from relevant suppliers

Science Based Target initiative (SBTi) validated targets

initiative together with our Swedish customer LKAB, various academic institutes, and other leading suppliers. This initiative aims to set a new world standard for sustainable mining at great depths, and Epiroc is a central part in achieving LKAB's zero-emission vision. Another example is the EU project NEXGEN SIMS, coordinated by Epiroc, which brings together mining companies, equipment and system suppliers and universities. It supports new technologies, methods and processes that will enable a more sustainable and efficient carbon-neutral mining operation.

About two-thirds of our revenues derive from aftermarket services and solutions, which prolong the life of our products. With mid-life upgrades, retrofit, use of secondary raw materials and closed loops, we also need fewer and less virgin materials, which contributes to a more sustainable use of resources. Upgrades can also include the latest technology, automation or electrification features, all achieving measurable sustainability gains. Our automation-equipped surface drill rigs deliver more energy-efficient solutions for our customers, with impressive levels of CO_2e emissions saved. Our hydraulic attachments tools, often used for demolition and recycling, are also important in a low-carbon society and for a more efficient use of resources.

"Through innovation – particularly within automation, digitalization and electrification – we are achieving measurable environmental and safety gains."

Strong corporate culture with passionate people
Since the creation of Epiroc, we have put a lot of work into further strengthening our corporate culture. Our vision, Dare to think new, is a clear guide to what we want to achieve. We challenge our way of working, thinking and acting to find new and sustainable solutions in a rapidly changing world. We promote a creative environment where colleagues are encouraged to be entrepreneurial and collaborate across borders, both inside and outside the company. We strive to attract and retain the best talent, regardless of gender, ethnicity, religion, disability, sexual orientation or age as we are convinced that inclusive and diverse teams create better results.

Safety is key
Our customers work in challenging conditions that pose safety risks. For this reason, our equipment must be safe. Safety and health are at the heart of our innovation strategy and at the forefront of our product and service offering. Examples include Live Work Elimination to address exposure to machines' potential harmful and dangerous energy as well as SafeStart trainings for all employees to raise safety awareness.

Sustainability goals and materiality
To ensure that we work with the sustainability issues that are most relevant to Epiroc, we conduct materiality analyses on a regular basis. Based on the outcome, we cluster our most material topics into four focus areas and identify key performance indicators (KPIs) for each of the topics to help us measure their relevance and impact. As in the past, we continue to measure progress through short-term goals. The results are reported quarterly to the Board of Directors and Group Management.

"Being a vital part of a sustainable society also means that we can demonstrate it."

In 2020, we set ambitious 2030 sustainability goals for People and Planet. They reflect our contribution to the UN Sustainable Development Goals (SDGs) and our commitment to help accelerate the implementation of Agenda 2030 and the Paris Agreement. Strategies, plans, internal guidance tools and activities are defined to make this happen. Twice a year, activities and progress are reported in detail to Group Management. In 2022, we continued to follow the road-map to achieve our 2030 goals. Our KPIs and 2030 targets help us ensure that our performance improves and that the organization is aligned to tackle important challenges and possibilities head on.

Epiroc has a role to play in the effort to reach the SDGs by reducing negative impacts on people and the planet and maximizing the value we deliver through our products and core business operations. We can make the greatest difference in nine of the SDGs and their sub targets, see more on page 144. We recognize the need for a just transition, meaning that the transition to a climate-neutral economy should also secure the future and livelihoods of workers and their communities, leaving no one behind. We also need to strengthen our influence over decisions beyond our direct control – from suppliers to customers as this is where our largest climate, human rights and safety impacts lie.

Sustainability targets included in remuneration

Reflecting our purpose as a company, to be a vital part of a sustainable society, sustainability targets have been part of the variable compensation plans for all members of Group Management, including our CEO, since 2021. Final outcome for each member is conditional on the tangible progress made towards fulfilling our 2030 sustainability targets, including, for example, environment, gender diversity and safety. Relevant sustainability targets are also set for other managers and employees depending on the roles and areas of responsibilities. These could be safety, CO_2e emissions reductions or other sustainability targets, or in some cases a combination of targets.

Climate change and Science Based Target initiative

Epiroc plays an important role in the transition to a low-carbon society. In 2021, we performed a CO_2e emissions value-chain analysis for our base year 2019, which concluded that more

In partnership with steel manufacturer SSAB, Epiroc now prototypes an underground mine truck with a dump box made of fossil-free steel, the battery-electric Minetruck MT42. The result is a 10-tonne reduction in CO2 emissions per manufactured dump box, the equivalent of taking five gasoline cars out of service for an entire year.

than 80% of our total CO_2e emissions come from the use of our sold products. In November 2021, not only did we commit to but we also received the validation from the Science Based Target initiative (SBTi) for our goals:

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

These goals are industry leading and well above SBTi's minimum requirements. In 2022, we continued to work with our climate-related targets to be in line with keeping global warming at a maximum of 1.5°C, consistent with the scientific assessments provided by the International Panel for Climate Change (IPCC) and the goal of the Paris Climate Agreement.

Important milestones during 2022 include the partnership with the Swedish steelmaker SSAB on fossil-free steel for mining equipment and the issuance of SEK 2 billion in green bonds. The green bond proceeds can be used to finance projects in the eco-efficient/circular economy, energy efficiency and sustainable water management categories and will support our continued sustainability journey.

We disclose to what extent our activities are covered by the EU Sustainability Taxonomy. Epiroc's activities are not at the core of the current legislation and therefore only has a few relevant economic activities to report on. For more information, see pages 149-153.

The Task Force on Climate-Related Financial Disclosures (TCFD) provides recommendations to companies to report on their climate-change risks and opportunities, and to increase transparency on related actions to tackle them. In 2022, we strengthened the integration of TCFD into our processes, building on the scenario analysis we did in 2021. As a result of the scenario analysis, it is clear that the transition to a low-carbon economy also provides climate-related opportunities for Epiroc. For more information on TCFD, see pages 154-155.

Our approach and the SBTi-validated climate goals enable a long-term ambition of net-zero emissions by 2050 and go hand in hand with the EU´s goal of a climate-neutral economy in 2050.

Sustainability reporting

Being a vital part of a sustainable society also means that we can demonstrate it. Measurability and reporting of key figures are therefore highly relevant. We report in accordance with legal requirement in the Swedish Annual Accounts Act, chapter 6, paragraph 11 and EU taxonomy regulation as well as voluntary standards such as Global Reporting Initiative (GRI) standards, UN Global Compact, Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) framework. The Group's consolidated targets, results, activities and progress during 2022 on selected KPIs, 2030 goals and SBTi targets are presented throughout this report.

On the following pages, the four focus areas from our materiality analysis will be presented together with KPIs, connected 2030 targets, performance during 2022 and more explanations of how we work within these areas.

A summary of our key performance indicators for sustainability can be found on pages 160-161, as well as additional information on materiality, governance and other sustainability performance information on pages 145-161.

Our focus areas

We use resources responsibly & efficiently

Resources
Safety
People
Ethics

We provide solutions that reduce the environmental footprint and meet customer demands for safe and sustainable solutions.

The world is facing great challenges because of climate change and non-responsible use of natural resources. To fight climate change, facilitate recycling and reduce waste, it is important to act now. We are part of the solution with our productive, safe, and low-carbon products and services.

Many of our material topics under this focus area concern climate change but we also explain how we work with circularity for our products and with water and environmental management.

Climate and Epiroc´s CO_2e emissions footprint

We are convinced that the future of mining and infrastructure can be autonomous, digitalized and CO_2e emissions-free. Our long-term 2030 sustainability goals are setting the direction.

In 2021, we performed a CO_2e emissions value chain analysis with 2019 as base year. More than 99% of our total CO_2e emissions fall under Scope 3, other indirect emissions, and the majority of Scope 3 comes from the use of sold products. Our focus on halving CO_2e emissions from the use of our products is therefore crucial. That is where we can make the largest positive difference for the planet.

We provide our customers with sustainable solutions, strengthening their safety and productivity but also addressing their growing need for low-carbon solutions. We work on reducing CO_2e emissions throughout our whole value chain. In the graph on page 41, we have illustrated what our CO_2e emission reduction pathway towards the 2030 targets could look like.

Reducing CO_2e emissions from operations (Scope 1 and 2)

Although our carbon footprint in direct and indirect operations represents less than 1% of our CO_2e emissions, reducing CO_2e emissions from operations is important as we are the only ones who can do it. Therefore, our energy-efficiency program, launched in 2019, continued. We are increasing the level of renewable energy in our operations through investments in facility structures and alternative energy sources. We now have 14 sites with 100% renewable electricity.

Another challenge is that renewable electricity is not available in some markets, which influences our ability to meet

Performance Summary

Focus area	We use resources responsibly and efficiently						
Material topic	**CO_2e emissions products**		**CO_2e emissions operations**		**CO_2e emissions transport**	**Life cycle perspective**	**Supply-chain management[1]**
SDGs	9, 12, 13, 17		7, 12, 13		13, 17	9, 12, 17	7, 12, 13
Approach	The majority of our CO_2e emissions occur in the use phase of our sold products. Here we can make the largest impact. We have a clear ambition to help our customers by providing multiple emission-free solutions.		Our carbon footprint in manufacturing is significantly lower than it is during the product use phase. Reducing CO_2e emissions from operations is still important as we are the only ones who can do it. Installing solar panels is one example.		We work broadly with improvements, for example introducing a transport management system and building up regional distribution centers.	Our products are designed for high durability, efficiency, life extention, recyclability and easy disassembly to minimize use of natural resources and waste.	A small portion of our suppliers contributes to the vast majority of our CO_2e emissions in the supply chain. To reach our goal it is important to truly engage with them.
2030 goals	Offer a full range of emissions-free products Target: 100%	Halve CO_2e emissions (tonnes) from machines sold Target: 2 663 463 **SBTi verified**	Halve CO_2e emissions (tonnes) in operations Target: 22 167 **SBTi verified**	90% renewable energy in operations	Halve CO_2e emissions (tonnes) from transport Target: 65 061	No 2030 target established[2]	Require 50% reduction of CO_2e emissions from relevant suppliers[3]
Base year	2021: 35%	2019: 5 326 925	2019: 44 333[4]	2019: 53%	2019: 130 122[5]	N/A	TBD
Performance 2022	39% of our product fleet is available emissions-free.	5 186 005	25 735	65%	91 168	See circular approach graph.	See page 40
2030 goal completion	N/A[6]	5%	84%	N/A[6]	60%	N/A	N/A

1) Supply-chain management is mapped under the focus area "We live by the highest ethical standards" but has a CO_2e emissions 2030 target that is best presented here.
2) No 2030 goals or KPIs established on Group level but management approach, activities and information provided within this report.
3) Reporting and base year is under development and will be established.
4) Restated with 22 additional customer centers that were added to the scope in 2021.
5) From 2022, the transport emissions have been updated to cover well to wheel (WTW) definition instead of the previous tank to wheel (TTW). For our recalculation policy, see page 161.
6) Not applicable as 2030 goal is not in relation to base year.

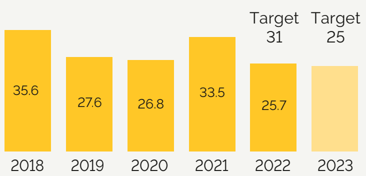
Epiroc's Product Company in Hyderabad has been GOLD recertified as Green Building by the Indian Green Building Council. The facility has solar panels, constructed rainwater harvesting pits, efficient LED lighting and uses eco-friendly housekeeping chemicals.

our goals. We meet this challenge by, e.g., installing solar panels. This is also a way for us to contribute to the increasing need of renewable electricity. This year's winners of Epiroc Environmental award were our product companies in India, who continue to set the standard. These companies were in 2019 the first in Epiroc to install solar panels on their facilities, showing the rest of the Epiroc Group that these types of investments are not only possible, but also represent sustainable business practice. Since then, our facilities in Australia, China, South Africa, Sweden and USA have also installed solar panels. Today we have 7 facilities with solar panels.

In 2022, energy consumption in our own operations increased slightly, due to higher production activity. However, CO_2e emissions from our operations have decreased significantly due to shifts to renewable energy, several initiatives to increase energy efficiency, and own production of solar power. All energy initiatives completed during 2022 will reduce CO_2e emissions by an additional 5 500 tonnes.

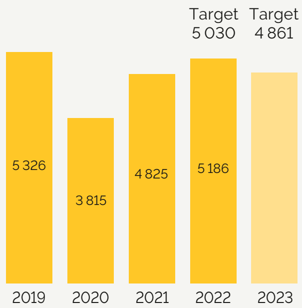
Selected KPI targets and performance

CO_2e emissions from operations ('000 tonnes)



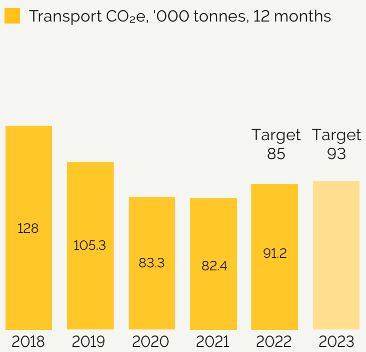
Target for 2022 was 31 000 and the result was 25 735. The higher portion of purchased renewable energy and the solar panels installations in 7 facilities in 2021 and 2022 resulted in a positive result. From 2021, 22 additional customer centers were added to the scope.

CO_2e emissions from use of sold products ('000 tonnes)



Target for 2022 was 5 030 and the result was 5 186 mainly due to increased delivery of machines. The fossil-fuel dependency is likely to continue in our sector for some time. The majority of ordered and delivered machines as well as the fleet of equipment in operation still runs on diesel.

CO_2e emissions from transport ('000 tonnes)



Target for 2022 was 85 000 and the result was 91 168. The emissions increase follows the volume increase while at the same time we have been forced to use more air freight than sea freight due to sea freight capacity issues. The Russian and Ukrainian war also resulted in alternative freight routes generating longer transports and higher emissions. From 2022, the transport emissions have been updated to cover well to wheel (WTW) definition instead of the previous tank to wheel (TTW) definition.

Reducing CO_2e emissions for relevant suppliers (Scope 3)

A small portion of our suppliers accounts for the vast majority of our CO_2e emissions in the supply chain. During 2022, we started to define a process for how we work with relevant suppliers, including defining how to measure their CO_2e emissions. We have also started to communicate our 2030 goals to our supply chain, shared that more detailed requirements from our side will follow and also welcomed expectations and plans from their side. Even in this initial phase, this has motivated some suppliers to start their own projects right away, such as installing solar panels.

During the year, we finalized our first agreement on fossil-free steel, in a partnership with SSAB, and we will continue to build similar partnerships globally. During 2022, Epiroc used fossil-free steel in a prototype underground machine produced at our facility in Örebro, Sweden, and the plan is to increase the usage of fossil-free steel over time. The partnership with SSAB will support us and our customers on the journey to reach our climate goals. In the shift to a low-carbon economy, development of new technologies like this is crucial to making the transition possible.

"The majority of our CO_2e emissions occur in the use phase of our sold products, and here we can make the largest impact."

Reducing CO_2e emissions from transport (Scope 3)

We work broadly to reduce emissions from transport. For example, we have used more sea freight and less air freight, which has led to a substantial reduction of CO_2e emissions in the past. We have established regional distribution centers, reducing freight and improving the availability of parts and consumables. During the year, our teams working in transport were given the task to test transport lanes with significantly less emissions and evaluating the outcome.

We have made good progress in reducing CO_2e emissions but our emissions mitigation is also dependent on the transport sector's own development. However, for 2022, the CO_2e emissions increased by 10.7% (-1.1%) due to higher volumes and the fact that we have been forced to use more air freight than sea freight due to sea freight capacity issues.

Reducing CO_2e emissions from use of sold products (Scope 3)

The majority of our CO_2e emissions occur in the use phase of our sold products, and here we can make the largest impact. These emissions are both our and our customers' responsibility, and our innovation agenda goes hand in hand with our customers´ sustainability agenda. We have a clear ambition to help our customers by providing multiple solutions to support them in their efforts to achieve their CO_2e emissions targets and combat climate change.

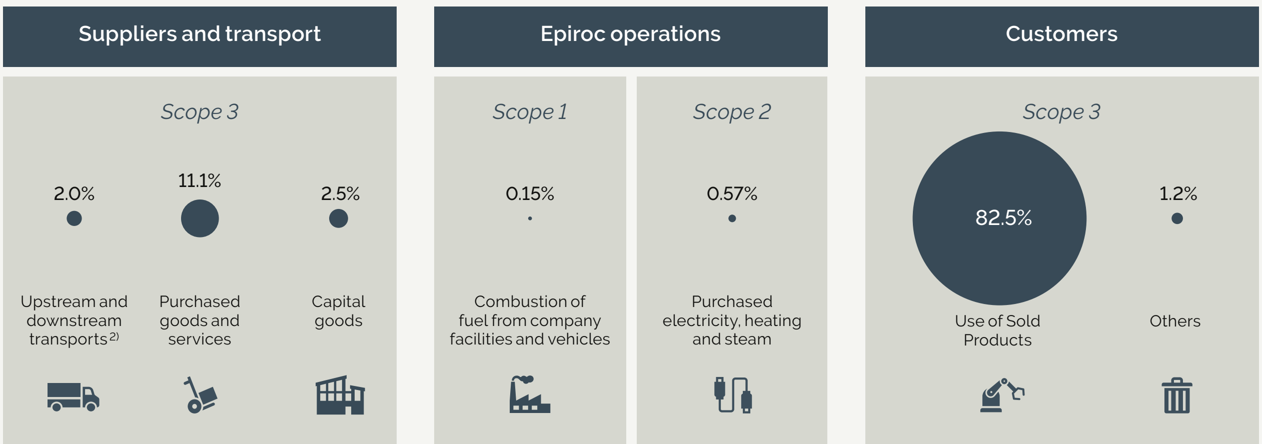
However, CO_2e emissions from the use of our products have increased by 7% compared to 2021, mainly due to increased delivery of machines. The fossil-fuel dependency is likely to continue in our sector for some time. The majority of ordered and delivered machines as well as the fleet of equipment in operations still runs on diesel. We are working to reduce the CO_2e emissions for those products.

We will also offer a full range of emissions-free products by 2025 for underground and by 2030 for surface operations. This includes solutions such as, for example, electrification and hydrogen. Other examples of lowering CO2e emissions for our products are biofuel adaptation and other energy efficiency improvements such as more efficient engines and cable-connected machines.

The demand for electrified solutions is increasing rapidly and we received many orders for battery-electric equipment in 2022. Battery technology and cable-connected equipment are two important areas which enable zero-emissions operations, provided renewable energy is available for charging. We offer the widest range of battery-electric underground drill rigs, loaders, and trucks in the market. All our underground drill rigs are powered by electricity during drilling operations. For surface operations, our range of electric and energy-efficient drill rigs significantly reduces CO_2e emissions and fuel consumption. Today, 39% of our product fleet is available as electrified solutions.

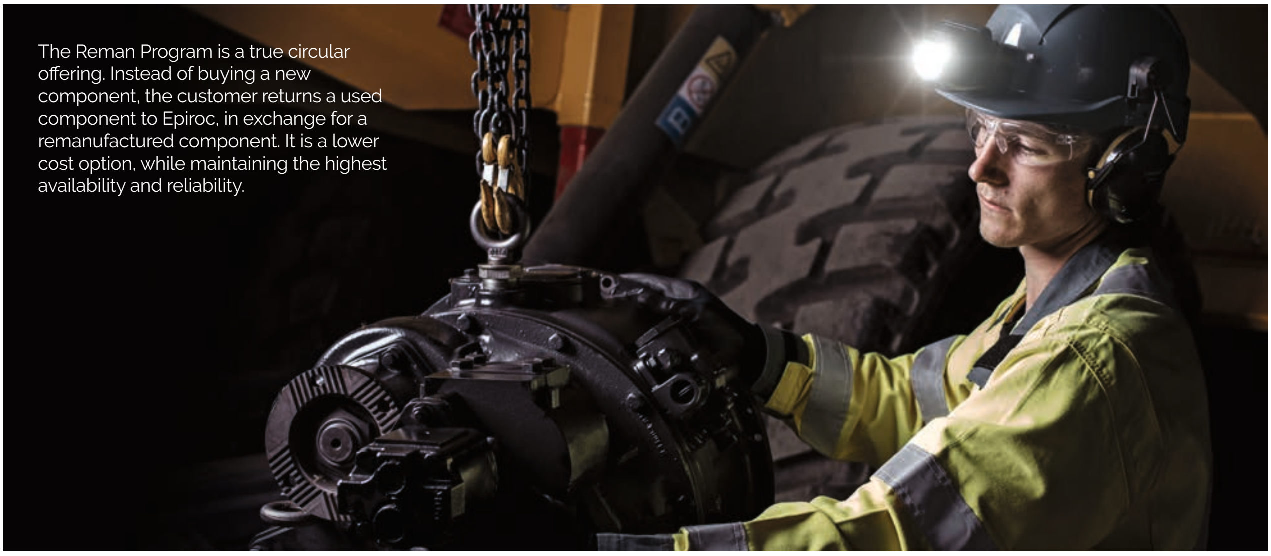
One option to achieve the zero-emissions benefits of battery electrification today without the lead time or cost of new underground battery-electric vehicles, is battery conversion - from diesel to electric. The potential for converting underground equipment is large worldwide. Battery conversion kits are available for several machine types, for example battery conversion of a Scooptram ST1030 that was completed in Spain in 2022. Battery versions of underground loading and haulage equipment as well as drill

Our estimated footprint: Value-chain emissions Percentage of total emissions (% CO_2e)[1]



[1] This is the full scope of our CO_2e emissions footprint for our base year 2019 and some of the goals were verified by SBTi in 2021. The figures will be updated every five years to ensure alignment with the most recent climate science and SBTi.

[2] The data is currently not separated into upstream and downstream, so this data is combined.



The Reman Program is a true circular offering. Instead of buying a new component, the customer returns a used component to Epiroc, in exchange for a remanufactured component. It is a lower cost option, while maintaining the highest availability and reliability.

rigs are now in customer operations on all continents except Antarctica, and the first battery-electric surface drill rig, SmartROC T35E, is also in operation. The benefits of battery electrification are significant, including eliminating emissions in operations, reducing noise pollution, vibration and heat. This brings lower costs and energy use by lessening the need for ventilation and cooling; this is especially important as underground mines keep getting deeper.

During 2022, Epiroc completed the acquisition of JTMEC. The Australian company provides mines with electrical infrastructure, supporting the industry's transition to battery electrification. This acquisition will further strengthen our ability to support mining customers on their electrification journey. For more information on acquisitions, see page 56.

Not all energy and emissions reduction improvements involve electrification. For example, our new V-shaped cutter was introduced during 2022. While a regular drum cutter must move from side to side to create an even trench, the V Cutter can reach the same result by just going straight. This means the customer can dig a more accurate trench much faster. It enables energy savings of up to 40% and there is less wear on the carrier, which protects the customer´s investment.

Natural resources

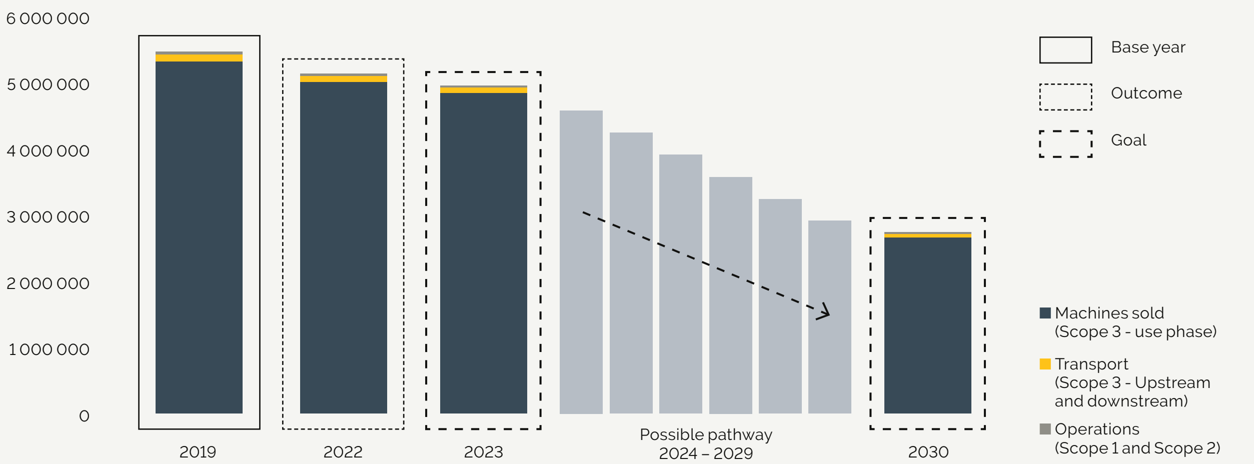
We minimize our use of natural resources by moving towards a circular economy. We reduce the negative effect on biodiversity and ecosystems by minimizing water usage and pollution from products and our operations.

Product circularity

At Epiroc, we have a lifecycle approach as early as the design phase. Our products are designed for high durability, efficiency, life extension and environmental upgrade, recyclability, and easy disassembly to minimize use of natural resources and waste. Our amount of waste diverted from disposal has remained consistently high for several years. For 2022, the proportion was 89%.

A challenge for circularity is identifying which circular strategies have the largest positive impact from a resource perspective. For example, prolonging a product's life may not always be the best alternative, given that it might need both more material and increased energy in the use phase. We have some good examples where we have overcome this challenge by changing business models and making good use of life cycle analysis (LCA).

CO_2e emissions base year, outcome and goal (tonnes)



Note: This picture shows our base year emissions, outcome for the reporting year, next year target and a possible way towards our 2030 goals. The columns include all CO_2e value chain categories where reporting and base year have been established. Emissions from Machines sold (use phase) reflects the full expected lifetime emissions of machines sold in the reporting year. Restatements have been made, see recalculation policy page 161.

We started to use LCAs to help us identify where we can improve our use of resources in terms of reducing emissions, increasing product lifetime, and using less virgin material. In 2022, we introduced a rock drilling tool, the Powerbit X, with diamond-protected buttons. The technology increases the bit life significantly, decreasing the need for energy and resources. A longer bit life also means fewer changes of drill bits and less exposure to danger for operators, which boosts safety.

We have for a long time had a strong focus on increasing products' efficiency and lifetime, by providing service and maintenance. By giving the customer a choice to retrofit, they do not have to decommission the machine and buy a new one to get the latest technology to increase their productivity. Our service operations offer remanufacturing of machines and parts such as rock drills. One of the offerings, the Reman Program, maximizes a component's lifecycle potential while offering customers significant cost savings on a remanufactured component with a new lease on life.

"Batteries as a Service is an example of a circular business model."

Another solution we provide is Batteries as a Service (BaaS). It is a circular business model, launched in 2019, which has been very well received by our customers worldwide. Together with Northvolt, our battery systems supplier, we have developed a battery-electric technology platform that is modular and scalable, meaning all our batteries can be used in all different types of equipment. This allows us to adapt our batteries to the needs of the specific equipment. At the end of its life span, the battery can be used for power storage, enabling our customers to use more own installed green energy, before the battery is recycled. For more information on electrification, see pages 26-27.

Water management

Our own overall water consumption is relatively low since our focus is on assembly. However, we work on minimizing the negative effect on biodiversity and ecosystems by minimizing water usage from products and in our operations. One of our key performance indicators is focusing on efficient water consumption for operations in locations that face water risk. The target for 2022 for water consumption in water risk areas ('000 m^3) in relation to cost of sales (COS) was 4.0 and the result was 3.0 (4.2). We have managed to keep relatively low water consumption despite increased production volumes and cost of sales.

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

Environmental management

In the Epiroc Sustainability Policy we clearly state that our products and services are developed to meet the productivity, quality, functionality, safety and environmental needs of our customers and other stakeholders' expectations. Our operations are conducted in such a way that pollution of land, water and air is minimized to protect health, ecosystems, and biodiversity. We follow environmental principles stated in laws and regulations.

Presence of hazardous substances, e.g., Substances of very high concern (SVHC), in our products are identified, communicated to stakeholders, and actively being phased out. Read more on how we work with product responsibility and hazardous substances on pages 155-156.

An example of our aim to minimize the negative impact on the environment is the development of Epiroc Bio Chisel Paste. The chisel paste is used for lubricating the wear bushings of hydraulic breakers and spreads into soil and water during usage. Normal chisel paste is classified as hazardous to water living organisms, but the Epiroc Bio Chisel is biodegradable, and the first chisel paste ever to carry the European Commission's Eco label. The paste also helps prevent bushing wear and prolongs the life cycle of the tool. All new Epiroc hydraulic breakers are delivered with the Bio Chisel Paste as standard.

Design and innovation

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

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

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

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

Materials

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

Production and distribution

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

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

Use of products

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

Prepare for second life

Remanufacturing of old Epiroc machines, including upgrading and refurbishment.

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

We invest in safety and health

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

Safe productivity

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

Safety lies at the heart of our innovation strategy. Live Work Elimination aims to ensure that personnel such as operators and service technicians are not exposed to harmful and dangerous energy by using technology to remotely complete tasks. Since 2020, our Live Work Elimination program has focused on further minimizing injury risks. This is a collaboration among our customers, R&D and service teams. During 2022, we invested in a digital portal to collect and evaluate ideas based on our real-world field experience to improve the safety and productivity of our offerings. We want to support our customers' safety work, developing interfaces between Epiroc equipment and Live Work Elimination tools in use at customer sites.

Understanding where personnel and vehicles are in a mine or at a construction site is the first step to protecting them. We continue to build safety technology and proximity detection systems so when the systems detect other vehicles or personnel, a signal is sent to the Epiroc machine to slow down or stop. Meglab's IMAGINE software platform's modular design allows a number of components to be integrated, including a collision warning system (CWS). It gives the operator a rapid warning (visual and audio), signaling the presence and number of persons and/or vehicles in proximity.

Incorporating Live Work Elimination into our culture and design DNA is an ongoing journey. In 2023, we continue to develop technology that strengthens both safety and productivity. This is what we call safe productivity. For more information, see page 22.

The Automatic Bit Changer for hands-free bit changes on Pit Viper drill rigs is the next step in autonomous drilling advancements. It changes rotary bits faster than manual exchanges and eliminates human interaction with the drill string for a safer way to operate a drill fleet.

Performance Summary

Focus area	We invest in safety and health	
Material topic	Product safety	Occupational health and safety
SDGs	8 Decent work and economic growth; 17 Partnerships for the goals	8 Decent work and economic growth
Approach	We work closely with customers in regards to risk management, accident and incident reporting and change management. Through innovation, automation, digitalization and electrification, we are achieving measurable environmental and safety gains.	Ensuring the safety and well-being of everyone who works for and with us is the core element of every activity. A behavior-led approach engages everyone in our efforts.
2030 goals	No 2030 goal established[1]	No work-related injuries,
Performance 2022	Implementation of Live Work Elimination continued.	Work-related injuries, 5.7 (TRIFR)

[1] No 2030 goal established at Group level but Management approach, activities and information provided within this report.

Benefits of automation, digitalization and electrification

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

We have developed autonomous and remote-controlled equipment, especially through our 6th Sense range of automated and connected products, that transforms operating conditions by removing operators from dangerous areas in the mine or at the construction site. 6th Sense is a combination of software and hardware features and functions, as well as services that create value for customers and provide higher efficiency and safety. The products are bundled into three product families: 6th Sense Insight, 6th Sense Control, and 6th Sense Optimize. We have developed this state-of-the-art technology for use in the mining and infrastructure industries, addressing customers' real needs.

"A higher risk awareness reduces human errors that could otherwise lead to injury or close-call events."

We increased our digital solutions portfolio within the construction industry with Mobilaris Tunneling Intelligence. The new tunneling product increases safety levels while improving productivity. The Mobilaris products, successfully used in underground mines for almost a decade, can now also be used in the global tunneling market. It is a large market where thousands of kilometers of tunnels are excavated annually. The first to sign up for the new solutions was Veidekke Entrepenør AS, for use in a tunnel project north of Oslo in Norway.

Battery-electric underground equipment emits no CO_2e emissions, provided that renewable energy is available for charging. The battery-powered machines also generate less heat, noise and vibrations when in use. This significantly improves working conditions for people on site.

During 2022, Epiroc acquired several companies that enable safer mining operations. One example is RCT, which provides automation and remote-control solutions for mining equipment. With this acquisition, Epiroc is the world-leading automation solutions provider not only for surface and underground rock drilling, but also for underground loading and haulage. Another example is Radlink, which designs, delivers, and integrates wireless data and voice communication networks and supporting infrastructure to surface and underground mines throughout Australia. Robust wireless networks are vital to support mining automation, including autonomous and tele-remote solutions, which in turn strengthen safety and productivity.

Operational safety

Ensuring the safety and well-being of everyone who works for and with us is always a top priority. A behavior-led approach engages everyone in our efforts.

With the launch of the 2030 sustainability goals, Group Management reaffirmed its commitments to safety. Improved safety is a key focus area for both us and our customers. In 2022, we implemented several initiatives to raise awareness, address potential hazards and further improve safety across the company – with a particular focus on influencing behavior.

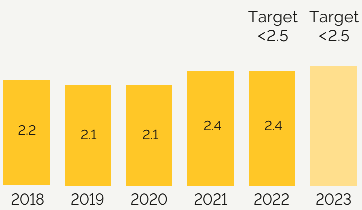
Increased safety awareness and enhanced safety culture

During 2022, we continued to focus on safety. We work to further strengthen our safety work through standardization and harmonization, and address areas such as relevant resources and competencies, reporting and change of behavior.

Our field service technicians work with heavy equipment and in harsh conditions. They are trained to adhere to safety procedures regardless of their working environment, whether they are on the job or in traffic. SafeStart®, our program for all employees to improve their personal safety awareness, completed its third-year Group-wide. Its mission is to entrench a global safety perspective, augmented with relevant strong local input, and to improve capability in the elimination and prevention of risk situations. This means changing our behavior.

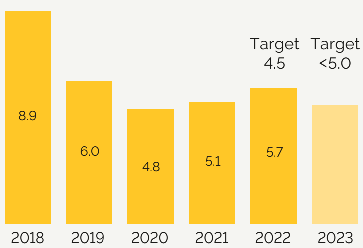
Selected KPI targets and performance

Sick leave, %



Target for 2022 was 2.5 and the result was 2.4. The overall trend is that sick leave is moving to pre Covid-19 pandemic levels.

Total recordable injury frequency rate (TRIFR)



Target for 2022 was 4.5 and the result was 5.7. Due to the high order intake, many new employees and temporary employees were hired. These groups are overrepresented in injury rate compared to regular employees.

Safety is always important.
In total 11 319 of our employees have been trained in SafeStart since the roll-out started. This program is an important tool in our safety work to reach zero work-related injuries.

Epiroc's new Rig Control System (RCS 5) provides a number of safety and interlock features, as well as a foundation to add new functionality/options later without a major rebuild of the machine.

Our Mobilaris Onboard solution works just like your car navigator but without any need for a dedicated tracking infrastructure. In case of emergency, the system helps you to navigate to the closest rescue chamber.

A higher risk awareness reduces human errors that could otherwise lead to injury or close-call events. The focus is not solely on developing work skills: competencies that improve safety abilities are also useful in traffic and at home. In 2022, 17% (32), 2 936 (5 474), of employees and external workforce received SafeStart® training and in total 67% (49), 11 319 (8 383), have been trained since the roll-out started. This program is an important tool in our safety work to reach zero work-related injuries.

We have seen a positive trend for work-related injuries between 2018 and 2021. However, for 2022, we have a negative trend with more injuries and a higher injury rate. From 2021, we also report more types of injuries under total recordable injuries. We see a higher injury rate for additional and new workforce compared to Epiroc employees. Our analysis shows that there are few severe injuries, and that hand and finger injuries represent a high share of the injuries. We are taking a lot of actions to change the trend and reduce injuries. Examples are improved onboarding training, safety awareness training for all employees, dedicated task forces for certain entities, improved reporting, investigations, and corrective actions as well as safety campaigns and sharing best practices.

We continued to implement our internal Epiroc safety commitments, which are reminders of how we act and behave according to our internal safety rules to protect our co-workers and ourselves.

The World Day for Safety and Health at Work was observed throughout the company worldwide, largely through virtual workshops and online trainings. The Epiroc Safety & Health Award was presented to the drilling tools production company in South Africa, for a systematic and dedicated approach to a safe and healthy work environment that resulted in proven track record with fewer injuries.

For 2023, we will focus on the continued implementation of the Live Work Elimination program, tying together automation and digitalization innovation with improved safety, and finalizing the SafeStart® trainings for all employees.

We grow together with passionate people and courageous leaders

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

We want to be the leader in the transition to a low-carbon economy and a more sustainable society. We offer a workplace where people can make this happen.

We are a company with a culture based on trust, transparency and freedom with accountability as well as employee care, and we believe that we are well placed to remain an attractive employer. We have a decentralized organization with a strong focus on results and sustainability, and where we put people in the center.

Dare to think new

Our vision, Dare to think new, sets the tone and inspires all our employees to come up with ideas and proposals to continuously improve what and how we do things. We must have the courage to think new in all aspects. Cross-function collaboration as well as partnering with external stakeholders are ways to further improve how we work. In 2022, we launched a program with the objective to democratize innovation by inspiring creativity and talent and giving all Epiroc employees the opportunity to realize their ideas. Specific pilots took place in China and Chile, and launches in additional countries are planned.

The world is changing at a fast pace and our customers are constantly facing new challenges to improve profitability and sustainability. To support our customers, we provide sustainable solutions that improve productivity and safety.

To make this happen we are investing more than ever in innovative solutions, including within automation, digitalization and electrification, as we are convinced that is key to our long-term success.

In 2022, our research and development expenses were MSEK 1 438 (1 172), and we have 8% (7) of our employees working in R&D.

High-performing and passionate teams

Trust is an important foundation for Epiroc's decentralized structure. It is fostered through transparency and responsible feedback. We apply the principles of lean management, emphasizing efficiency while encouraging every individual at all levels to take responsibility for their own career and to develop their skills.

We look for employees who will thrive in our decentralized environment, who take responsibility and actively contribute to growing the company and grow themselves as a result. We also seek to attract employees with different backgrounds and experiences. This drives our continued transformation in automation, digitalization and electrification, which require new skills for us, and it also strengthens our diversity. In line with this, we continued to invest in how we attract, recruit and onboard employees, for example by introducing a new website for career opportunities and investing in specialized talent acquisition teams in North and South America.

Performance Summary

Focus area	We grow together with passionate people and courageous leaders			
Material topic	**Leadership**	**Diversity**	**Employee care and empowerment**	**Crisis management**
SDGs	8, 17	5	8	8, 12, 13, 16
Approach	We believe in passionate and courageous leaders. To be the employer of choice and build our leaders of tomorrow, we have global leadership programs and a decentralized structure founded on collaboration, trust and freedom with accountability.	Inclusion and diversity are critical for our business success. We need to work with the full scope of diversity to create high-performing teams and workplaces that are inclusive, energized and productive.	With a company culture based on trust, transparency and freedom with accountability as well as employee care, we believe that we are well placed to remain an attractive employer. We strive to develop and encourage employees to challenge the organization to accelerate innovation.	Policy and processes are in place in our management system to ensure a systematic, organized response to a crisis, to manage it and ensure continued operations to reduce negative impact.
2030 goals	No 2030 goal established[1]	Double the number of women in operational roles. From 11% in 2019 to 22% in 2030.	No 2030 goal established[1]	No 2030 goal established[1]
Performance 2022	See graph.	Women in operational roles, 13.1%.	Employee survey performed and actions identified.	Risk management is described on pages 80-85.

[1] No 2030 goal established at Group level but Management approach, activities and information provided within this report.

We want to double the number of women in operational roles and we are making good progress.

We increased the number of trainings available as well as learning events and development programs during 2022. Maximizing the use of digital tools is an integral part of this. We will work to find a more robust way to capture how we work with learning and development – something we see as being very important to the continued success of Epiroc. The implementation of a new more user-friendly learning platform, launched in December 2022, should give good options for this. We continued to invest in Excellence programs for different roles, including business owners, sourcing managers, human resource managers, and business controllers, with the ambition to upskill and inspire employees.

The Epiroc global leadership programs are part of our strategy to attract and develop passionate and courageous leaders. The Challenger program is an inspirational learning journey that strives to develop and encourage employees to challenge the organization to accelerate innovation. The Influencer program aims to enhance leadership capabilities to actively inspire and develop our people to collaborate and increase performance and sustainable business results. During the year, we also introduced the Navigator program for more experienced managers who want to lead by example and develop authenticity in their leadership.

We strongly believe in internal mobility in the company to broaden perspectives and growth, including to work on short- and/or long-term assignments internationally. In support of this, we had our second Career week open to all employees, connecting people with career mentors to share experiences and ask for advice and guidance. We also hosted open events where we showcased how we work with career and professional development in the Group.

Number of employees

The total number of employees in the company increased by 1 467 persons during the year to 16 996, from 15 529 in 2021. The increase was mainly related to service and acquired businesses.

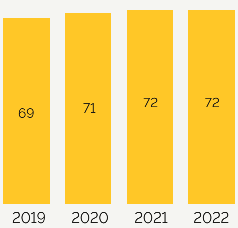
Inclusion and diversity

Based on a shared culture of performance, we strive to attract and retain the best talent regardless of gender, ethnicity, religion, disability, sexual orientation or age. We believe that inclusion and diversity are critical for our business success. We know that diverse teams innovate more and give better results, but having a diverse workforce is just a starting point, not a solution in or of itself.

Gender diversity is a challenge for our entire industry, and to dramatically improve the situation is a priority as part of our continuous efforts to create higher-performing teams. It is also one of our 2030 sustainability goals to double the number

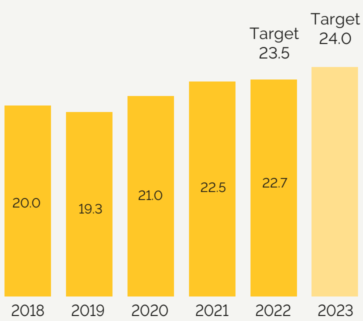
Selected KPI targets and performance

Leadership Index



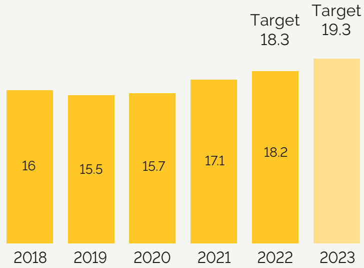
The result for 2022 was 72 which is the same result as last year, a result of continued focus.

Women managers, %



Target for 2022 was 23.5% and the result was 22.7%. We did not quite meet the goal, at the same time some progress was made in relation to end of 2021. Excluding the effect of acquisitions during the year, the outcome was 23.4%.

Women employees, %



Target for 2022 was 18.3% and the result was 18.2%. Excluding the effect of acquisitions during the year, the outcome was 18.4%.

of women in operational roles, that is, in R&D, marketing and sales, manufacturing, logistics and service. 18% of our R&D staff are women; 20% in marketing and sales; 31% in logistics: in manufacturing and services, it is 13% and 8% respectively. We can see that for certain job categories it is more challenging than for others to achieve these long-term goals. One such category is service technicians, where the current pool of women with relevant background and interest is relatively low. In addition, social norms and conditions need to be challenged. We also want to increase women managers and employees. We have targets of 40% of managers and 30% of employees being women by 2030.

"We work with the full scope of diversity to create high-performing teams."

To achieve progress and attract more women in operational roles, different initiatives have taken place. One initiative is the Female Service Technician Program that Epiroc Central Asia conducted, aiming at gender equality and the representation of women at every career level. In addition, the number of women apprentices in programs in many of our customer centers has increased, for example, through a service academy in India. In addition, our female mentorship program continued. 243 women have been mentored since 2015 within this program.

For us, diversity is much more than gender and includes a broad scope of differences. We work with the full scope of diversity to create high-performing teams. We are therefore putting increasing attention on being an inclusive company, where people feel safe and are encouraged and proud to be themselves at work. This has already started globally, for example in the training programs being rolled out on unconscious bias and inclusive leadership. We also use the feedback received in our annual employee survey to learn and improve.

We are proud of being a culturally diverse organization with 32 (34) nationalities represented among Epiroc's most senior managers worldwide. In addition, 130 (150) employees from 38 (39) countries work on long-term international assignments.

Disability inclusion is the commitment to realize the rights of persons with disabilities. This includes people who have long-term physical, mental, intellectual or sensory impairments which may hinder a full and effective participation in society on an equal basis with others. An important part of our inclusion and diversity goals is to create a work environment that allows all our people to perform at their very best and build a company culture in which everyone feels they can belong, develop, contribute, and build a career. A way for us to accommodate the needs of our people with disabilities as well as to foster a more inclusive workplace is to create a Persons with Disabilities network. During 2023, we will continue to look at different aspects of inclusion and diversity.

Being a Swedish-headquartered company with strong traditions of parental leave, we decided that, from 2023, we will make it possible for all our employees worldwide to take the opportunity to create a better work-life balance. Our new global parental level policy will make it possible for all parents to have a minimum of 12 weeks off during the first year of the newborn or adopted child. The policy provides the same opportunity for all parents: men, women, lesbian, gay, bisexual, transgender and queer (LGBTQ) persons. This is also in line with our inclusion and diversity ambitions.

Inclusion and diversity activities are in place throughout the Group, overseen by our Inclusion and Diversity Board. During the year, new members were appointed, representing senior managers in operational roles combined with others with a passion and complementary skills to help us continue to advance our inclusion and diversity ambitions.

Inclusive way to measure performance

During the year, 86% (87) of employees had performance development talks with their managers. We completed our annual employee survey during 2022, and achieved a high response rate of 86% (83) and received more than 11 875 comments from employees. This feedback gave us a strong base to understand where we are and what we need to work on moving forward. The Engagement score of 77 (77) remained high and the Leadership Index was stable at 72 (72). Top relative strengths are work-life balance, and purpose. Employees confirm the view that the work they do at Epiroc is meaningful to them and people also see they are able to challenge the status quo. Top relative opportunities are improvements around equal opportunities, decision-making, and execution.

For 2023, we will continue to focus on talent acquisition and personal development as well as inclusion and diversity.

Navigating a challenging world

The Covid-19 pandemic and the war in Ukraine affected businesses in all parts of the world – and Epiroc was no exception. We responded to the challenges with a continued focus on colleagues' health and well-being, as well as supporting and servicing our customers.

The Covid-19 pandemic also served as catalyst toward more flexible and hybrid working. We continued to encourage and explore the possibilities of more flexible hybrid ways of working within Epiroc for all our employees. Each entity is tasked with experimenting and finding new ways to balance the overall need to perform together, and at the same time to provide flexibility towards individual needs and expectations. We also continued to increase the use of digital technologies and tools to facilitate collaboration, frequent check-ins, and open communication. Resilience workshops for all managers were organized to provide tools for how to succeed in an increasingly complex world.

Collaboration

As a member of the International Council of Swedish Industry (NIR), we collaborate with Swedish companies and other stakeholders with the common goal of promoting sustainable and responsible business. One NIR example we participate in, is the Swedish Workplace Programme (SWP) which uses social dialogue to improve and strengthen relationships between management and employees. For more information on collaboration, see pages 21 and 146.

Employee and community engagement

How we affect our local communities is important for us and Water for All is our main community engagement.

Access to clean water is a human right. Since 1984, Water for All has been Epiroc´s main community engagement initiative. It has funded projects that empower people through access to clean drinking water, sanitation and hygiene, thereby contributing to healthy societies. The organization focuses especially on women and girls since they are particularly affected. The local Water for All organizations investigate and select a partner to work with and subsequently a water project to support. The project could involve drilling and digging a well or protecting a natural water resource. It could also be building a system for rainwater harvesting or building sanitation or sewer systems. Water for All is run on a voluntary basis by employees within the Epiroc Group and the Atlas Copco Group. Employee donations are matched with twice the amount by the companies.

In 2022, more than 65 water and sanitation projects were implemented with Water for All funding in 38 countries, in total reaching more than 250 000 people. For more information, see www.water4all.org.

A Public Private Partnership with the United Nations Industrial Development Organization (UNIDO), the Government of Sweden and Volvo Group.

Epiroc has joined forces to boost skilled jobs for youth, by stimulating technical and vocational education and training reform and accelerating inclusive and sustainable industrial development in the Democratic Republic of the Congo (DRC). The partnership also includes DRC's Ministry of Primary, Secondary, and Technical Education, the Ministry of Labour and Social Welfare, and the Ministry of Industry.

The UN-led public-private development partnership (PPDP) will promote youth's access to qualified employment in the heavy-duty equipment sector. The sector is a key part of the Congolese mining and construction industries, and one of the few sectors with potential to offer high quality employment opportunities to youth. However, very few young Congolese people gain access to jobs because the skills possessed by young people do not match those required by the productive sectors.

The project will support two vocational training centers with upgraded facilities, training equipment and tools, and modernized curricula. The centres will also offer career services to help graduates find employment. Trainer capacities will be built to enable the delivery of quality training aligned to employer needs for heavy-duty equipment maintenance mechanics or operators.

We live by the highest ethical standards

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

Risk-based approach

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

The Epiroc Compliance Board and Group Compliance have an oversight role. Our Anti-Corruption Program, Anti-Trust Program, Trade Compliance Program, Data Privacy Governance Program, Responsible Sourcing and Sales Assessments Processes, third-party due diligence, self-assessments and audits, help us better understand where we may have risks of non-compliance, even when risks are beyond our direct control.

Code of Conduct

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

Each manager is responsible for the implementation, day-to-day reinforcement and follow-up. Translations, questions and answers, and other materials are developed to support employees in understanding our CoC. A CoC E-learning, mandatory for all employees, is also available in twelve languages. The training includes all areas in the CoC with ethical dilemmas, some inspired by actual situations in Epiroc, to deepen our employees´ understanding and allow them to practice how to solve challenging situations. As part of completing the training, employees must certify compliance with our CoC. To ensure CoC compliance we continue to focus on training and raising awareness throughout our decentralized organization.

Compliance Programs

Our Group Compliance function implements compliance programs, including risk identification, policies, trainings and digital tools to manage compliance risks in all countries where we conduct business. This framework ensures an effective control structure within areas such as anti-corruption, conflict of interest, third-party due diligence, anti-money laundering, anti-trust, trade compliance, and data privacy. We have a Data Privacy Governance Board, and a Privacy Manager supporting data privacy governance and implementation of tools to increase visibility and quality of governance.

Performance Summary

Focus area	We live by the highest ethical standards		
Material topic	**Business ethics incl. corruption**	**Supply-chain management**	**Human rights**
SDGs	16	16	8, 16
Approach	Corruption is a challenge in many parts of the world and an issue for companies that want to conduct business responsibly. Living by the highest ethical standards is the foundation of our business approach and our CoC guides us.	Conducting business in a responsible manner is of great importance to Epiroc. Therefore, we choose to work with business partners with high ethical standards and that follow our CoC.	Epiroc stands for respect for human rights across our business operations. We are a signatory of UN Global Compact and committed to conducting our business in accordance with the UN Guiding Principles on Business and Human Rights (UNGP).
2030 goals	Have all employees comply with our Code of Conduct Target: 100%	Have all business partners comply with our Business Partner Code of Conduct Target: 100%	Responsible Sales Assessment Process Implemented[1] Target: 100%
Performance 2022	See graph.	See graph.	Baseline and rollout plan established.

[1] Reporting is under development and will be established in 2023.

We have customers in around 150 countries and that comes with a responsibility. Therefore, all Epiroc employees must adhere to our Code of Conduct.

Our Trade Compliance Steering Committee supports implementation of our trade compliance program within our entities, and our Global Trade Compliance Team provides guidance and training.

Speak Up - our whistleblower system

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

The number of cases reported via Speak Up or other channels rose in 2022 to 121 (100). In line with previous years, the largest category of reported cases related to labor relations, while fewer cases for categories of safety and harassment were reported compared to 2021. We welcome the opportunity to address issues and concerns reported by our employees. For more information about reported cases, see page 158.

The implementation of the EU Whistleblower Protection Directive was analyzed, and required changes to the Epiroc Speak Up system were introduced in June, allowing reporting to our EU based entities via local channels.

Zero tolerance for corruption

Corruption is a challenge in many parts of the world and an issue for companies that want to conduct business responsibly. To support our position, all our business partners are required to confirm compliance with the Business Partner Code of Conduct, and our indirect sales (IDS) channels are vetted in a due diligence process. Firm actions will be taken on any violation. We are an active member of the Swedish chapter of Transparency International.

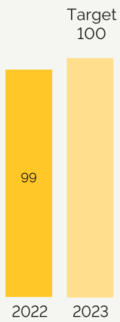
Selected KPI targets and performance

Managers that confirmed compliance with our Code of Conduct + Employees that confirmed compliance with our Code of Conduct (new)

Target for managers for 2022 was 100% and the result was 98%. The reason for not achieving 100% compliance for managers was because of a few newly acquired companies.

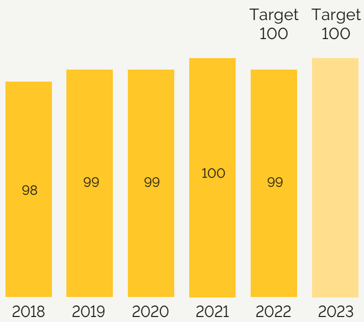
Target for all employees for 2022 was 93% and the result was 94% due to successful rollout to all employees.

Significant indirect sales channels (IDS) that confirmed compliance with Epiroc Business Partners Code of Conduct % (new)



Target for 2022 was 100% and the result was 99%. There are a few numbers of indirect sales channels that have not signed the compliance agreement due to delays in the process.

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



Target for 2022 was 100% and the result was 99%. We added indirect suppliers into this category, and not all of them have yet finalized the signing process. We also have some suppliers in a phase out activity that affect this KPI negative.

Responsible Business and Business Partner Code of Conduct

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

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

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

Responsible sourcing

We use a risk-based approach and track compliance with our Business Partner Code of Conduct for our significant suppliers. These are suppliers with the largest share of purchasing spend, and we use a lower threshold for those with operations in markets with the highest risk of corruption, environmental and human rights violations. We define risk markets using environmental, human rights and corruption criteria from a third-party risk analytics firm. Examples of risks covered are labor standards, child labor, modern slavery, CO_2e emissions, climate change exposure and water stress. For 2022, the total number of significant suppliers was 1 597 (1 422) and 99% (100) confirmed compliance with our Business Partner Code of Conduct.

We assess supplier compliance in different ways, the primary way being supplier self-assessments. Supplier on-site audits of selected suppliers are to take place minimum every fifth year.

In 2022, we performed 177 (91) quality, safety, health, social and environmental audits on suppliers' premises. In addition, 39 (44) were performed digitally of which 33 were approved and 6 were conditionally approved. Digital audits can be used for existing suppliers as an alternative to on-site audits if certain conditions are met.

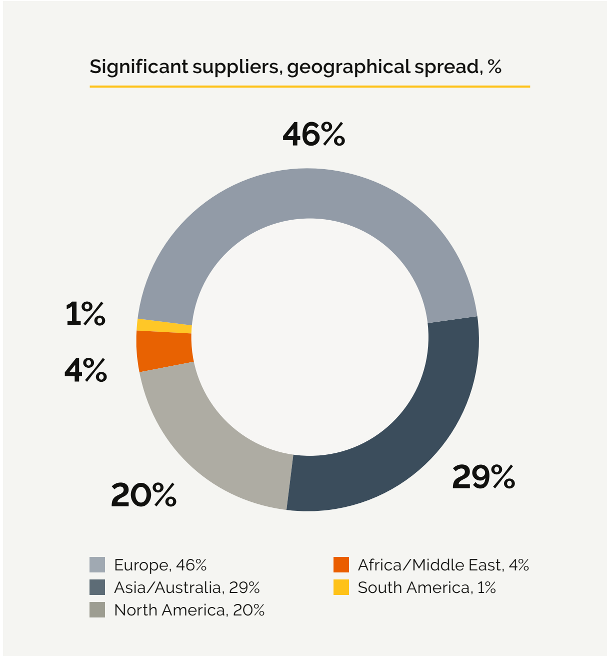
Of the suppliers audited on-site for quality, safety, health, social, and environment, 69% (95) were approved, the remaining 31% (5) approved with conditions, 0 (0) were rejected. Business relationship reviews are conducted when violations are detected. In these cases, business partners must adapt or change to meet our requirements and establish an action plan for compliance. A precondition for doing business with us is that our business partners must allow us to perform audits.

During 2022, the war in Ukraine and the Covid-19 pandemic posed supply-chain and transportation challenges for us. To manage these challenges, we continue to regionalize and source closer to our customers and our production facilities, thereby better serving customers and adding value locally while reducing our CO_2e footprint. During the year, we improved our supplier base master data with common data systems. We also started a clearer dialogue with our suppliers with respect to our 2030 goals and our expectations on them. This has triggered some suppliers to start their own projects already now with, for example, solar panels and gender diversity initiatives. During 2023, these supplier discussions will be further deepened.

Our work with electrification of our products does not come without challenges. For example, cobalt is an important metal for batteries. Mining and end-of-life disposal can pose human rights and environmental risks to workers and local communities. We work closely together with our battery supplier, Swedish company Northvolt, and other electrical component suppliers, customers, innovation partners and other stakeholders to achieve transparency on our impacts in this regard across the value chain. For more information on cobalt and conflict minerals, see page 155.

During 2022, we further strengthened our sourcing organization with additional responsible sourcing specialists within, for example, compliance, human rights and climate change, to meet upcoming legal requirements and to ensure that tools, processes, trainings and activities are updated accordingly. For more information, see pages 157-158.

Epiroc Sourcing general process: Manage Procurement and Suppliers



Indirect sales channels

In 2022, the previous definition of significant agents, resellers and distributors was replaced with a new definition called indirect sales (IDS) channels. The definition of IDS channels is all indirect sales channels of goods and services or any third party acting as distributor or intermediary to serve Epiroc customers. The change from the previous definition has not changed the numbers to a significant extent. All IDS channels must commit to follow our Business Partner Code of Conduct and we vet our IDS channels in a due diligence process.

For significant IDS channels we also follow up that they have confirmed compliance with our Business Partner Code of Conduct. These are IDS channels with the largest share of purchasing spend, and a lower threshold for those with operations in markets with the highest risk of corruption, environmental and human rights violations. We define risk markets using environmental, human rights and corruption criteria from a third-party risk analytics firm. For 2022, the total number of significant IDS channels was 278 and 99% confirmed compliance with our Business Partner Code of Conduct. For more information, see pages 157-158.

During 2022, we implemented an external risk platform including entity data and curated risk data of adverse media, sanctions, watchlists and politically exposed persons (PEPs). The use of this tool for due diligence of our IDS channels together with questionnaires related to the relationship with the IDS channels, facilitates due diligence to ensure that we only conduct business with IDS channels that are following laws and regulations and have good business ethics.

"In 2020, Epiroc decided to no longer develop products or solutions exclusively dedicated to coal extraction."

Responsible sales

From March 1, Epiroc stopped deliveries to Russia, which was our fourth-largest market in 2021. It is currently not possible to conduct business in the country.

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

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

During 2022, a baseline was established and a rollout plan to reach the 2030 goal was set. Additional targeted trainings on the process took place with selected high-risk markets and further improvements of the content and quality of the process will take place in 2023.

Responsible sales also include climate-related considerations. The transition to a low-carbon economy requires less use of fossil fuels. In 2020, Epiroc decided to no longer develop products or solutions exclusively dedicated to coal extraction. The product portfolio is designed for hard-rock excavation, and Epiroc neither has nor is developing any equipment exclusively dedicated to coal extraction, even though some of the drill rigs can be used in coal applications. For more information on how we implement the UNGP, see page 158.

Administration report

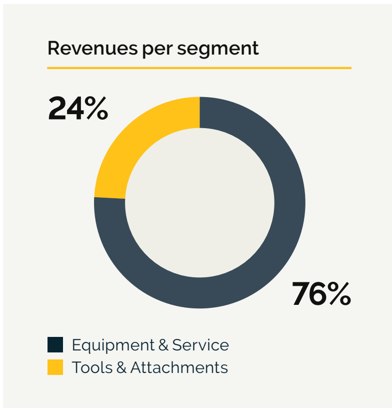
Throughout 2022, Epiroc managed significant supply-chain challenges, including disruptions resulting from the war in Ukraine. In March, Epiroc stopped deliveries into Russia. Customer activity remained high in 2022. Epiroc won many large equipment orders and had strong development in the aftermarket. Many ground-breaking innovations were launched and several strategic acquisitions were made. The organization executed well on the strategy. All in all, it was a record year for Epiroc.

Epiroc's organization

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

As from January 1, 2023, the Group is organized in seven separate and focused but still integrated divisions and has two reporting segments: Equipment & Service (see pages 62-63) and Tools & Attachments (see page 64). Common Group Functions serve the whole Group. Revenues from operating leases owned by Epiroc Financial Solutions are reported under Common Group Functions.

At the end of 2022, Epiroc had 29 (27) production facilities in 12 (11) countries. Equipment & Service had 13 (12) facilities and Tools & Attachments had 17 (16). One facility serves both Equipment & Service and Tools & Attachments.



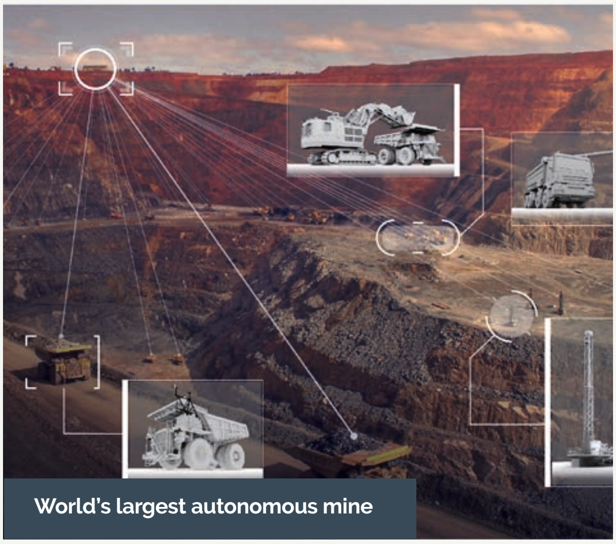
Equipment & Service

- Surface
- Underground
- Digital Solutions
- Parts & Services *North and South America (NASA)*
- Parts & Services *Europe, Middle East and Africa (EMEA)*
- Parts & Services *Asia Pacific (APAC)*

Tools & Attachments

- Tools & Attachments

Innovations



World's largest autonomous mine

Final stage of project

Epiroc supports Roy Hill in Australia in creating the world's largest autonomous mine. The previous two years of testing have proven that desired safety and productivity metrics are achieved. Now, the mixed fleet of 96 haul trucks, will be converted to driverless operation.

SmartROC T35 E

First ever battery-electric surface drill rig

Epiroc is field-testing the world's first battery-electric surface drill rig: the SmartROC T35 E, equipped both with battery and electric cable. This is a milestone for zero-emission drilling in surface mines and quarries.

MT42 E with green steel

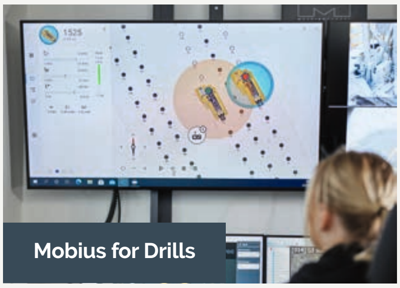
Mine truck made using fossil-free steel

In partnership with steel manufacturer SSAB, Epiroc prototypes a battery-electric Minetruck MT42 made of fossil-free steel. The result is a 10-tonne reduction of CO_2e emissions per manufactured dump box.

The V Cutter

Revolution in trenching

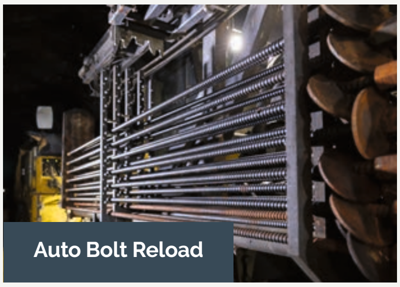
The V Cutter sets a new standard in trenching and quarrying. Thanks to the V-shaped design an extraordinary effectiveness is achieved, which enables energy savings of up to 40%.



Mobius for Drills

Accelerating automation

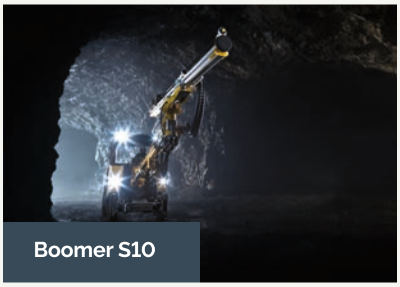
In partnership with ASI Mining, Epiroc has introduced Mobius for Drills, a platform to convert data into useful, actionable information. It accelerates the implementation of automation and connectivity in mines.



Auto Bolt Reload

First-class operator safety thanks to Auto Bolt Reload

The main design feature of the Boltec Auto Bolt Reload is the fully mechanized bolt reloading system. The system automatically feeds bolts from a large carrier magazine to the feed magazine, while the operator remains safe inside the ergonomic cabin.



Boomer S10

World's first automated one-boom jumbo

The Boomer S10 S is the world's first one-boom jumbo featuring Epiroc's Rig Control System. The consistent, repeatable, and quality-assured results are made possible by advanced automation, operator-assisting features, and digital drill plans.

Powerbit X

Protected by diamonds

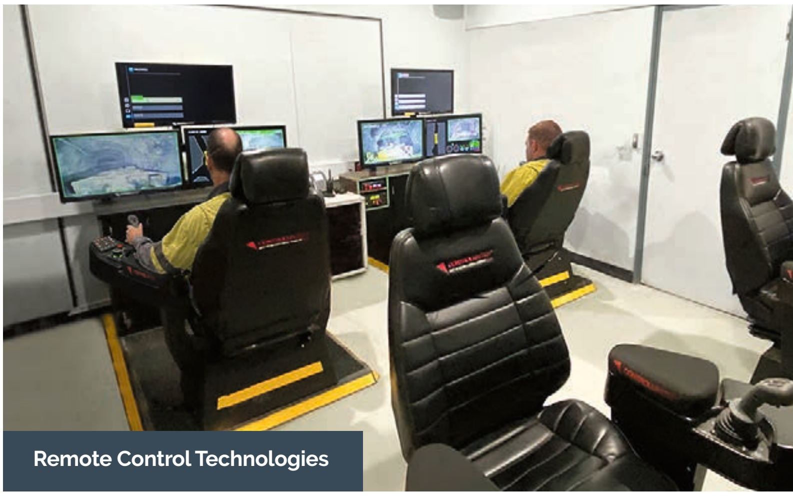
Powerbit X is a new drill bit with diamond-protected buttons, which can significantly prolong the replacement intervals. Less exposure to danger for operators, more uptime and lower CO_2e emissions are some of the benefits.

Acquisitions

Acquisitions that support profitable growth are a natural part of the strategy. In 2022, Epiroc finalized six acquisitions with total revenues of approximately MSEK 2 385. Another three acquisitions with total revenues of approximately MSEK 2 400 were announced.

Radlink

JTMEC



Remote Control Technologies

Acquisitions completed in 2022

JTMEC provides electrical infrastructure solutions. The acquisition supports the transition to battery electrification. The company has approximately MSEK 235 in annual revenues and 190 employees. The acquisition was announced on April 29 and completed on June 1. Revenues from the acquisition are reported in "Service".

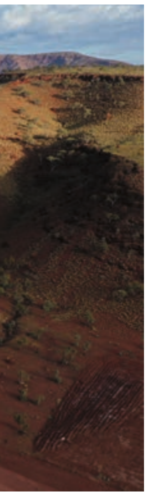
RNP México manufactures rock drills and related spare parts. The acquisition strengthens Epiroc's presence in Latin America. The company has approximately MSEK 245 in annual revenues and 370 employees. The acquisition was announced on June 10 and completed on August 2. Revenues from the acquisition are reported in "Service".

Geoscan provides digital geological imaging solutions to mining companies. The acquisition complements Epiroc's offering within ore body knowledge, which in turn strengthens productivity in customers operations. The company has approximately MSEK 65 in annual revenues and 50 employees. The acquisition was announced on October 7 and completed on October 14. Revenues from the acquisition are reported in "Equipment".

Radlink provides mines with wireless connectivity solutions. The acquisition of a majority stake of 53% strengthens Epiroc's offering in automation and digital solutions. The company has approximately MSEK 1 040 in annual revenues and 330 employees. The acquisition was announced on September 19 and completed on November 1. The minority share is reported as "non-controlling interests". Revenues from the acquisition are reported in "Service".

Wain-Roy manufactures excavator attachments for the construction industry. The acquisition strengthens Epiroc's presence in the North American construction market and increases the capacity for manufacturing advanced attachments in that region. The company has approximately MSEK 200 in annual revenues and 100 employees. The acquisition was announced on October 21 and completed on November 4. Revenues from the acquisition are reported in "Tools & Attachments".

Remote Control Technologies provides automation and remote-control solutions for mining customers around the world and makes Epiroc the world-leading automation solutions provider not only for surface and underground rock drilling but also for underground loading and haulage. The company has approximately MSEK 600 in annual revenues and 225 employees. The acquisition was announced on October 31 and completed on December 1. Revenues from the acquisition are reported in "Service".



AARD Mining Equipment

CR

Announced in 2022 but completed in 2023

Mernok Elektronik provides advanced collision avoidance systems and strengthens Epiroc's position as a world-leading provider of automation and safety solutions for mining operations. The company has approximately MSEK 50 in revenues and 45 employees. The acquisition was announced on December 9, 2022 and completed on February 2, 2023. Revenues from the acquisition are reported in "Service".

CR provides advanced ground engaging tools and related digital solutions mainly for the mining industry. With this acquisition, Epiroc is expanding its first-rate offering of essential consumables and digital solutions. The company has approximately MSEK 1 700 in revenues and 400 employees. The acquisition was announced on December 13, 2022 and completed on February 2, 2023. Revenues from the acquisition are reported in "Tools & Attachments".

Announced in 2022 but not yet completed

AARD Mining Equipment manufactures a wide range of mining equipment, specializing in low-profile underground machines for mines with low mining heights. The acquisition complements Epiroc's underground offering as well as strengthening Epiroc's footprint in Africa. The company has approximately MSEK 650 in revenues and 200 employees. The acquisition was announced on August 25 and is expected to be completed in the first quarter 2023. Revenues from the acquisition will be reported in "Equipment".

Other events

Russia and Ukraine

As from March 1, 2022, Epiroc stopped deliveries to Russia, Epiroc's fourth-largest market.

In the third quarter, orders on hand in Russia were removed from the order book, which had a negative impact of MSEK -1 002 on orders received.

Provisions of MSEK 550 related to receivables, inventories, and restructuring costs were booked during the year.

At the end of December, Epiroc had net assets in Russia amounting to approximately MSEK 240, whereof 249 cash and cash equivalents.

Historical exposure

In 2021, Russia represented about 6% of revenues and had about 500 employees.

In 2021, Ukraine represented about 0.7% of revenues and had about 100 employees.

Division and management changes

February 21, 2022: Charlotta Grähs was appointed as Senior Vice President General Counsel and member of Group Management.

July 1, 2022: To further enhance its focus on the technology and digital business, Epiroc has created a new division: Digital Solutions, with commercial responsibility for digital solutions.

July 1, 2022: Jonas Albertson was appointed Chief Technology Officer, with responsibility for the development of common automation and digital platforms as well as for Group IT.

In December 2022, Epiroc appointed Paul Bergström President of the Digital Solutions division and member of Group Management, effective not later than June 1, 2023. Ashleigh Braddock has been acting division President since July 2022.

January 1, 2023: To further enhance its focus on parts and services, Epiroc has established three regional Parts & Services divisions. Nelson Trejo, Luis Araneda and Arman Bagdasarian have been appointed division presidents and members of Epiroc Group Management. Jess Kindler, previously President of Epiroc's Parts & Services division, has left the Group for a position outside of the company.

January 1, 2023: Mattias Olsson, Senior Vice President Corporate Communications, took up a new role as Vice President M&A and Integration in the Group.

January 1, 2023: The exploration tools business was moved from Tools & Attachments to Equipment & Service.

Green bonds issued

In September, Epiroc issued green bonds amounting to MSEK 2 000 to finance sustainable investments, expenditures, and R&D.

Relocating operations from Japan to China

The production of surface drill rigs will be relocated from Yokohama, Japan, to Nanjing, China. The production facility in Japan, with about 50 employees, has been sold and will be closed by mid-2023. Restructuring costs booked in the second quarter 2022 amounted to MSEK -95. A capital gain on the sale of the property in Japan of approximately MSEK 350 is expected to be recognized in 2024.

Market development

2022 was a strong year in many ways. Customer activity and demand remained high. Epiroc won many large equipment orders and the aftermarket developed well, with particularly strong growth in service. Many orders included automation, digitalization and electrification solutions, which help our customers to increase safety and productivity, and lower emissions.

Orders received

Orders received increased 17% to MSEK 53 222 (45 648), corresponding to organic growth of 2%. Excluding Russia, the organic growth was 11%. Acquisitions (structure) contributed 5%, whereof approximately 2% related to orders-on-hand of acquired companies. Currency impacted the order intake positively by 10%.

Compared with the previous year, orders received increased double digit in local currency in all regions, except in Europe where Russia impacted negatively. South America achieved the highest growth rate.

- North America (26% of orders received): +12%
- South America (14% of orders received): +23%
- Europe (14% of orders received): –29%. Excluding Russia, orders received increased 10%.
- Africa/Middle East (16% of orders received): +15%
- Asia/Australia (30% of orders received): +19%

Sales bridge	Orders received	Revenues
	MSEK	MSEK
2021	**45 648**	**39 645**
Organic	2	11
Currency	10	11
Structure/other	5	3
Total	17	25
2022	**53 222**	**49 694**

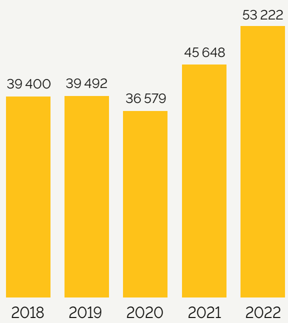
Revenues

Revenues increased 25% to MSEK 49 694 (39 645), corresponding to organic growth of 11%. Acquisitions and currency impacted revenues positively by 3% and 11% respectively. The book-to-bill ratio was 107% (115).

This is Janet, one of Epiroc's 16 996 employees. Inclusion and diversity lead to better results. Therefore, Epiroc has a goal to increase the number of women in the Group.

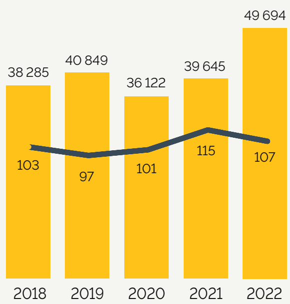
Epiroc's goal is to achieve annual revenue growth of 8% over a business cycle. The average annual revenue growth was 8% in the period 2015-2022.

Orders received



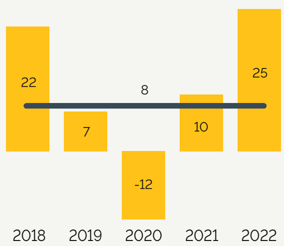
Orders received, MSEK

Revenues and book-to-bill



Revenues, MSEK
Book-to-bill, %

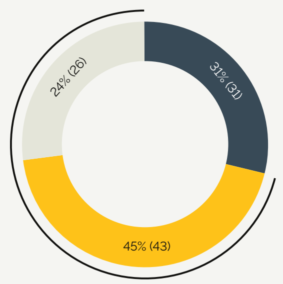
Annual and average revenue growth



Revenue growth, %
Compound annual growth rate, 2015–2022, %

Revenues by business type

Aftermarket 69% (69)



Equipment
Tools & Attachments
Service

Profit

Operating profit, EBIT, increased 24% to MSEK 11 147 (8 995), of which items affecting comparability accounted for MSEK –608 (-103). These include provisions of MSEK –550 related to Russia, restructuring costs of MSEK –95 related to the relocation of manufacturing from Japan and a change in the provision for share-based long-term incentive programs of MSEK +37 (-270). The previous year included a positive revaluation effect of the shares held prior to the acquisition of the remaining shares of Mobilaris MCE of MSEK 167. Operating profit was supported by organic growth and currency.

Profit bridge	Operating profit	
	MSEK,Δ	Margin,Δ,pp
2021	**8 995**	**22.7**
Organic	1 932	2.0
Currency	744	–0.6
Structure/other*	–524	–1.7
Total	2 152	–0.3
2022	**11 147**	**22.4**

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

Operating profit, EBIT, for Equipment & Service increased 19% to MSEK 9 277 (7 808), corresponding to a margin of 24.6% (26.6). The operating profit, EBIT, for Tools & Attachments increased 18% to MSEK 2 114 (1 784). corresponding to a margin of 17.5% (17.5). Common Group Functions reported an operating loss of MSEK–244 (–597).

The Group's operating margin, EBIT, was 22.4% (22.7). The adjusted margin was 23.7% (22.9), positively impacted by organic growth, but negatively impacted by acquisitions and currency.

Depreciation, amortization and impairment costs were MSEK 2 130 (1 746). Earnings before depreciation and amortization, EBITDA, were MSEK 13 276 (10 740), corresponding to a margin of 26.7% (27.1).

Financial income was MSEK 238 (166) and financial expenses were MSEK –607 (–197). Net financial items were MSEK –369 (–31), negatively impacted by exchange rate differences of MSEK –259 (53). Net interest costs were MSEK –129 (–88).

Profit before tax amounted to MSEK 10 778 (8 964), corresponding to a margin of 21.7% (22.6). Income tax expense amounted to MSEK –2 367 (–1 895), corresponding to an effective tax rate of 22.0% (21.1).

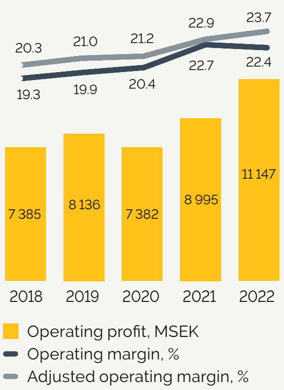
Return

Return on capital employed increased to 28.0% (26.1), positively affected by the improved operating profit. Return on equity was 28.4% (29.5).

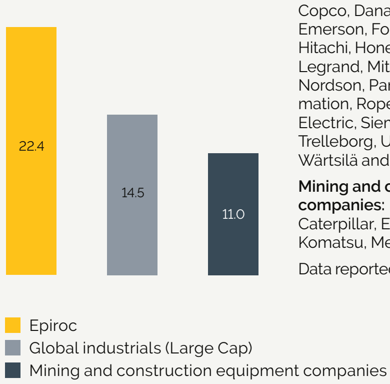
Epiroc's goal is to improve capital efficiency and resilience. Investments and acquisitions should create value.

Epiroc's goal is to have an industry-best operating margin, with strong resilience over the business cycle. The Group's operating margin averaged 19.8% in 2015–2022.

Operating profit and margin



Operating margin (EBIT) average 2015–2022 vs. peers and industrial companies

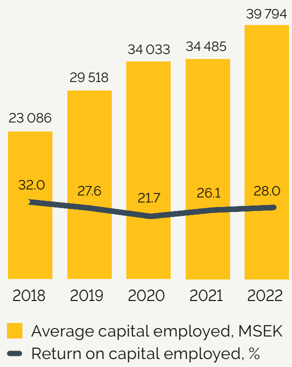


Global industrials (Large cap): 3M, ABB, Alfa Laval, Assa Abloy, Atlas Copco, Danaher, Deere, Dover, Eaton, Emerson, Fortive, General Electric, Graco, Hitachi, Honeywell, Kennametal, Kone, Legrand, Mitsubishi Heavy Industries, Nordson, Parker-Hannifin, Rockwell Automation, Roper Technologies, Schneider Electric, Siemens, SKF, Smiths Group, Trelleborg, United Technologies, Volvo, Wärtsilä and Xylem.

Mining and construction equipment companies: Caterpillar, Everdigm, Furukawa, Komatsu, Median, Sandvik and Weir.

Data reported through February 20, 2023

Capital employed and return on capital employed



Balance sheet

Balance sheet in summary

MSEK	2022	% of total assets	2021	% of total assets
Intangible assets	13 073	21	7 233	15
Rental equipment	1 458	2	1 279	3
Other property, plant and equipment	5 429	9	4 587	9
Other non-current assets	3 345	5	2 582	5
Inventories	16 945	27	11 861	24
Trade receivables	9 581	16	7 174	15
Other receivables	3 510	6	2 247	5
Financial assets	1 010	2	828	2
Cash and cash equivalents	7 326	12	10 792	22
Assets held for sale	103	0	–	–
Total assets	**61 780**	**100**	**48 583**	**100**
Total equity	33 508	54	25 785	53
Interest bearing liabilities	11 025	18	9 546	20
Non-interest bearing liabilities	17 247	28	13 252	27
Total equity and liabilities	**61 780**	**100**	**48 583**	**100**

Total assets increased to MSEK 61 780 (48 583), mainly following acquisitions and increased inventories. Cash and cash equivalents decreased.

Net debt was MSEK 3 691 (net cash 1 304). Net debt/EBITDA, %, was 0.28 (–0.12). The net debt/equity ratio was 11.0 (-5.1).

Group financing consists of capital market borrowings of MSEK 5 134 and loan facilities of MSEK 3 000, with maturities in 2023–2027. As back-up, the Group has a MSEK 4 000 revolving credit facility and a MSEK 2 000 commercial paper program, both unutilized at year-end 2022. See notes 22 and 29.

Group equity including non-controlling interests was MSEK 33 508 (25 785), corresponding to 54.2% (53.1) of total assets. Equity per share was SEK 27.78 (21.38). Total comprehensive income for the year was MSEK 11 165 (8 724).

Net working capital increased 52% to MSEK 18 564 (12 186). For comparable units and currency-adjusted, net working capital increased 33%, with more inventories and trade receivables. Average net working capital was MSEK 15 570 (11 495). As a percentage of revenues last 12 months, the average net working capital was 31.3% (29.0).

Cash flow

Operating cash flow was MSEK 5 662 (6 867). The improved profit contributed positively, while the cash flow from working capital was negative following higher volumes and related higher inventories and customer receivables.

Net cash flow from operating activities was MSEK 5 558 (7 607).

Net financial items paid were MSEK –561 (139). Taxes paid were MSEK –2 676 (–1 978). Cash flow from change in working capital was MSEK –3 737 (–619), mainly due to higher inventories and trade receivables.

Net investments in rental equipment were MSEK –517 (–427).

Gross investments in property, plant and equipment were MSEK –600 (–489) and divestments were MSEK 62 (1), thus net investments in property, plant and equipment were MSEK –538 (–488). The largest investment was made in the manufacturing facility in Örebro, Sweden. Investments in intangible assets, mainly related to capitalization of development expenditures but also investments in IT systems, were MSEK –414 (–437).

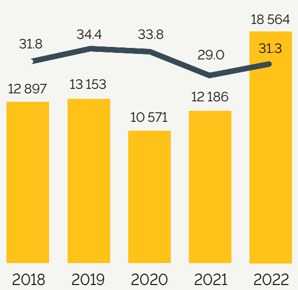
Six (eight) acquisitions and no (one) divestments were completed and the net cash flow effect was MSEK –4 686 (–2 352), see notes 3 and 15. Proceeds to/from other financial assets were MSEK –353 (–196), net.

Dividends paid to shareholders were MSEK –3 619 (–3 016) and dividends paid to non-controlling interests were MSEK –2 (–7). In the previous year, a mandatory redemption of shares was made, amounting to MSEK –3 619.

Cash flow from sales and repurchases of own shares was MSEK –116 (64), net, all related to hedging or deliveries of shares for the long-term incentive programs described in note 25. Change in interest-bearing liabilities was MSEK 686 (-1 858).

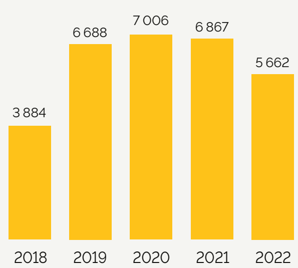
Epiroc's goal is to provide long-term stable and rising dividends. The dividend should correspond to 50% of net profit over the cycle. The Board of Directors proposes a dividend of SEK 3.40 (3.00), corresponding to 49% (51) of net profit.

Net working capital



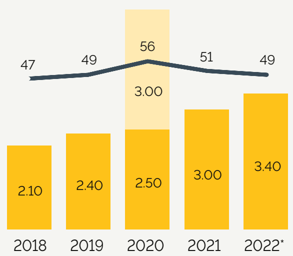
Net working capital, MSEK, period end
Average net working capital/revenues, %, 12 months

Operating cash flow



Operating cash flow, MSEK

Dividend and payout ratio



Extra distribution (redemption) per share, SEK
Dividend per share, SEK
Payout ratio, %

*Proposal by the Board.

Employees

The average number of employees increased 9% to 15 969 (14 611).

On December 31, 2022, the number of employees was 16 996 (15 529). External workforce amounted to 1 630 (1 474). For comparable units, the workforce increased by 322 compared with the previous year, mainly in service. Epiroc uses external workforce to handle temporary fluctuations in demand and mainly within manufacturing.

1 300 employees were added through completed acquisitions, of which 808 are located in Asia/Australia.

The proportion of women employees and women managers at the end of the period increased to 18.2% (17.1) and 22.7% (22.5), respectively.

Number of employees, average

	2022	% of total	2021	% of total
North America	2 749	17	2 174	15
South America	1 546	10	1 393	9
Europe	4 822	30	4 683	32
– Sweden	*3 323*	*21*	*3 123*	*21*
Africa/Middle East	2 638	17	2 446	17
Asia/Australia	4 214	26	3 915	27
Total	**15 969**	**100**	**14 611**	**100**

Employees by professional category, %

	2022	2021
Service & supply chain	40	42
Production	24	24
Administration	17	16
Marketing, sales & support	11	11
Research & development	8	7
Total	**100**	**100**

Epiroc has more than 7 100 service technicians around the world. Their work contributes to improved productivity and lowers the total cost of operations for customers.

Equipment & Service

Organization
As from January 1, 2023, Equipment & Service consists of six divisions and provides rock drilling equipment, equipment for mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, drilling equipment for exploration, water and energy, as well as related spare parts and service for the mining and infrastructure industries. The segment also provides solutions for automation, digitalization and electrification.

Market development
The customers' activity level was high with good demand for both equipment and service. The willingness to invest was high and several large orders, including orders for greenfield mines, were won. The strong service offering, including remanufacturing solutions, mid-life upgrades and battery conversions, was well received by customers. Epiroc's local presence and focus on availability strengthened the market position, particularly in service.

Orders received
Orders received increased 20% to MSEK 41 566 (34 513), corresponding to organic growth of 3%. Excluding Russia the organic growth was 16%. Acquisitions (structure) contributed 6%, whereof approximately half relates to booked orders-on-hand of acquired companies. Currency contributed 11%.

Compared to the previous year, orders received in local currency increased in all regions, except in Europe where Russia impacted negatively. South America achieved the highest growth rate.

- North America (24% of orders received): +15%
- South America (15% of orders received): +29%
- Europe (12% of orders received): –34%
- Africa/Middle East (15% of orders received): +20%
- Asia/Australia (34% of orders received): +24%

For equipment, orders received increased 5% to MSEK 17 189 (16 403), corresponding to an organic decline of –5%.

Scooptram is Epiroc's name for underground loaders. The range covers ST2-ST18, where the number indicates the tonnes of rock the bucket can carry. Several of the loaders are available in battery- and cable electric versions. Other versions are also available. for example the ST1030, our most sold loader.

The order intake increased for underground, but decreased for surface equipment. The share of orders from equipment was 41% (48) in the segment.

For service, orders received increased 35% to MSEK 24 377 (18 110), corresponding to 13% organic growth. The growth was supported by a combination of high customer activity and an enhanced service offering. The share of orders from service was 59% (52) in the segment.

Equipment & Service

Surface

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

Underground

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

Digital Solutions

Offers solutions that drive the digital transformation of the mining and construction industries. The division provides a dynamic range of technology-agnostic digital solutions that improve safety, productivity, and sustainability onsite, from the control room to the boardroom.

Parts & Services
North and South America (NASA)

Parts & Services
Europe, Middle East and Africa (EMEA)

Parts & Services
Asia Pacific (APAC)

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

	Equipment & Service		Equipment		Service	
Sales bridge	**Orders received**	**Revenues**	**Orders received**	**Revenues**	**Orders received**	**Revenues**
	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%
2021	34 513	29 320	16 403	12 197	18 110	17 123
Organic	3	13	-5	11	13	15
Currency	11	12	9	12	12	12
Structure/other	6	3	1	2	10	4
Total	20	28	5	25	35	31
2022	41 566	37 661	17 189	15 199	24 377	22 462

Revenues

Revenues increased 28% to MSEK 37 661 (29 320), corresponding to organic growth of 13%. Acquisitions and currency contributed 3% and 12% respectively. For service, the revenues increased organically by 15% and for equipment by 11%. The share of revenues from service was 60% (58). The book-to-bill ratio was 110% (118).

Operating profit and margin

Profit bridge	Operating profit	
	MSEK,Δ	Margin,Δ,pp
2021	**7 808**	**26.6**
Organic	1 816	2.1
Currency	477	-1.1
Structure/other	–824	-3.0
Total	1 469	-2.0
2022	**9 277**	**24.6**

Operating profit increased 19% to MSEK 9 277 (7 808), of which items affecting comparability accounted for MSEK –560 (+167). These include provisions of MSEK –465 related to Russia and restructuring costs of MSEK –95 related to the relocation of manufacturing from Japan. The previous year included a positive revaluation effect of the shares held prior to the acquisition of the remaining shares of Mobilaris MCE of MSEK 167. Operating profit was positively impacted by increased volumes and currency, while acquisitions had a negative impact.

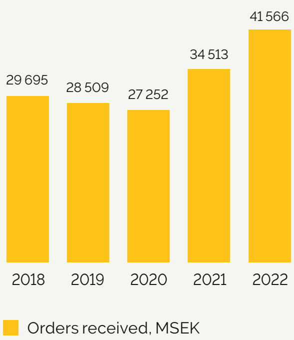
The operating margin was 24.6% (26.6). The adjusted operating margin was 26.1% (26.1), supported by organic growth, but diluted by currency and acquisitions.

Acquisitions

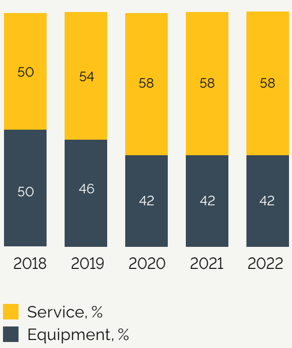
Equipment & Service completed five (seven) acquisitions in 2022. In total, the acquisitions added 1 165 (865) employees and approximately MSEK 2 185 (927) in annual revenues. Read more on pages 56-57 and note 3.

In addition to battery-electric vehicles, Epiroc also provides electric infrastructure solutions. The revenues from these are reported in Service.

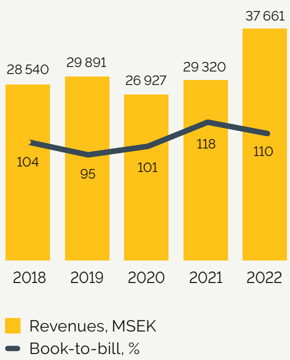
Orders received



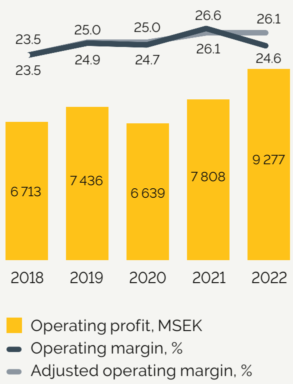
Revenue split by business type



Revenues and book-to-bill



Operating profit and margin



Tools & Attachments

The V-shape in the V Cutter enables a cut with a flat base with no material left untouched between the drums, which means faster and more accurate trenching.

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

Market development
The activity in both the infrastructure and mining industry was healthy for Tools & Attachments with a good level of activity in almost all markets. However, organically, order volumes decreased somewhat compared to the previous year.

Orders received
Orders received increased 7% to MSEK 11 795 (11 025), corresponding to organic decline of –4%. Excluding Russia, the organic growth was 1%. Currency and acquisitions (structure) contributed 10% and 1%, respectively. Compared to the previous year, orders received in local currency increased in North America and Africa/Middle East, but decreased in the other regions.

- North America (31% of orders received): +11%
- South America (10% of orders received): –1%
- Europe (22% of orders received): –17%
- Africa/Middle East (18% of orders received): +3%
- Asia/Australia (19% of orders received): –2%

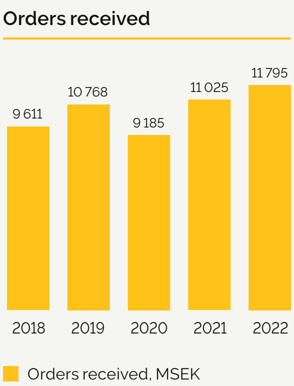
Revenues
Revenues increased 18% to MSEK 12 049 (10 205), corresponding to organic growth of 5%. Currency and acquisitions contributed positively 10% and 3% respectively. The book-to-bill ratio was 98% (108).

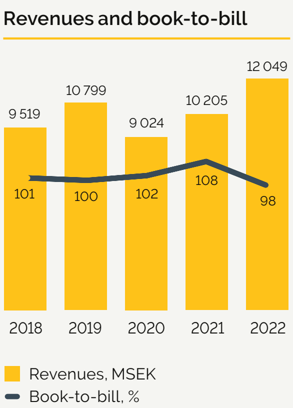
Sales bridge	Orders received	Revenues
	MSEK, Δ,%	MSEK, Δ,%
2021	**11 025**	**10 205**
Organic	-4	5
Currency	10	10
Structure/other	1	3
Total	7	18
2022	**11 795**	**12 049**

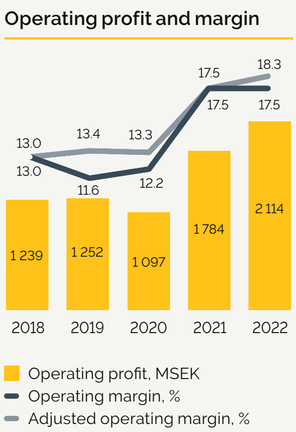
Operating profit and margin
Operating profit increased 18% to MSEK 2 114 (1 784), including provisions of MSEK –85 related to Russia. Operating profit was positively impacted by currency and increased volumes. The operating margin was 17.5% (17.5). The adjusted operating margin was 18.3% (17.5), supported by currency.

Profit bridge	Operating profit	
	MSEK,Δ	Margin,Δ,pp
2021	**1 784**	**17.5**
Organic	99	0.0
Currency	250	0.6
Structure/other	-19	-0.6
Total	330	0.0
2022	**2 114**	**17.5**

Acquisitions
Tools & Attachments completed one (one) acquisition in 2022, with 100 (60) employees and approximately MSEK 200 (210) in annual revenues. Read more on pags 56-57 and note 3.







Parent Company

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

Earnings

The operating loss was MSEK –151 (–136). Profit before tax totaled MSEK 6 458 (4 677). Profit for the year amounted to MSEK 5 138 (3 763).

Financing

Total assets were MSEK 58 029 (55 590) at year-end. Interest bearing liabilities, excl. post-employment benefits, totaled MSEK 8 123 (6 989). Equity represented 85% (86) of total assets and non-restricted equity totaled MSEK 48 885 (47 489).

Employees

The average number of employees was 46 (41), of which 54% were women.

Remuneration

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

Financial risks

Epiroc is subject to currency risks, interest rate risks and other financial risks. Epiroc has adopted a policy to control the financial risks to which Epiroc AB and the Group are exposed. A financial risk management committee meets regularly to make decisions about how to manage these risks. See pages 72-79 and note 29.

Shares and share capital

At year-end, Epiroc AB's share capital totaled MSEK 500 (500). The total number of issued Epiroc shares was 1 213 738 703 shares, of which 823 765 854 shares were class A and 389 972 849 shares were class B. For more information, see note 21.

Performance-based long-term incentive program

The Board of Epiroc has been authorized to purchase, transfer and sell the company's own shares in relation to Epiroc's performance-based personnel option plans. At year-end 2022, Epiroc held 8 168 377 class A shares. The Board will propose to the AGM 2023 a similar program as in previous years. See notes 21 and 25.

Appropriation of profit

The Board proposes to the AGM a dividend of SEK 3.40 (3.00) per share, which corresponds to a total of MSEK 4 099 (3 619). The dividend is proposed to be paid in two equal installments with record dates May 25 and October 24, 2023. It is also proposed that the balance of retained earnings after the dividend shall be retained in the business.

SEK	
Retained earnings incl. fair value reserve	43 747 166 318
Profit for the year	5 138 239 966
Total	**48 885 406 284**
The Board of Directors proposes that these earnings shall be appropriated as follows:	
To the shareholders,	
- a dividend of SEK 3.40 per share [1]	4 098 939 108
- to be retained in the business	44 786 467 176
Total	**48 885 406 284**

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

Statement by the Board on proposed appropriation of profit

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

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

Statutory sustainability report

Epiroc has prepared a sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines. The sustainability report has been prepared in accordance with disclosure requirements set out in the Swedish Annual Accounts Act, chapter 6, paragraph 11. The scope and content of the sustainability report is defined on page 3.

If you visit the Epiroc headquarters, you might run into Silvana. She works within the Treasury department and has been with the company for 14 years.

The Epiroc share

Listing and shares

Epiroc's shares were listed on Nasdaq Stockholm on June 18, 2018 at an opening price of SEK 88.0 and SEK 84.0, respectively (A and B share).

A shares entitle the owner to one vote while B shares entitle the owner to one tenth of a vote. A shares and B shares carry equal rights to a part of the company's assets and profit.

Return and market capitalization

In 2022, the price of the A share decreased 17.2% (53.2) to SEK 189.85 and the price of the B share decreased 12.5% (37.9) to SEK 167.65. The corresponding development for OMXSPI, i.e., all shares, and OMX Stockholm Industrials (SX2000PI) was –24.6% and –19.9%, respectively.

The total shareholder return of the A share was -15.8% (57.3). Epiroc's market capitalization at the end of 2022 was MSEK 221 771 (263 565).

The total shareholder return since listing has been 126.5% for the A share and 113.3% for the B share.

Trading

Epiroc was the 29th (24th) most traded name on Nasdaq Stockholm during the year. The total turnover in Epiroc shares was SEK 68.4 (75.1) billion, corresponding to average daily turnover of MSEK 270 (297).

Nasdaq Stockholm accounted for 24% (29) of the trading in the A-share. Around 38% (43) of the trading was conducted on the open market, while the remainder was outside the public market, e.g., through over-the-counter trading and dark pools.

Ownership structure

At year end, Epiroc had 67 844 (68 213) shareholders.

The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 37.3% (34.0) of the voting rights and 33.3% (30.7) of the number of shares.

Swedish investors held 46% (44) of the voting rights and 48% (46) of capital.

Personnel stock option program

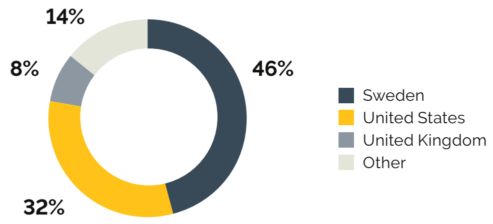
The Board of Directors (Board) will propose to the Annual General Meeting 2023 a similar performance based long-term incentive program as in previous years. The intention is to cover the plan through the repurchase of the company's own shares.

Dividend, redemption and dividend policy

The Board proposes a dividend of SEK 3.40 (3.00) per share to be paid in two equal installments.

Epiroc's goal is to provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50% of net profit over the cycle. The proposed dividend corresponds to 49% (51) of earnings per share.

Shareholders by country, December 31, 2022, % of votes



Ten largest shareholders*

December 31, 2022	A shares	B shares	Total shares	Votes, %	Capital, %
Investor AB	194 915 960	12 841 885	207 757 845	22.7	17.1
Alecta Tjänstepension	30 253 577	45 831 588	76 085 165	4.0	6.3
Handelsbanken Fonder	18 880 755	7 194 982	26 075 737	2.3	2.1
Swedbank Robur Fonder	15 953 641	19 287 387	35 241 028	2.1	2.9
Nordea Fonder	14 219 802	2 347 601	16 567 403	1.7	1.4
SEB Fonder	13 417 682	214 890	13 632 572	1.6	1.1
Folksam	10 996 903		10 996 903	1.3	0.9
Länsförsäkringar Fonder	6 007 726	2 160 220	8 167 946	0.7	0.7
Storebrand Fonder	3 904 121	1 978 870	5 882 991	0.5	0.5
Andra AP-fonden	3 928 076		3 928 076	0.5	0.3
Other	*511 287 611*	*298 115 426*	*809 403 037*	*62.7*	*66.7*
Total	**823 765 854**	**389 972 849**	**1 213 738 703**	**100.0**	**100.0**
Epiroc AB	*8 168 377*	*-*	*8 168 377*	*0.9*	*0.7*

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

Key figures per share

SEK	2022	2021
Market capitalization, year end, MSEK	221 771	263 565
Basic/diluted earnings per share	6.96/6.95	5.85/5.84
Dividend per share	3.40*	3.00
Dividend/net profit, %	49*	51
Operating cash flow per share	4.7	5.7
Equity per share, year end	27.8	21.4
A/B Share price, year end	189.9/167.7	229.20/191.7
A/B Highest share closing price	238.1/199.8	231.0/192.7
A/B Lowest share closing price	148.9/132.2	151.9/140.4
A/B Average closing price	184.6/160.0	194.1/170.1
A/B Price/Earnings ratio, year end	27.3/24.1	39.2/32.8

* Proposed by the Board.

Share information

December 31, 2022	A share	B share
Nasdaq Stockholm	EPI A	EPI B
ISIN	SE0015658109	SE0015658117
Total number of shares	823 765 854	389 972 849
– % of votes	95.5	4.5
– % of capital	67.9	32.1
Of which shares held by Epiroc	8 168 377	
– % of votes	0.95	
– % of capital	0.67	

Important dates 2023

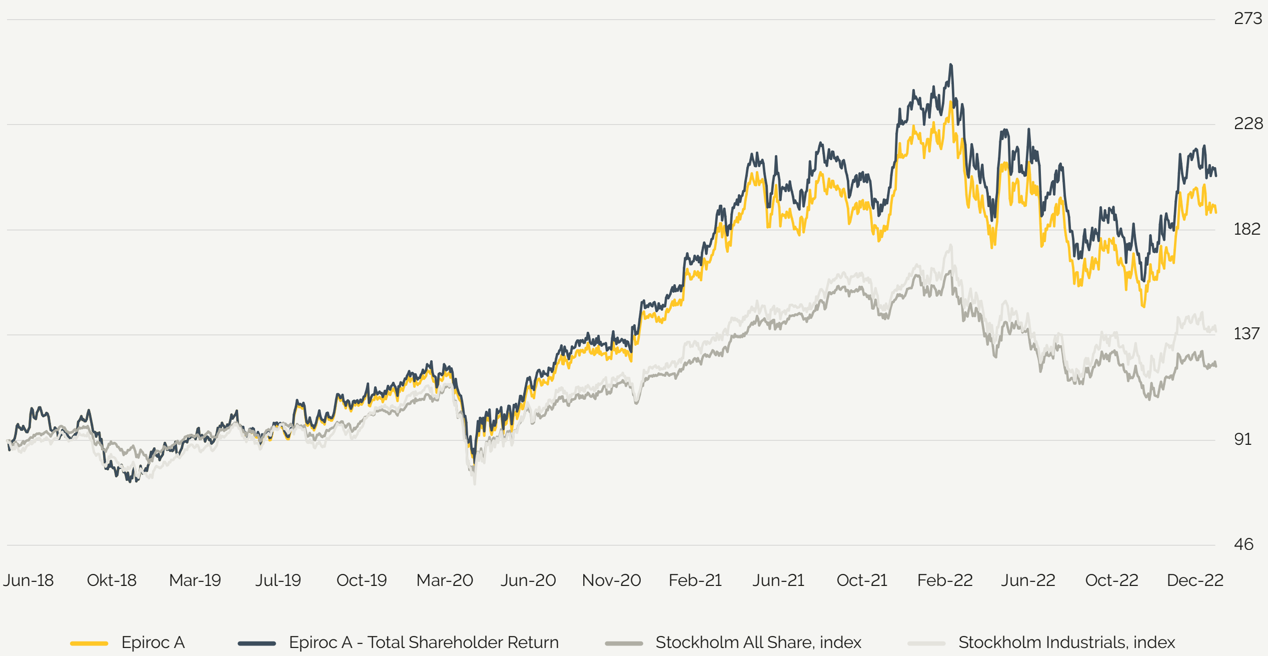
April 28	Q1 2023
May 23	Annual General Meeting in Nacka at 5 PM
May 25	Record date for SEK 1.70 dividend*
May 30	Dividend payment of SEK 1.70 per share*
June 1-2	Capital Markets Day in Örebro, Sweden
July 18	Q2 2023
October 24	Record date for SEK 1.70 dividend*
October 27	Q3 2023
October 27	Dividend payment of SEK 1.70 per share*

* Proposed by the Board.

Investment case

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

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



Corporate governance report

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

Ronnie Leten, Chair of the Board.

Comment from Ronnie Leten, Chair of the Board

Leadership is about leading and encouraging a decentralized organization in delivering lasting results regardless of business climate. In 2022, Epiroc yet again showed that unexpected events are handled well. During the year, Epiroc had to manage significant supply-chain challenges, including disruptions resulting from the war in Ukraine. In March, Epiroc stopped deliveries into Russia, which at the time was the fourth-largest market. Still, Epiroc was able to achieve record orders received, revenues and operating profit.

It is clear that Epiroc's value proposition with a broad aftermarket offering and innovative solutions is appreciated by customers. To build strong and lasting customer relationships, you need committed employees. Employees that collaborate closely with customers and are responsive to emerging customer needs. As long Epiroc helps customers to become more successful, the more successful Epiroc will be as well.

Ground-breaking innovations, of which Epiroc has launched many, accelerate the transformation in the industry and to safeguard Epiroc's leading position, we will keep on investing in innovation and collaborations also onwards.

A market leading position also comes with great responsibility to "walk the talk". Epiroc's sound corporate culture in combination with clear corporate governance, including clear authority and high ethical standards, explain the success. Managers at all levels are authorized and trusted to take action when needed. As we go forward, we keep on investing in our employees to ensure that we have the right leadership in place to take on future challenges so that we can continue delivering value to our customers, our shareholders, and ultimately, also to society.

The Board of Directors gathered during a field trip in the production hub Örebro, Sweden in September 2022.

Governance

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

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

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

Shareholders

At year-end, the total number of shareholders was 67 844 (68 213). The company's largest owner is Investor AB, which at the end of the year held 17.1% of the shares and 22.7% of the votes. The share of foreign ownership was 52.5% (54.4) of the number of outstanding shares. See more information in the chapter "The Epiroc share".

Annual and General Meetings

The Annual General Meeting (AGM) is Epiroc's highest decision-making body, where shareholders exercise their voting rights and decide on, e.g., the company's Articles of Association, governance and more. In addition to the AGM, Extraordinary General Meetings may be convened.

Notices of general meetings are posted on Epiroc's website and in the Official Swedish Gazette (Post- och Inrikes Tidningar). Information about the general meeting is also published in the two national newspapers, Svenska Dagbladet and Dagens Nyheter.

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

Nomination Committee

The Nomination Committee's task is to propose Board members and auditors as well as remuneration for these to the AGM.

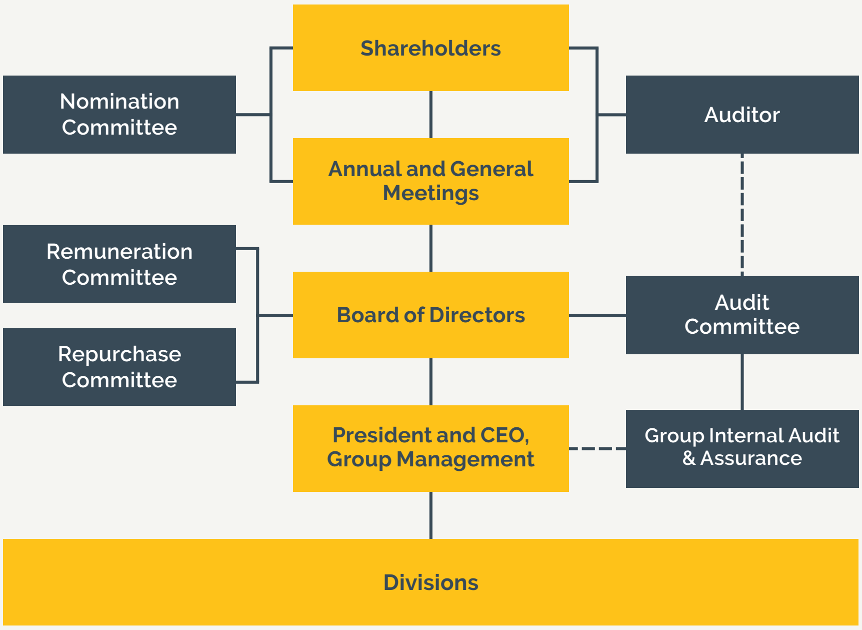
The four largest shareholders, registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, at the end of August, who wish to appoint a member, will form a Nomination Committee. In addition, the Chair of the Board shall also be a member of the Nomination Committee. Should the ownership structure change before the time of the AGM, there are procedures in place.

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

Nomination Committee

Member	Represents	Votes, % August 31, 2022
Petra Hedengran (Chair)	Investor AB	22.7
Mikael Wiberg	Alecta	3.8
Helen Fasth Gillstedt	Handelsbanken fonder	2.1
Joachim Spetz	Swedbank Robur fonder	1.5
Ronnie Leten	Chair of the Board, Epiroc AB	

Corporate Governance structure



Examples of relevant control documents

External

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

Internal

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

The Annual General Meeting will be held on May 23, 2023 at 5.00 PM CEST in Nacka

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

The Board of Directors

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

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

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

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

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

The Board held 10 Board meetings in 2022, including the statutory meeting. Epiroc's General Counsel was secretary at all the meetings.

Board composition

According to the Articles of Association (Articles), the Board members appointed by the AGM shall consist of a minimum of six and a maximum of twelve members. They are appointed annually for the period up to and including the next AGM. As prescribed by the Articles, the AGM has sole authority for the election of Board members and there are no other rules relating to the election or dismissal of Board members or changes in the Articles of Association. Further, there are no agreements with Board members or employees regarding compensation in case of changes of current position reflecting a public takeover bid.

The Nomination Committee has applied the Code's diversity policy when preparing its proposal for the Board and did not propose any changes to the Board's composition to the AGM 2022. A number of Board members have extensive experience in the mining industry and/or the mechanical engineering industry. A vast majority also have experience from executive and financial positions in international companies. Thus, the Board has good prerequisites to provide support to the company's senior executives.

Of the elected Board members appointed by the AGM, five are women and five are men. Of the non-executive Board members, four are women and five are men. Apart from the President and CEO and the employee representatives with deputies, none of the Board members are employed by the Group. The Board members are presented on pages 74-75.

Board remuneration

The remuneration for the Board was approved at the AGM 2022 and is presented in detail in note 5.

Evaluation of the Board

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

The 2022 evaluation was conducted using a questionnaire which was followed up with a separate discussion with each Board member. The results have been reported to the Nomination Committee.

The Board's work in 2022

Jan
- Q4 and FY 2021
- Evaluation of President and CEO
- Audit process review
- Goals 2022
- Litigation and compliance status review

Mar
- Annual Report 2021
- Annual General Meeting (AGM) prep.

Apr
- AGM and Inaugural Board meeting
- Q1 2022
- Parts & Services and Tools & Attachments
- Risk Management review

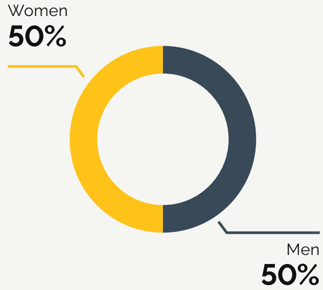
Jul
- Q2 2022

Sept
- Field trip
- Review of the Group's strategy
- Sustainability and corporate responsibility

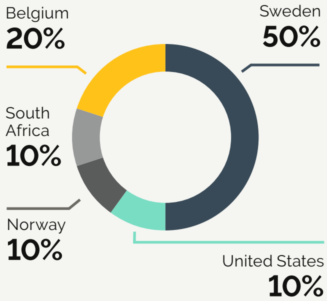
Oct
- Q3 2022
- Leadership and talent review
- Digital Solutions

Dec
- Acquisitions

Gender of elected members



Nationality of elected members



Audit Committee

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

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

Remuneration Committee

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

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

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

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

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

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

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

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

Long-term performance-based incentive program

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

Epiroc's 2022 AGM approved a performance-based employee stock option program for 2022. The program covers a maximum of 140 key employees. See note 25.

Repurchase Committee

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

President and CEO

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

Group Management

Group Management is appointed by the President and CEO and shall assist her/him in the day-to-day management. Based on goals set by the Board, Group Management sets up objectives for operational activities, allocates resources and monitors the result. Group Management meets each month to review the financial result, update forecasts and discuss strategic issues. See pages 76-77.

External auditor

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

At the 2022 AGM, the auditor Ernst & Young AB, Sweden, was elected as external auditor until the 2023 AGM. Erik Sandström, authorized public accountant at Ernst & Young, has been lead auditor since 2022.

Curious to know more?
More information and relevant documents are available at:
www.epirocgroup.com/en/investors/corporate-governance

SmartROC T35 E
The design of SmartROC T35 E is based on the well-proven SmartROC T35 surface drill rig. In combination with invaluable experience gained from the development of Epiroc underground battery rigs, this new rig is designed to enhance the environmental standards of quarries and larger construction sites. Besides the low emissions, this rig provides a range of smart features, and delivers high safety, reliability, and performance – in a more quiet working environment.

Board of Directors

Ronnie Leten
Chair of Board since 2017
Full-time board member and/or Chair

Johan Forssell
Member since 2017
President and CEO of Investor AB, Sweden

Ulla Litzén
Member since 2017
Full-time board member and/or Chair

Lennart Evrell
Member since 2017
Full-time board member and/or Chair

Anders Ullberg
Member since 2017
Full-time board member and/or Chair

Helena Hedblom
Member since 2020
President and CEO, Epiroc AB

Ronnie Leten
Belgian. Born 1956.
Education:
M.Sc. in Applied Economics from the University of Hasselt, Belgium.
Other assignments:
Chair and member of the Board of Telefonaktiebolaget LM Ericsson.
Principal work experience:
President and CEO of Atlas Copco AB.
Independent:
Yes, to Epiroc and its management as it was more than five years ago he was CEO of Atlas Copco AB. No to major owners as he has an consultancy agreement with Investor AB.
Holdings in Epiroc AB, incl. related parties:
11 308 A shares,
55 650 B shares,
112 234 options[1].

Johan Forssell
Swedish. Born 1971.
Education:
M.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden.
Other assignments:
Member of the Boards of Investor AB, Atlas Copco AB, Wärtsilä Oyj Abp, Patricia Industries AB, EQT AB, Confederation of Swedish Enterprise and Stockholm School of Economics.
Principal work experience:
Managing Director, Head of Core Investments, of Investor AB.
Independent:
No, not to larger shareholders as he is CEO and a member of the Board of Investor AB.
Holdings in Epiroc AB, incl. related parties:
5 000 B shares,
12 424 synthetic shares.

Ulla Litzén
Swedish. Born 1956.
Education:
M.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden. MBA from the Massachusetts Institute of Technology (MIT), USA.Honorary Doctorate, Stockholm School of Economics, Sweden.
Other assignments:
Member of the Boards of AB Electrolux and Ratos AB. Member of the Board of the Stockholm School of Economics and the School of Economics Association.
Principal work experience:
President of W Capital Management AB and Managing Director and member of Group Management of Investor AB.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
75 800 A shares,
3 000 B shares

Lennart Evrell
Swedish. Born 1954.
Education:
M.Sc. in Engineering from the Royal Institute of Technology (KTH), Sweden. B.Sc. in Business Administration from Uppsala University, Sweden.
Other assignments:
Chair and member of the Board of SSAB AB. Member of the Board of Svenska Cellulosa AB (SCA).
Principal work experience:
President and CEO of Boliden AB.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
4 000 B shares,
9 686 synthetic shares.

Anders Ullberg
Swedish. Born 1946.
Education:
M.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden.
Other assignments:
Chair and member of the Boards of Studsvik AB. Member of the Board of Valedo Partners. Chair of the Swedish Financial Reporting Board and member of the Board of the European Financial Reporting Advisory Group.
Principal work experience:
President and CEO, and CFO of SSAB AB.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
14 000 A shares,
31 000 B shares.

Helena Hedblom
Swedish. Born 1973.
Education:
M.Sc. in Material Technology from the Royal Institute of Technology (KTH), Sweden.
Other assignments:
Member of the Board of Stora Enso Oy and the Royal Swedish Academy of Engineering Sciences.
Principal work experience:
Senior Executive Vice President Mining and Infrastructure of Epiroc AB.
Independent:
No, not to Epiroc and its management as she is the President and CEO.
Holdings in Epiroc AB, incl. related parties:
21 379 A shares,
225 709 personnel options,
27 184 matching options.

Information as of February 15, 2023 and holdings in Epiroc AB as of December 31, 2022.
For more information and remuneration, see note 5.

[1] Options issued by Investor AB that entitle for the purchase of A shares in Epiroc.

Jeane Hull
Member since 2018
Full-time board member and/or Chair

Astrid Skarheim Onsum
Member since 2018
CEO Norsk Gjenvinning AS, Norway

Sigurd Mareels
Member since 2020
Senior Partner Emeritus and Special Advisor at McKinsey & Co, Belgium

Anthea Bath
Member since 2022
COO of Ero Copper Corporation, Canada

Kristina Kanestad
Appointed 2018
Board member and employee representative

Gustav El Rachidi
Appointed 2018
Deputy employee representative

Daniel Rundgren
Appointed 2019
Board member and employee representative

Niclas Bergström
Appointed 2020
Deputy employee representative

Jeane Hull
American. Born 1955.
Education:
B.Sc. in Civil Engineering from South Dakota School of Mines and Technology, USA. MBA from Nova Southeastern University, USA.
Other assignments:
Member of the Boards of Coeur Mining, Inc., Copper Mountain Mining Corporation, and Interfor Corporation.
Principal work experience:
Executive Vice President and Chief Technical Officer of Peabody Energy. Chief Operating Officer for Rio Tinto at the Kennecott Utah Copper Mine, USA.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
3 672 synthetic shares.

Astrid Skarheim Onsum
Norwegian. Born 1970.
Education:
M.Sc. in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU).
Other assignments:
Member of the board and Vice Chair of Nordic Unmanned ASA
Principal work experience:
CEO Aker Offshore Wind ASA, Chief Digital Officer and Managing Director Aker Engineering & Technology at Aker Solutions ASA. Member of the Board of Principle Power Inc.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
13 358 synthetic shares.

Sigurd Mareels
Belgian. Born 1961.
Education:
M.Sc. in Engineering and a PhD in Metallurgy, Ghent University, Belgium.
Other assignments:
Chair and member of the Board of La Fortuna in Chile.
Principal work experience:
Partner at McKinsey & Company.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
6 211 synthetic shares.

Anthea Bath
South African. Born 1976.
Education:
M.Eng. in Environmental Engineering, Department of Chemical Engineering from the University of Pretoria, South Africa.
Other assignments:
-
Principal work experience:
Vice President Commercial Services, Sibanye Stillwater; Head of Market Development, Anglo Platinum, South Africa.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
1 350 synthetic shares.

Employee representatives

Kristina Kanestad
Swedish. Born 1966.
Holdings in Epiroc AB
1 200 B shares.

Gustav El Rachidi
Swedish. Born 1970.
Holdings in Epiroc AB
100 B shares.

Daniel Rundgren
Swedish. Born 1973.
Holdings in Epiroc AB
–

Niclas Bergström
Swedish. Born 1969.
Holdings in Epiroc AB
–

Attendance	Ronnie Leten	Johan Forssell	Anders Ullberg	Ulla Litzén	Lennart Evrell	Jeane Hull	Astrid Skarheim Onsum	Helena Hedblom	Sigurd Mareels	Anthea Bath
Board meetings	10/10	10/10	10/10	10/10	10/10	10/10	10/10	10/10	9/10	5/5
Audit Committee	4/5		5/5	5/5	5/5					
Remuneration Committee	4/4	4/4			4/4					
Repurchase Committee	3/3		3/3							

Group Management

Helena Hedblom
President and CEO
In current position since 2020. and member of Group management since 2017.

Håkan Folin
Senior Vice President Controlling, Finance and Sustainability (CFO)
In current position since 2021.

José Manuel Sánchez
President Surface
Division President since 2014 and member of Group Management since 2020.

Sami Niiranen
President Underground
Division President since 2018 and member of Group Management since 2020.

Nelson Trejo
President Parts & Services NASA
In current position since 2023.

Luis Araneda
President Parts & Services EMEA
In current position since 2023.

Arman Bagdasarian
President Parts & Services APAC
In current position since 2023.

Ashleigh Braddock
President Digital Solutions
Acting. In current position since 2022.

Goran Popovski
President Tools & Attachments
Division President since 2017 and member of Group Management since 2020.

Jonas Albertson
Chief Technology Officer
In current position since 2022 and member of Group Management since 2020.

*Information as of February 15, 2023 and holdings, incl. related parties, in Epiroc AB as of December 31, 2022. For some members, the matching options and stock options are in the form of Share Appreciation Rights (SARs).

Martin Hjerpe
Senior Vice President M&A and Strategy
In current position since 2019.

Charlotta Grähs
Senior Vice President General Counsel
In current position since 2022.

Nadim Penser
Senior Vice President Brand & Communications, Human Resources and SHEQ
In current position since 2020.

Helena Hedblom
Swedish. Born 1973.
Education:
M.Sc. in Material Technology from the Royal Institute of Technology (KTH), Sweden.
Principal work experience:
Member of the Board of Stora Enso Oy and the Royal Swedish Academy of Engineering Sciences.
Holdings*:
21 379 A shares, 225 709 personnel options, 27 184 matching options.

Håkan Folin
Swedish. Born 1976.
Education:
M.Sc. in Engineering and Industrial Management Technology from the Royal Institute of Technology (KTH), Sweden.
Principal work experience:
CFO and various management positions SSAB AB and Tibnor.
Holdings*:
4 700 A shares.

José Manuel Sánchez
Spanish. Born 1963.
Education:
M.Sc. in Mining from Universidad Politécnica de Madrid, Spain. Master of Marketing and Sales Management from Cerem International Business School, Spain.
Principal work experience:
President of the Drilling Solutions division and various management positions at Atlas Copco.
Holdings*:
16 724 A shares, 222 992 personnel options, 9 009 matching options.

Sami Niiranen
Finnish and Swedish. Born 1972.
Education:
M.Sc. in Mining from Helsinki University of Technology, Finland.
Principal work experience:
President of the Underground Rock Excavation division and various management positions at Atlas Copco.
Holdings*:
6 814 A shares, 36 926 personnel options, 3 546 matching options.

Nelson Trejo***
Chilean. Born 1975.
Education:
M.Sc in Mining Engineering from Universidad de Santiago, Chile.
Principal work experience:
Vice President Marketing, Parts & Services division, Epiroc.
Holdings*:
26 310 personnel options.

Luis Araneda***
Chilean. Born 1974.
Education:
M.Sc in Mechanical Engineering from Universidad del Bio-Bio and MBA from Universidad Adolfo Ibáñez, Chile.
Principal work experience:
Vice President Operations, Parts & Services division, Epiroc.
Holdings*:
38 302 personnel options.

Arman Bagdasarian***
Armenian and Russian.Born 1977.
Education:
M.Sc. in Public Administration from Russian-Armenian University, Armenia.
Principal work experience:
General Manager, Epiroc Russia.
Holdings*:
18 149 personnel options.

Ashleigh Braddock**
Australian and British. Born 1983.
Education:
M.Sc. in Mining and Construction Engineering from University of Leoben, Austria and BE Engineering Electrical from University of Newcastle, Australia.
Principal work experience:
Director Material Handling, Underground, Sweden. Various management positions at Metso and Sandvik.
Holdings*: 13 315 personnel options.

Goran Popovski
Swedish and Macedonian. Born 1974.
Education:
M.Sc. in International Business from University of Gothenburg. M.Sc. in International transport and logistics management from University of Gothenburg and Chalmers University of Technology, Sweden. B.Sc. in Marketing and International Business from University St. Kiril and Metódij in Skopje, Republic of Macedonia.
Principal work experience:
President of the Hydraulic Attachment Tools division and various management positions at Atlas Copco.
Holdings*:
7 165 A shares, 143 479 personnel options, 8 827 matching options.

Jonas Albertson
Swedish. Born 1967.
Education: M.Sc. in Mechanical Engineering from Chalmers University, Sweden.
Principal work experience:
President of the Rocktec division and Managing Director of Epiroc Rock Drills AB, in Sweden. Various management positions at Atlas Copco.
Holdings*:
7 266 A shares, 46 772 personnel options, 4 745 matching options.

Martin Hjerpe
Swedish. Born 1976.
Education:
M.Sc. in Engineering Physics from Chalmers University of Technology, Sweden.
Principal work experience:
Partner at McKinsey & Company.
Holdings*:
11 500 A shares, 76 037 personnel options, 8 618 matching options.

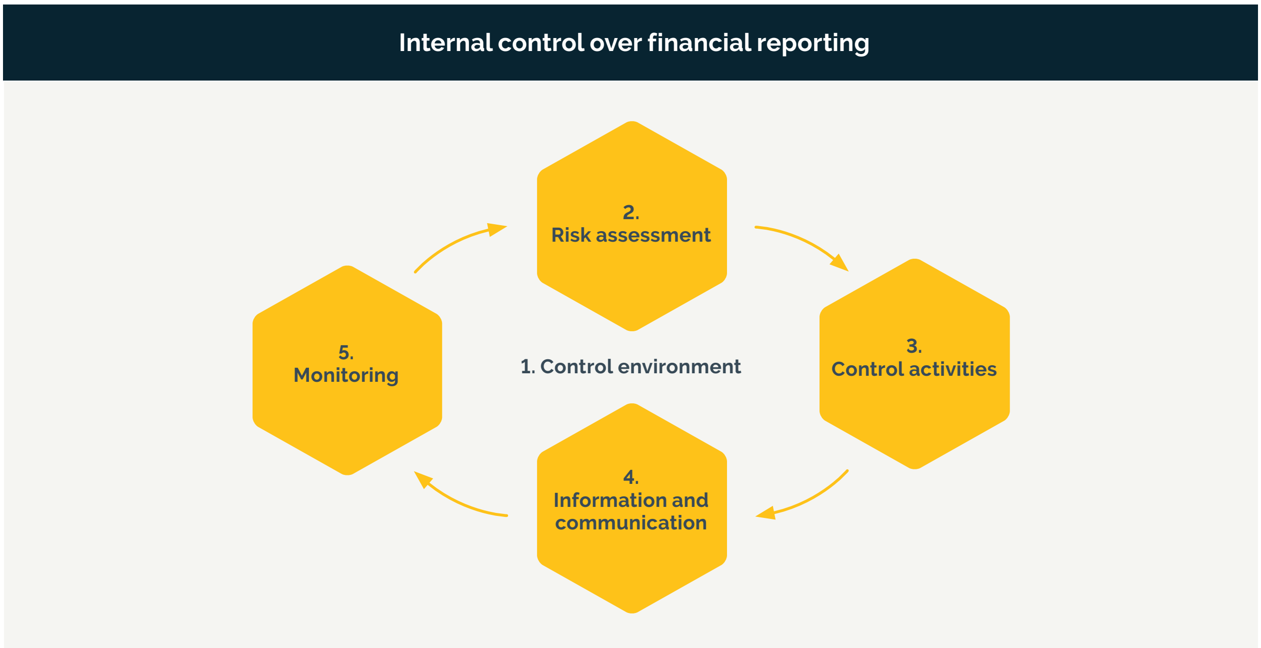
Charlotta Grähs
Swedish. Born 1971.
Education:
Master of Law from Gothenburg University, Sweden.
Principal work experience:
General Counsel at Trelleborg AB and Dometic AB. Corporate lawyer at Husqvarna AB, lawyer at Mannheimer Swartling Advokatbyrå and Hengeler Mueller Rechtsanwälte.
Holdings*:
550 A shares, 1 145 B shares.

Nadim Penser
Swedish. Born 1967.
Education:
B.Sc. in Physics and Electronic Engineering from University of Lancaster, UK.
Principal work experience:
Vice President Human Resources for the Epiroc Mining and Infrastructure business area. Various management positions in human resources at Atlas Copco.
Holdings*: 550 A shares, 1 145 B shares, 38 389 personnel options, 2 802 matching options.

*Information as of February 15, 2023 and holdings, incl. related parties, in Epiroc AB as of December 31, 2022. For some members, the matching options and stock options are in the form of Share Appreciation Rights (SARs).
** Ashleigh Braddock was appointed acting Division President as from July 1, 2022. Paul Bergström has been appointed President of the Digital Solutions division and member of Group Management, effective not later than June 1, 2023.
*** As from January 1, 2023, the Parts & Services division was split into three regional Parts & Services divisions and Nelson Trejo, Luis Araneda, and Arman Bagdasarian were appointed new Presidents.

Internal control over financial reporting

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



Financial reporting risk management

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

1. Control environment

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

2. Risk assessment

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

3. Control activities

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

4. Information and communication

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

5. Monitoring

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

Key financial reporting risks and related internal controls

Inventory is not appropriately valued at the lower of cost or net realizable value	• Inventories are appropriately reconciled at each reporting date. • Inventory costs and production variances are reviewed and approved by the divisions and net realizable values are compared to carrying values to identify need for adjustments of inventory values. • Inventory levels and saleability of inventory are assessed at each reporting date.
Income taxes are not accounted for in accordance with applicable tax legislation	• Tax calculations are prepared and reviewed at each reporting date. • The effective tax rate for each company is analyzed at each reporting date by Group Tax. • Compliance with transfer pricing policies is monitored regularly. • Ongoing tax audits and disputes are monitored and provision levels are evaluated by Group tax specialists.
Provision for bad debt is not calculated based on Group guidelines	• A strong process and tools are in place for collection of trade receivables. • Bad debt provision calculation guidelines are available on the Group's intranet. • Bad debt provision needs are recalculated and booked during each reporting cycle. • Independent Balance Sheet reviews are conducted to ensure entities have followed Group guidelines when calculating provisions.
Provision for inventory obsolescence is not calculated based on Group guidelines	• Automated reports for calculation of the inventory obsolescence provision are in place. • Inventory obsolescence provision calculation guidelines are available on the Group's intranet. • Inventory obsolescence provision needs are recalculated and booked during each reporting cycle. • Independent Balance Sheet reviews are conducted to ensure entities have followed Group guidelines when calculating provisions.
Balance Sheet account reconciliations are not properly documented. Balances are not justified	• A standard template for Balance Sheet account reconciliations has been created and rolled out throughout the organization. • All internal audits include a Balance Sheet review. All issues identified must be addressed within a six-month period. • Group Internal Audit & Assurance includes a formal Balance Sheet review as part of each entity's operational internal audit. On average 40-50 entities are assessed on a yearly basis. • Balance Sheet reconciliations are performed monthly at an operational level.
Reporting processes and procedures are not well documented	• A documented manual of the business system and financial system used exists and is updated accordingly. • Period-end closing checklists exist, are maintained and used for financial reporting tasks. Management reviews the completed checklists on a timely basis.
Implementation of new IFRS standards is not performed properly	• New IFRS standards applicable to Epiroc are known prior to their effective date. • Group Financial Reporting leads the implementation of new IFRS standards and sets a plan for all levels impacted. • Training for local finance teams is carried out. • Group guidelines are updated to reflect the requirements for the new IFRS standards.

Risk management

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

Responsibilities

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

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

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

Group Treasury has the operational responsibility for financial risk management in the Group. Group Treasury manages and controls financial risk exposures, ensures that appropriate financing is provided through loans and committed credit facilities and manages the Group's liquidity. See note 29.

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

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

Insurance

Epiroc's has global insurance programs to respond to risks transferable to insurance. These programs include property damage and business interruption insurance, cargo insurance, general liability and product liability insurance, cyber insurance, financial lines insurance to protect management liability and business travel insurance, to the extent and for amounts considered to be in line with industry practice. Insurance can never protect against all possible risks, including reputational impacts. Risk management and insurance procurement therefore include a loss prevention standard for Epiroc global against which selected entities are measured to identify areas for improvement.

Enterprise risk management

To map Group risks, Epiroc applies an enterprise risk management methodology covering all divisions. Risks are identified based on Epiroc Risk Universe and risks assessed are those within divisional ownership with a risk rating emanating from how accepted risks are or shall be mitigated or improvement actions applied. Risks assessed are captured in four main areas: strategic including merging risks, business risks including health and safety, IT Security, sourcing, and further financial risks as well as compliance risks. Group Risk and Insurance function manages the overall process and consolidates the results at Group level in collaboration with Group Management. The risk mapping and its results are reported both to Group Management and to the Board, who monitors risk management annually.

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

Epiroc provides information on the risks and opportunities that climate change will have on the business in accordance with the TCFD recommendations. The transition to a low-carbon economy also provides climate-related opportunities for Epiroc.

Compliance

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

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

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

Risk overview. Key risks marked with ⚠ *See more information on key risks on the following pages*

Strategic risks

⚠	**Climate change and environment**	• Acute and chronic physical risks and changes in climate can lead to increased resource prices and decreased access to natural resources, impacting Epiroc's operations, suppliers and customers. • The transition to a low carbon economy comes with risks such as not meeting new product requirements and climate related legislation.
⚠	**Competition**	• Highly competitive markets. • Competitors continue to consolidate.
⚠	**Geopolitical and regulatory**	• Instability affecting business could stem from change in government, military control, war, or tensions between countries that can lead to regulatory changes such as protectionist trade policies influencing an industry or company in geographical markets. • Pandemics and resulting political regulations and restrictions could significantly impact Epiroc's operations, for instance the production and supply of equipment and aftermarket services, as well as customers and suppliers.
⚠	**Market**	• Products and services are used in industries which are either cyclical or affected by general economic conditions. • Mineral commodity prices are volatile and may impact demand for Epiroc's products and services.

Operational risks

	Acquisitions and divestments	• Difficulties in completing acquisitions, integrating acquired businesses and achieving anticipated synergies, as well as in completing divestments.
⚠	**Corruption and fraud**	• Epiroc's governance, internal controls and compliance processes may not prevent corruption and fraud.
⚠	**Cyber security and information risk**	• Epiroc could experience a failure in or breach of its operational or information technology systems that could cause business interruption and may encounter problems relating to storage and processing of personal data violating information security. • Risk with dependency on IT-systems in operations.
	Distribution	• Epiroc is dependent on the efficiency of its distribution centers and its customer centers' sales and service organization.
⚠	**Employees**	• Risk of not being able to attract and retain key personnel or critical competences. • Work stoppages or strikes. • A widespread pandemic could affect the health of employees and impair their ability to perform their job.
	Environment	• Not actively reducing negative environmental impact may negatively affect operations either directly or by disrupting the supply chain. • Inadequate environmental compliance can lead to substantial fines. • Extreme weather and heat stress can affect production facilities and distribution centers.
	Human rights	• Epiroc operates in countries where violations of human rights occur and encounters customers that are also exposed to human rights issues.
	Insurance	• Epiroc's insurance policies may provide insufficient protection.
⚠	**Product development**	• Failing to develop, launch and market new products or respond to technological development and customer demand for sustainable products.
⚠	**Production**	• Production facilities and distribution centers can face disturbances caused by for example weather extremes, machinery breakdown or a major fire leading to interrupted business.
⚠	**Reputation**	• Negative public perceptions of Epiroc or its business partners and customers due to inadequate compliance with internationally accepted ethical, social and environmental standards could harm reputation. • Exposure to product liability and warranty claims. • Complaints and litigation could damage brand and reputation and divert management resources. • Increased green washing focus on how companies are communication around sustainability.
⚠	**Safety and health**	• Inadequate adherence to safety and health regulations can lead to accidents causing harm to people, and negatively impact productivity and brand.
⚠	**Supply chain**	• Epiroc relies on third-party suppliers. Interruption and lack of capacity could affect deliveries. • Dependency on sources, risk of delays or even no supply at all. • Risk may also arise if suppliers do not comply with Epiroc Code of Conduct.

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

Financial risk

- Financial risks include reporting risks, i.e., risk that reports do not give a fair view of Epiroc´s financial position and results. Financial risks also include currency risk, credit and counterparty risk, hedging risks, commodity price risk, taxation risk and financing risk, i.e., the risk of Epiroc encountering difficulties in repaying its debts and financing its operations. There is also a risk that impairment of goodwill or other intangible assets will adversely affect the financial results. See note 29.
- There is a risk that Epiroc´s future results of operations may differ materially from the financial goals set by the company. An emerging financial risk is that investors exit investments that present a high sustainability-related and climate risk, for example, coal.

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

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

Key risks, risk mitigation and opportunities

Key risk and context	Risk mitigation	Opportunities
Climate change and environment		
Acute and chronic physical risks and changes in climate can lead to increased resource prices and decreased access to natural resources, such as water, raw materials and energy, impacting Epiroc's operations, suppliers and customers. The transition to a low carbon economy comes with risks such as not meeting new product requirements and climate related legislation. Within product development, failing to develop, launch and market new products or respond to technological development and customer demand for sustainable products.	Group Management and the divisions are continuously monitoring environmental and climate risks that can impact operations and demand. Within innovation, improved environmental performance is always an important component. The Board performs an annual oversight of climate-related risks and opportunities.	Meet increasing demand for sustainable equipment by developing products and services and/or expand offering with low emissions. Battery technologies and connected equipment can add value and help drive the transition to low-carbon solutions. 2030 sustainability goal leads the organization towards halving CO_2e emissions in Scope 1, 2 and 3. More infrastructure and electrification will increase demand for certain minerals, such as copper, nickel and zinc, which could drive demand further.
Competition		
The markets are highly competitive in terms of pricing, product design and service quality, the timing of development and introduction of new products, customer service, and financing terms and conditions. Intense competition from significant competitors and, to a lesser extent, from small regional companies and also, increasingly, from companies operating with lower costs and margins.	Continuous analyses and monitoring of market external factors and customer preferences in order to compete successfully and anticipate and respond to changes in evolving market demands, including demand for new products.	Development of high-quality solutions that are in line with customer demands such as increased productivity, lower total cost of ownership and reduced environmental impact. Opportunities to continuously increase operational efficiency and lower costs of operations and improve competitive position.
Corruption and fraud		
Corruption and bribery exist in many countries where Epiroc operates. Epiroc faces the risk of corruption and other illegal acts committed by its employees. Inadequate internal controls could result in Epiroc becoming more vulnerable in relation to fraudulent acts committed by employees or other persons. Deficiencies in internal control could also cause investors and other third parties to lose confidence in Epiroc's reported financial information. There is a risk that individual employees, either by mistake or intentionally, act in breach of the applicable legal framework and Epiroc's internal policies and processes.	In-house lawyers support entities with advice on corruption laws and regulations. Proactive training is also carried out. Group Compliance identifies risks at Group level, implements adequate policies, provides information about compliance through internal communication, and provides training and digital tools to ensure that Epiroc and its employees around the world have the right knowledge for correct decision making. All employees are required to sign a CoC Compliance Statement. Training in the CoC is available for all employees. The Compliance board´s mission is to ensure that Epiroc's CoC is implemented and complied with. The board guides, supports and follows up on the process.	The CoC and Group policies for how companies should conduct business responsibly will help ensure the trust of our stakeholders. Complying with legal norms and laws minimizes costs. Implementation of the 2030 sustainability goals supports compliance with the CoC.
Cyber security and information risk		
Epiroc could experience business interruptions caused by cybercrime, disruptions to critical IT services, or other breaches of its information systems that could lead to loss of intellectual property. The increased use of remote working introduces additional risk as it exposes more potential attack vectors. If breaches are not detected early and responded to effectively, they can harm Epiroc's reputation and have an adverse effect on the financial results.	Epiroc has an information security council sponsored by the CFO. The Head of Information Security leads the work and updates the Group Management quarterly and the Audit Committee semi-annually. Since Epiroc was founded in 2018, there has been no significant security breach impacting operations. Epiroc's cybersecurity program improves the handling of cyber security risks. For example by: • Group support and advice to entities on cybersecurity. • Revision of the Information Security Management System • Updated governing documents in the Epiroc Way. • Targeted security awareness training as well as included in general training programs directed to all employees. • Improved protection of Epiroc authorities and data. • Increased resilience, i.e. the capability to withstand or recover quickly, from adverse events. • Yearly information security audit that secures that Epiroc as a Group has sufficient protection.	Improving security and resilience goes hand-in-hand with increased customer demands on security and also improves Epiroc's competitive position.

Key risk and context	Risk mitigation	Opportunities
Employees		
Given that Epiroc continuously introduces new or enhanced products, it is important that the company is able to attract people with expertise in its product areas and in research and development. If Epiroc fails to monitor its need for employees or if it fails to continue to attract and retain highly qualified management and other skilled employees on acceptable terms, the company may experience difficulties in sustaining or further developing parts of its business. A widespread pandemic could affect the health of employees and impair their ability to perform their job.	Mapping of competences and requirements is continuously carried out to ensure access to people with the right expertise at the right time. Recruitment can take place both externally and internally. Internal recruitment and job rotation are facilitated by an internal job market. Salaries and other conditions are adapted to the market and linked to business priorities. Epiroc strives to maintain good relationships with unions. An employee survey is carried out every year and followed up actively. When pandemics such as Covid-19 impact Epiroc, the main focus is always the health of employees and their families and of customers. Necessary safety wear is provided to employees who need to be in production or in the field. Regular updates and clear communication to all employees enable quick adaptation to new situations. Moreover, in situations of war and other conflicts, such as the situation in Ukraine during 2022, Epiroc takes necessary actions to keep the employees and their families safe.	Opportunity to set ambitious targets for employees and managers, aligned with business targets, and then give them the freedom to deliver, with accountability for results. Motivated and skilled employees and managers are crucial to achieve or exceed business targets. Much attention is spent on searching for and recruiting a high-performing, diverse workforce that will thrive in an environment of trust and individual responsibility. Implementation of the 2030 sustainability goals leads the organization towards improved safety and increased diversity. When employees and the company need to adopt quickly to changing working conditions, such as in a pandemic, Epiroc provides the technical support to do so. Epiroc and its employees have become better at working remotely and cooperating virtually.
Market		
Equipment and services are used in industries which are affected by general economic conditions and mineral commodity prices. This in turn can impact demand.	A flexible manufacturing setup with a large share of components purchased from suppliers. A significant aftermarket requirement over the equipment lifecycle creates a large and resilient service business.	Lean initiatives in manufacturing enable a more agile setup with enhanced flexibility Opportunity to further develop the aftermarket business, which will increase the resilience of the business.
Product development		
Several markets are characterized by technological advances and changes in customer preferences. Failure to develop, launch and market new products in response to customer demands for productivity and sustainability. Product development is affected by legislation on matters such as emissions, noise, vibrations and recycling. This may increase the risk of competition in emerging markets where such legislation is sometimes less strict. Substitution of existing Epiroc products and services with lower-emission options from competitors.	Continuous investments in research and development to develop products in line with customer demand and expectations, even during economic downturns. Designing products with a lifecycle perspective and measurable efficiency targets for the main product categories. Designing products with reduced emissions, vibrations or noise and increased recycling potential to meet legislative requirements. Continue using the TCFD recommendations to better understand and improve reporting on climate change risks.	Substantial opportunities to strengthen competitive edge by innovating high quality, sustainable products and creating an integrated value proposition for customers as well as meeting external environmental risks. Implementation of the 2030 sustainability goals leads the organization towards halving CO_2e emissions in operations, transport and use of products. Promote the integration of the Sustainable Development Goals in operations. Battery technologies and connected equipment are two prime areas where Epiroc can add value and help drive the transition to low-carbon solutions.
Production		
Production companies and distribution centers can face disturbances caused by for example weather extremes, machinery breakdown or a major fire leading to interrupted business.	An Epiroc Loss Prevention Standard has been implemented in Epiroc. Selected Epiroc entities including newly acquired companies are measured against this standard. The outcome provides for an overview of improvement areas and recommended actions together with a prioritization of the same.	Risk awareness, how to act preventively and business continuity planning prepare the business for how to act on any disturbances and how to safeguard our business and delivery to customers.

Key risk and context	Risk mitigation	Opportunities
Reputation		
Epiroc's reputation and business results could be negatively affected for various reasons, including: • If customers start to lose confidence in the safety and quality of the products and services provided. • If the quality of the products and services offered by Epiroc deteriorates, including timing of delivery or quality and availability of products, whether due to a mistake by Epiroc or a third party. • Failure by Epiroc or any of its business partners or customers to comply with laws, regulations, ethical, social, product, labor, health and safety, environmental or other standards, or related political considerations. • Epiroc may be subject to complaints and lawsuits from customers, employees, suppliers and other third parties, alleging product damage, health, environmental, safety, data protection, antitrust, corruption, money laundering, export restrictions or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations. • Increased focus on how on how companies are communicating on the topic of sustainability in a trustworthy way.	All products are tested and also quality assured. Monitoring of product labeling and regular communications training. Epiroc has a clear well-known brand promise. The Group actively engages in stakeholder dialogue. The mandatory CoC training includes annual signing of a Code of Conduct Compliance Statement. Reporting of ethical and legal violations via the whistleblower system, Speak Up, is encouraged. Ensure data and information to substantiate sustainability claims.	Stakeholder engagement can not only mitigate reputational risks in certain cases but also presents opportunities to increase the awareness and credibility of Epiroc's brand through collaboration and innovation. Delivering tested and quality assured products improves customer satisfaction and promotes repeat business. Increased access to new and emerging markets. The CoC with principles for how companies should conduct business responsibly helps Epiroc to safeguard its reputation and the trust of stakeholders. A high social and environmental profile is particularly important because Epiroc is present in many regions where the impacts from climate change will be heavy and resilience is low. Implementation of the 2030 sustainability goals and SBTI goals helps ensure compliance with the CoC and sustainability claims.
Safety and health		
Inadequate adherence to safety and health regulations can lead to accidents causing damage to people, productivity and the Epiroc brand. Health and safety laws and regulations are becoming more complex. The cost of complying with, and the liabilities and the potential sanctions imposed pursuant to, health and safety laws and regulations could be significant.	Assess and manage safety and health risks in the operations. All major units are certified in accordance with the ISO45001 standard. To develop a behavior with safety in mind is key and activities to highlight this, such as the "SafeStart-program", "Live Work Elimination" and Epiroc Safety Day, which are organized throughout the Group. Business partners are offered trainings in Epiroc's policies including health and safety.	Improved safety and health increases productivity and satisfaction of employees and business partners. Implementation of the 2030 sustainability goals lead the organization towards improved health and safety. Promote the integration of the Sustainable Development Goals in operations.
Supply chain		
Incorrect deliveries, failure to fulfill deliveries or inadequate capacity at suppliers could cause delays or failures in deliveries, which in turn may cause reduced sales and a decline in customer confidence. Supply interruptions could arise from shortages of raw materials, labor disputes, climate change and weather conditions affecting products or shipments, transportation disruptions or other factors beyond Epiroc's control. Risk that Epiroc's business partners do not share the same values as expressed in Epiroc CoC. Risk that products contain components which are not sustainably produced, for instance the presence of conflict minerals in electronic components.	Select and evaluate business partners on the basis of objective factors including quality, delivery, price, and reliability, as well as commitment to environmental and social performance. Establishment of a global network of sub-suppliers, to prevent supplier dependency. Providing suppliers with timely and sufficient information in order to manage changes in volumes. Business partners to sign the Business Partner CoC. Continue the process to investigate and remove the potential presence of conflict minerals in the value chain.	Further increase business agility and reduce costs by improving supplier inventory management in response to changes in demand. Continue to be a preferred business partner and promote efficiency, sustainability and safety. Good supplier relations help to improve Epiroc´s competitive position. Promote human rights and work towards improving labor conditions, reducing the risk of corruption and conflicts. Opportunity to strengthen customer relationships by being ready to support customers that are impacted by the Dodd Frank legislation on conflict minerals Implementation of the 2030 sustainability goals leads towards halving CO_2e emissions for relevant suppliers, and ensuring compliance with the CoC. Promote the integration of the Sustainable Development Goals in operations.

Financial information and notes

Content

Group financial information

Consolidated income statement

January - December, MSEK	Note	2022	2021
Revenues	4	49 694	39 645
Cost of sales		-30 675	-24 192
Gross profit		**19 019**	**15 453**
Administrative expenses		-3 628	-3 166
Marketing expenses		-3 042	-2 313
Research and development expenses		-1 438	-1 172
Other operating income	7	348	361
Other operating expenses	7	-75	-139
Share of profit in associated companies and joint ventures	15	-37	-29
Operating profit	**4, 5, 6, 7, 17**	**11 147**	**8 995**
Financial income	8, 9	238	166
Financial expenses	8, 9	-607	-197
Net financial items		**-369**	**-31**
Profit before tax		**10 778**	**8 964**
Income tax expense	10	-2 367	-1 895
Profit for the year		**8 411**	**7 069**
Profit attributable to:			
– owners of the parent		8 397	7 058
– non-controlling interests		14	11
Basic earnings per share, SEK	12	6.96	5.85
Diluted earnings per share, SEK	12	6.95	5.84

Consolidated statement of comprehensive income

January - December, MSEK	Note	2022	2021
Profit for the year		**8 411**	**7 069**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans		687	697
Income tax relating to items that will not be reclassified		-139	-141
Total items that will not be reclassified to profit or loss		**548**	**556**
Items that may be reclassified subsequently to profit or loss			
Translation differences on foreign operations		2 112	1 099
Cash flow hedges		119	–
Income tax relating to items that may be reclassified		-25	–
Total items that may be reclassified subsequently to profit or loss		**2 206**	**1 099**
Other comprehensive income for the year, net of tax	**11**	**2 754**	**1 655**
Total comprehensive income for the year		**11 165**	**8 724**
Total comprehensive income attributable to			
– owners of the parent		11 144	8 707
– non-controlling interests		21	17

Consolidated balance sheet

MSEK	Note	Dec. 31, 2022	Dec. 31, 2021
Assets			
Non-current assets			
Intangible assets	13	13 073	7 233
Rental equipment	14	1 458	1 279
Other property, plant and equipment	14	5 429	4 587
Investments in associated companies and joint ventures	15	67	106
Other financial assets and other receivables	16	1 752	1 007
Deferred tax assets	10	1 526	1 469
Total non-current assets		**23 305**	**15 681**
Current assets			
Inventories	17	16 945	11 861
Trade receivables	18	9 581	7 174
Other receivables	19	3 195	2 057
Current tax receivables		315	190
Financial assets	16	1 010	828
Cash and cash equivalents	20	7 326	10 792
Assets held for sale	3	103	–
Total current assets		**38 475**	**32 902**
Total assets		**61 780**	**48 583**
Equity and liabilities			
Equity			
Share capital		500	500
Other paid-in capital		107	106
Reserves		2 185	-14
Retained earnings including profit for the year		30 228	25 137
Equity attributable to owners of the parent		**33 020**	**25 729**
Non-controlling interests		488	56
Total equity	**21**	**33 508**	**25 785**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	22, 23	8 877	8 562
Post-employment benefits	24	149	356
Deferred tax liabilities	10	1 215	785
Other liabilities		337	203
Provisions	27	315	454
Total non-current liabilities		**10 893**	**10 360**
Current liabilities			
Interest-bearing liabilities	22, 23	1 999	628
Trade payables		6 375	5 512
Current tax liabilities		670	562
Other liabilities	26	7 716	5 447
Provisions	27	619	289
Total current liabilities		**17 379**	**12 438**
Total equity and liabilities		**61 780**	**48 583**

Consolidated statement of changes in equity

2022	Equity attributable to owners of the parent							
MSEK	Share capital	Other paid-in capital	Translation reserve	Cash flow hedge	Retained earnings	Subtotal	Non-controlling interests	Total equity
Opening balance, Jan. 1	**500**	**106**	**-14**	**0**	**25 137**	**25 729**	**56**	**25 785**
Profit for the year	–	–	–	–	8 397	8 397	14	8 411
Other comprehensive income for the year	–	–	2 105	94	548	2 747	7	2 754
Total comprehensive income for the year	–	–	**2 105**	**94**	**8 945**	**11 144**	**21**	**11 165**
Dividend	–	–	–	–	-3 619	-3 619	-2	-3 621
Divestment of 586 424 series A shares	–	1	–	–	115	116	–	116
Acquisitions 1 278 868 of series A shares	–	–	–	–	-232	-232	–	-232
Share-based payment, equity settled								
– expense during the year	–	–	–	–	30	30	–	30
– exercise option	–	–	–	–	-37	-37	–	-37
Transactions with Non-controlling interest	–	–	–	–	–	–	5	5
Non-controlling interest acquired/divested	–	–	–	–	-111	-111	408	297
Closing balance, Dec. 31	**500**	**107**	**2 091**	**94**	**30 228**	**33 020**	**488**	**33 508**

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

Consolidated statement of cash flows

January - December, MSEK	Note	2022	2021
Cash flow from operating activities			
Operating profit		11 147	8 995
Adjustments for:			
Depreciation, amortization and impairment	13, 14	2 130	1 746
Capital gain/loss and other non-cash items		-183	-192
Net financial items received/paid		-561	139
Taxes paid		-2 676	-1 978
Pension funding and payment of pension to employees		-45	-57
Cash flow before change in working capital		**9 812**	**8 653**
Change in:			
Inventories		-3 236	-1 947
Operating receivables		-1 958	-1 184
Operating liabilities		1 457	2 512
Change in working capital		**-3 737**	**-619**
Increase in rental equipment		-875	-775
Sale of rental equipment		358	348
Net cash flow from operating activities		**5 558**	**7 607**
Cash flow from investing activities			
Investments in other property, plant and equipment		-600	-489
Sale of other property, plant and equipment		62	1
Investments in intangible assets	13	-414	-437
Acquisition of subsidiaries and associated companies	3	-4 696	-2 358
Divestment of subsidiaries and associated companies	3	10	6
Proceeds to/from other financial assets, net		-353	-196
Net cash flow from investing activities		**-5 991**	**-3 473**
Cash flow from financing activities			
Dividend		-3 619	-3 016
Dividend to non-controlling interest		-2	-7
Acquisition of non-controlling interest		-175	–
Redemption of shares		–	-3 619
Repurchase of own shares		-232	-284
Divestment of own shares		116	348
Borrowings		2 531	150
Repayment of borrowings		-1 375	-1 564
Payment of lease liabilities		-470	-444
Net cash flow from financing activities		**-3 226**	**-8 436**
Net cash flow for the year		**-3 659**	**-4 302**
Cash and cash equivalents, Jan. 1		10 792	15 053
Exchange rate difference in cash and cash equivalents		193	41
Cash and cash equivalents, Dec. 31	20	**7 326**	**10 792**
Operating cash flow			
Net cash from operating activities		5 558	7 607
Net cash from investing activities		-5 991	-3 473
Acquisition and divestment of subsidiaries and associated companies		4 686	2 352
Other adjustments[1]		1 409	381
Operating cash flow		**5 662**	**6 867**

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

Group notes

1. Significant accounting policies

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

The Annual Report for the Group and for Epiroc AB, including financial statements, was approved for issuance on March 9, 2023 . The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on May 23, 2023.

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

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

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

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

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

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

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

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

"Shares of profit in associated companies and joint ventures", included in the income statement, comprises the Group's share of the associate's and joint venture's income after tax adjusted for any amortization and depreciation, impairment losses, and other adjustments arising from any remaining fair value adjustments recognized at acquisition date. Dividends received from an associated company or joint venture reduce the carrying value of the investment. Unrealized gains and losses arising from transactions with an associated company, 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 equal 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 associated company. See note 15.

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

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

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

In the financial statements, the balance sheets of foreign subsidiaries are translated to SEK using exchange rates at the balance sheet date and the income statements are translated at the average exchange rates for the reporting period. Foreign exchange differences are recognized in Other comprehensive income (OCI) and are accumulated in the currency translation reserve in equity. Exchange rates for major currencies that have been used for the Group's financial statements are disclosed in note 29.

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

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

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

1. Significant accounting policies, cont.

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

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

Variable consideration

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

Rights of return

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

Rendering of services

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

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

Contract assets and contract liabilities

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

Performance obligation

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

Equipment

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

Installation services

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

Spare parts and tools

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

Services

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

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

Rental operations

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

Other operating income and expenses

Gains and losses on disposals of non-current assets are determined by comparing the proceeds from disposal with the carrying amount. Such gains or losses are recognized within "Other operating income" and "Other operating expenses". See note 7.

Financial income and expenses

Interest income and interest expense are recognized in profit or loss using the effective interest rate method. See note 9.

Income taxes

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

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

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

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. See note 10.

Earnings per share

Basic earnings per share are calculated based on the profit for the year attributable to owners of the parent and the basic number of shares outstanding adjusted for any subsequent split made prior to the release of the financial statements. Diluted earnings per share are calculated based on the profit for the year attributable to owners of the parent and the diluted number of shares outstanding. Dilutive effects arise from stock options that are settled in shares. Stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options. When calculating the dilutive effect, the exercise price is adjusted by the value of future services related to the options. See note 12.

Intangible assets

Goodwill

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

Technology-based intangible assets

Expenditure on research activities is expensed as incurred. Research projects acquired as part of business combinations are initially recognized at their fair value at the acquisition date. After initial recognition, these research projects are carried at cost less amortization and impair-

1. Significant accounting policies, cont.

ment losses. Expenditure on development activities are expensed as incurred unless the activities meet the criteria for being capitalized:
- the product or process being developed is estimated to be technically and commercially feasible and will generate probable future benefits, and
- the Group has the intent and ability to complete and sell or use the product or process, and
- the Group has the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized expenditure includes the cost of materials, direct labor, and other costs directly attributable to the project. Capitalized development expenditure is carried at cost less accumulated amortization and impairment losses. See note 7 and note 13 for the allocation of amortization in the Income statement.

Other intangible assets
Other intangible assets include trademarks, marketing and customer related intangible assets and contract-based rights, such as licenses or franchise agreements. Acquired other intangible assets relating to contract-based rights, such as licenses or franchise agreements, are capitalized based on their fair value at the time of acquisition and carried at cost less accumulated amortization and impairment losses. Expenditure on internally generated goodwill, trademarks and similar items is expensed as incurred. See note 13.

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

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

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

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

The estimated useful lives are as follows:

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

The useful life and residual values are reassessed annually or more often if there are indications of impairment. Land, assets under construction and goodwill are not depreciated or amortized. For changes in the Group's property, plant and equipment, see note 14.

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

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

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

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

In the consolidated balance sheet, the Group presents the lease liability within "non-current interest-bearing liability" and within "current interest-bearing liability" for the part of the lease liability that is due within the next 12 months. The right-of-use asset is presented within "Other property, plant and equipment" or "Rental equipment", see note 14.

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

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

Under finance leases where the Group acts as lessor, the transaction is recorded as a sale and a lease receivable, comprising the future minimum lease payments and any residual value guaranteed to the lessor, is recorded. Lease payments are recognized as repayment of the lease receivable and interest income. See note 23.

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

Impairment of non-financial assets
The carrying values of the Group's non-financial assets are reviewed at least at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group esti-

1. Significant accounting policies, cont.

mates 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 assessing impairment, assets are grouped in CGUs, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognized in profit or loss.

An impairment loss related to goodwill is not reversed. In respect of other assets, impairment losses in prior periods are reviewed for possible reversal of the impairment at each reporting date. See note 13.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recognized according to the first-in-first-out principle and include the cost of acquiring inventories and bringing them to their existing location and condition, or through a method that is built on weighted average prices. Inventories of similar nature are valued according to the same method. Inventories manufactured by the Group and work in progress include an appropriate share of production overheads based on normal operating capacity. Inventories are reported net of deductions for obsolescence and internal profits arising in connection with deliveries from the production companies to the distribution and customer centers. See note 17.

Equity

Shares issued by the company are classified as equity.

When shares are repurchased, the amount of the consideration paid is recognized as a deduction from equity net of any tax effect. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or subsequently reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is transferred to or from other paid-in capital. See note 21.

Provisions

Provisions are recognized:

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

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

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

Present obligations arising under onerous contracts are recognized as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Before a provision is established, the Group recognizes an impairment loss on the asset associated with the contract. See note 27.

Post-employment benefits

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

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

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

The costs for defined benefit plans are calculated using the Projected Unit Credit Method, which distributes the cost over the employee's service period. The calculation is performed annually by independent actuaries using actuarial assumptions such as employee turnover, mortality and future increase in salaries and medical costs. Changes in actuarial assumptions, experience adjustments of obligations and changes in fair value of plan assets result in remeasurements and are recognized in OCI. Each quarter a remeasurement is performed to adjust the present value of pension liabilities and the fair value of pension assets against OCI. Net interest on defined benefit obligations and plan assets is reported as interest income or interest expense. See note 24.

Share-based compensation

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

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

The fair value of the share appreciation rights, synthetic shares, and options with a choice for employees to settle in shares or cash is recognized in accordance with policies for cash-settled share-based payments. The value is recognized as an employee expense with a corresponding increase in liabilities. The fair value, measured at grant date and remeasured at each reporting date using the Black-Scholes model, is accrued, and recognized as an expense over the vesting period. Changes in fair value are, during the vesting period and after the vesting period until settlement, recognized in profit or loss as an employee expense. The accumulated expense recognized equals the cash amount paid at settlement. Social security charges are paid in cash and are accounted for in line with the policies for cash-settled share-based payments, regardless of whether they are related to equity or cash-settled share-based payments. See note 25.

Financial instruments

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

Financial assets and liabilities

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

Measurement of financial instruments

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

Classification and measurement of financial assets

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

1. Significant accounting policies, cont.

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

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

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

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

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

Classification and measurement of financial liabilities

Financial liabilities are classified at amortized cost, except for derivatives. Financial liabilities at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost using the effective interest method.

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

Fair value for financial assets and liabilities is described in note 29.

Impairment of financial assets

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

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

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

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

Derivatives and Hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and also subsequently measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. Changes in fair value for derivatives that do not fulfill the criteria for hedge accounting are recognized as operating or financial transactions based on the purpose of the use of the derivative. IFRS 9 Hedge accounting is applied. To qualify for hedge accounting there must be an economic relationship between the hedged item and the hedging instrument. Also, the hedging relationship must be:
- formally identified and designated,
- expected to fulfill 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 hedges and the quantity of the hedging instrument that the Group uses to hedge that quantity of hedged item.

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

The Group uses foreign currency forwards to hedge part of the forecasted cash flows from sales and purchases in foreign currencies, and to a certain extent electricity forward contracts to hedge part of the forecasted cash flows from electricity consumption.

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

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

Assets held for sale

Assets are classified as held for sale if their value, will 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. Gains and losses recognized on remeasurement, and disposal are reported in profit or loss. In the balance sheet assets held for sale and associated liabilities are reported separately, the comparative period is not affected.

Contingent liabilities

A contingent liability is a possible obligation or a present obligation that arises from past events that is not reported as a liability or provision, due either to the fact that it is not probable that an outflow of

1. Significant accounting policies, cont.

resources will be required to settle the obligation, or a sufficiently reliable calculation of the amount cannot be made. See note 28.

Changes in accounting policies

For the Annual Report 2022 there are no new IFRS standards to be implemented. The following amendments have been implemented.

IAS 16, IAS 37 amendments
Epiroc estimates that the changes will not affect the company's method of accounting.

IAS 29 Financial Reporting in Hyperinflationary Economies
As of April 1, 2022, Epiroc has implemented IAS 29 Financial Reporting in Hyperinflationary Economies, for the operations in Turkey. Remeasurement of the non-monetary balance sheet items and the statement of income on subsidiary level is part of the net monetary gain or loss recognized in the statement of income as part of financial income and expenses. The statement of income has been translated at the closing rate on the balance sheet date. See note 8.

New or amended accounting standards effective after 2022
Amendments in IAS 1, IAS 8 IAS 12, and IFRS 17 have been issued but were not effective as of December 31, 2022 and have not been applied by the Group. They are not expected to have a material overall impact on the consolidated financial statements of the Group.

2. Critical accounting estimates and judgments

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

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

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

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

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

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

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

Changing the assumptions selected by management to determine the level of impairment, if any, could affect the financial position and results of operation. See note 13.

Deferred taxes
Key sources of estimation uncertainty
Deferred tax assets are recognized for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carryforwards. The Group records deferred tax assets based upon management's estimates of future taxable profit in different tax jurisdictions. The actual results may differ from these estimates, due to change in the business climate and change in tax legislation. See note 10.

Inventory
Accounting judgment
The Group values inventory at the lower of historical cost, based on the first-in-first-out basis, and net realizable value. The calculation of net realizable value involves management's judgment as to the estimated sales prices, overstock articles, outdated articles, damaged goods, and selling costs. If the estimated net realizable value is lower than historical cost, a valuation allowance is established for inventory obsolescence. See note 17.

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

Accounting judgment
Management's judgment considers rapidly changing market conditions which may be particularly sensitive in customer financing operations. An overall control is performed to ensure that an adequate loss allowance is recognized.

Post-employment benefit valuation assumptions
Key sources of estimation uncertainty
Post-employment obligations are dependent on the assumptions established by management and used by actuaries in calculating such amounts. The key assumptions include discount rates and future salary increases. The actuarial assumptions are reviewed on an annual basis and are changed when it is deemed appropriate. See note 24 for additional information regarding assumptions used in the calculation of obligations for defined benefits.

Legal proceedings and tax claims
Accounting judgment
Epiroc recognizes a liability when the Group has an obligation from a past event involving the transfer of economic benefits and when a reasonable estimate can be made of what the transfer might be. The Group reviews outstanding legal cases regularly in order to assess the need for

2. Critical accounting estimates and judgments, cont.

provisions in the financial statements. These reviews consider the factors of the specific case by internal legal counsel and using outside legal counsel and advisors when necessary. The financial statements may be affected to the extent that management's assessments of the factors considered are not consistent with the actual outcome. Additionally, the legal entities of the Group are frequently subject to audits by tax authorities in accordance with standard practice in the countries where the Group operates. In instances where the tax authorities have a different view on how to interpret the tax legislation, the Group makes estimates as to the likelihood of the outcome of the dispute, as well as estimates of potential claims. The actual results may differ from these estimates.

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

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

Business combinations
The Group performs purchase price allocations related to business combinations. Purchase prices are allocated to the acquired assets and liabilities based on their estimated fair value at the time of the acquisition. The valuation is to a certain extent based on management assessment of the future earnings of the acquired company. Some of the business combinations contain earn-out which is based on the acquisitions achieving future targets for revenues for a predetermined period. The fair value of earn-out is reviewed on a regular basis. The determination of the fair value requires the Group to apply assumptions and estimates which can vary from the actual outcomes.

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

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

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

As a result of the scenario analysis, it became clear that the transition to a low-carbon economy also provides climate-related opportunities for Epiroc. In 2022, Epiroc has focused on getting a clearer picture of the double materiality approach and aligning the TCFD work in such as assessment process. In 2023, Epiroc will continue with this alignment as well as analyzing climate risks and opportunities as part of the annual risk assessment. For more information on TCFD, see note 7 in Notes on sustainability performance.

3. Acquisitions and divestments

Acquisitions 2022

All acquisitions described below were made through the purchase of 100% of shares and voting rights or through the purchase of the net assets of the acquired businesses, except for Radlink Pty Ltd where 53% of the shares and voting rights were acquired.

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

Date	Completed acquisitions	Divestments	Segment	Revenues	Employees
2022 Dec 1	Remote Control Technologies		E&S	600	225
2022 Nov 4	Wain-Roy		T&A	200	100
2022 Nov 1	Radlink		E&S	1 040	330
2022 Oct 14	Geoscan		E&S	65	50
2022 Aug 2	RNP México		E&S	245	370
2022 Jun 1	JTMEC		E&S	235	190
2022 May 31		Zhejiang GIA Machinery			

Acquisitions that support profitable growth are a natural part of the strategy and in 2022, Epiroc has completed six acquisitions:

In June, reporting segment Equipment & Service acquired JTMEC, Australia, including subsidiaries. The company provides electrical infrastructure solutions. The acquisition supports the transition to battery electrification.

In August, reporting segment Equipment & Service acquired RNP México, including subsidiaries. The company manufactures rock drills and related spare parts.

In October, reporting segment Equipment & Service acquired Geoscan, Australia, including subsidiaries. The company provides digital geological imaging solutions to mining companies.

In November, reporting segment Equipment & Service acquired 53% in Radlink, Australia. The company provides mines with wireless connectivity solutions. The acquisition of 53% in Radlink has been accounted for as a business combination of a 53% interest with Non controlling interest (NCI) in equity, followed by future acquisitions of NCI as they may occur (equity transactions). We do not believe it is appropriate to account for the business combination as if Epiroc acquires a 100% interest, with a financial liability for the present value of the price to be paid if Epiroc decides to acquire the remaining shares in the future since the option to purchase the remaining shares is at Epiroc's full discretion. Hence, there is no "put option" provided by Epiroc to the sellers. This is a clear "call option" for Epiroc as the acquirer.

In November, reporting segment Tools & Attachments acquired Wain-Roy, USA. The company is a manufacturer of excavator attachments for the construction industry.

In December, reporting segment Equipment & Service acquired Remote Control Technologies, Australia, including subsidiaries. The company provides automation and remote-control solutions for mining customers.

The amounts in the following table detail the recognized amounts according to the preliminary purchase price allocations. The amounts are aggregated for five of the acquisitions made during the year, as the relative amounts of these individual acquisitions are not considered significant. The sixth acquisition, Remote Control Technologies, is reported separately. In order to finalize the purchase price allocations, all relevant information like final consideration and final operating balances needs to be in place.

3. Acquisitions and divestments, cont.

Fair value (preliminary) of acquired assets and liabilities	Group recognized values (Total)	Whereof Remote Control Technologies	Whereof changes related to acquisitions made before 2022*
	2022	2022	2022
Net assets identified	2 196	938	-230
of which:			
Intangible assets	1 740	956	-282
Tangible assets	467	61	12
Inventory	431	160	–
Trade receivables	414	81	–
Trade payables	113	13	–
Non-controlling interest (Radlink)	-473	–	–
Goodwill	3 886	2 395	88
Total consideration	**5 609**	**3 333**	**-142**
Acquired cash and cash equivalents	183	82	–
Contingent consideration**	730	357	-164
Net cash outflow	**4 696**	**2 894**	**22**

* The changes are related to updated final purchase price allocations.
** The contingent consideration consists of earn-out of 326 and hold-back amounts of 404. The total outstanding earn-out per December 31 amounts to 556. The maximum earn-out amounts to 822.

The goodwill recognized on acquisitions is primarily related to the synergies expected to be achieved from integrating these companies into the Group's existing structure. As of December 31, the acquisitions have a total cash flow effect of -4 696. The earn-out is recognized as a liability at fair value. The payment is dependent on achieving future targets for revenues within two years of the acquisitions. The fair value is based on probability-weighted scenarios and is discounted to net present value. According to the preliminary purchase price allocations, total consideration amounts to 5 609. The acquired businesses have contributed to revenues by 599 and to operating profit by 28 since their respective dates of acquisition.

CONTRIBUTION FROM BUSINESSES ACQUIRED IN 2022

	Total	Whereof Remote Control Technologies
Contribution from date of control		
Revenues	599	45
Operating profit	28	-1
Contribution if the acquisition had occurred on Jan. 1		
Revenues	2 686	579
Operating profit	334	107

Divestments and assets held for sale 2022

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

The production of surface drill rigs will be relocated from Yokohama, Japan, to Nanjing, China and has been re-classified to assets held for sale. The production facility in Japan, with about 50 employees, has been sold and will be closed by mid-2023. Restructuring costs recognized in the second quarter 2022 amounted to -95. A capital gain on the sale of the property in Japan of approximately 350 is expected to be recognized in 2024.

Acquisitions 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTRIBUTION FROM BUSINESSES ACQUIRED IN 2021

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

Divestments 2021

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

4. Segment information and revenue

2022	Equipment & Service	Tools & Attachments	Common group functions	Eliminations	Group
Revenues from external customers	37 442	12 042	210	–	49 694
Inter-segment revenues	219	7	14	-240	–
Total revenues	**37 661**	**12 049**	**224**	**-240**	**49 694**
Operating profit/loss	**9 277**	**2 114**	**-281**	**37**	**11 147**
– of which share of profit in associated companies and joint ventures	*-37*	–	–	–	*-37*
Net financial items	–	–	–	–	-369
Income tax expense	–	–	–	–	-2 367
Profit for the year					**8 411**
Non-cash expenses/income					
Depreciation/amortization	1 566	403	152	-45	2 075
Impairment	4	51	–	–	55
Other non-cash expenses/income	232	5	-143	–	94
Segment assets	**38 621**	**10 605**	**4 294**	**-1 845**	**51 675**
– of which goodwill	*6 954*	*1 321*	–	–	*8 275*
Investments in associated companies and joint ventures	65	2	–	–	67
Unallocated assets	–	–	–	–	10 039
Total assets					**61 780**
Segment liabilities	**13 823**	**4 783**	**730**	**-1 724**	**17 613**
Unallocated liabilities	–	–	–	–	10 659
Total liabilities					**28 272**
Capital expenditures					
Property, plant and equipment	1 706	409	88	-27	2 176
– of which assets leased	*474*	*226*	*1*	–	*701*
Intangible assets	390	24	–	–	414
Total capital expenditures	**2 096**	**433**	**88**	**-27**	**2 590**
Intangible assets acquired (acquisition of business)	1 730	10	–	–	1 740
Goodwill acquired	3 772	4	–	110	3 886

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

4. Segment information and revenue, cont.

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

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

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

REVENUES BY SEGMENT AND CATEGORY

	2022	2021
Equipment & Service	37 661	29 320
of which Equipment	*15 199*	*12 197*
of which Service [1]	*22 462*	*17 123*
Tools & Attachments	12 049	10 205
Common Group functions/eliminations	-16	120
Total	**49 694**	**39 645**

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

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.

GEOGRAPHICAL DISTRIBUTION OF REVENUES

	2022	2021
Epiroc Group *	**49 694**	**39 645**
North America	12 814	8 856
South America	6 845	5 297
Europe	8 327	8 817
Africa/Middle East	7 757	5 489
Asia/Australia	13 951	11 186
Equipment & Service	**37 661**	**29 320**
North America	9 253	6 045
South America	5 706	4 321
Europe	5 469	5 949
Africa/Middle East	5 627	3 670
Asia/Australia	11 606	9 335
Tools & Attachments	**12 049**	**10 205**
North America	3 611	2 752
South America	1 140	977
Europe	2 830	2 819
Africa/Middle East	2 134	1 822
Asia/Australia	2 334	1 835

* including -16 (120) related to common group functions and eliminations.

BY GEOGRAPHIC AREA/COUNTRY

	Revenues		Non-current assets	
	2022	2021	2022	2021
North America				
USA	5 333	3 653	1 632	1 495
Canada	4 876	3 526	1 387	1 467
Mexico	2 605	1 677	902	60
	12 814	**8 856**	**3 921**	**3 022**
South America				
Chile	2 870	2 323	287	229
Peru	1 288	1 083	91	54
Brazil	1 360	947	27	21
Panama	487	152	4	4
Other countries	840	792	16	15
	6 845	**5 297**	**425**	**323**
Europe				
Russia [1]	1 249	2 421	18	24
Sweden	1 247	1 234	5 446	4 806
Turkey	786	563	7	6
Germany	579	537	313	284
Norway	639	517	65	63
Italy	515	378	146	140
Spain	424	367	24	25
Other countries	2 888	2 800	427	601
	8 327	**8 817**	**6 446**	**5 949**
Africa/Middle East				
South Africa	3 511	2 460	606	503
Congo (DRC)	1 039	493	75	47
Zambia	766	632	61	47
Other countries	2 441	1 904	72	57
	7 757	**5 489**	**814**	**654**
Asia/Australia				
Australia	6 056	4 801	6 907	1 490
China	2 646	2 216	778	753
India	1 638	1 554	363	368
Kazakhstan	933	801	33	25
Indonesia	783	433	64	53
South Korea	553	272	154	148
Mongolia	455	329	9	4
Other countries	887	780	46	310
	13 951	**11 186**	**8 354**	**3 151**
Total	**49 694**	**39 645**	**19 960**	**13 099**

[1] There is a significant decrease in revenues for Russia in 2022, since effective March 1, Epiroc stopped deliveries into Russia. Revenues recognized since March are related to service and parts sold from the existing inventory in Russia. There is even higher drop in revenues in local currency since revenues in SEK are positively impacted by the strengthened Russian ruble in 2022.

4. Segment information and revenue, cont.

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

	2022	2021
Within one year	1 227	639
More than one year	1 236	748

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

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

5. Employees and personnel expenses

AVERAGE NUMBER OF EMPLOYEES

	2022			2021		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	25	21	46	20	21	41
Subsidiaries						
North America	482	2 267	2 749	350	1 824	2 174
South America	232	1 314	1 546	184	1 209	1 393
Europe	1 023	3 753	4 776	936	3 706	4 642
– of which Sweden	*721*	*2 556*	*3 277*	*638*	*2 444*	*3 082*
Africa/Middle East	344	2 294	2 638	271	2 175	2 446
Asia/Australia	736	3 478	4 214	624	3 291	3 915
Total subsidiaries	**2 817**	**13 106**	**15 923**	**2 365**	**12 205**	**14 570**
Total	**2 842**	**13 127**	**15 969**	**2 385**	**12 226**	**14 611**

NUMBER AND PROPORTION OF WOMEN IN THE BOARD OF DIRECTORS, GROUP MANAGEMENT AND OTHER SENIOR MANAGERS

	2022			2021		
Group	Women	Men	Proportion of women %	Women	Men	Proportion of women %
Board of Directors excl. union representatives [1]	5	5	50	4	5	44
Group Management	3	9	25	1	10	9
Other senior managers in subsidiaries [2]	3	33	8	3	33	8

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

5. Employees and personnel expenses, cont.

REMUNERATION AND OTHER BENEFITS FOR THE GROUP

	2022	2021
Salaries and other remuneration [1), 2)]	8 696	7 072
of which Parent Company [2)]	*77*	*284*
Contractual pension benefits [3)]	594	502
of which Parent Company	*14*	*10*
Other social costs	1 305	1 159
of which Parent Company [2)]	*-1*	*102*
Total	**10 595**	**8 733**

1) Salaries and other remuneration including variable compensation to Board of Directors and Group Management, excluding pensions, 81 (129).
2) Recognized costs for share-based payments -11 (193) of which 1 (41) to Group Management and social costs -26 (75).
3) Pensions to Group Management 13 (11).

REMUNERATION TO SENIOR MANAGERS IN SUBSIDIARIES [1)]

	2022	2021
Salaries and other remuneration [2)]	92	110
Contractual pension benefits	8	7
Other social costs	7	7

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

REMUNERATION AND OTHER BENEFITS TO THE BOARD OF DIRECTORS

2022 KSEK	Fee	Value of synthetic share at grant date	Number of shares at grant date	Other fees [2)]	Total fees incl. value of synthetic shares at grant date [3)]	Adj. due to vesting and change in stock price [4)]	Total expense recognized
Chair of Board:							
Ronnie Leten	2 365	–	–	385	2 750	–	2 750
Other members of the Board:							
Anders Ullberg	740	–	–	255	995	–	995
Anthea Bath	264	263	1 350	–	527	18	545
Astrid Skarheim Onsum	370	370	1 906	–	740	-433	307
Helena Hedblom	–	–	–	–	–	–	–
Jeane Hull	739	–	–	–	739	-144	595
Johan Forssell	370	370	1 906	95	835	-397	438
Lennart Evrell	370	370	1 906	280	1 020	-289	731
Ulla Litzén	740	–	–	278	1 018	–	1 018
Sigurd Mareels	370	370	1 906	–	740	-152	588
Union representatives [1)]	–	–	–	*68*	68	–	68
Total	**6 328**	**1 743**	**8 974**	**1 361**	**9 432**	**-1 397**	**8 035**

1) Union representatives receive compensation to prepare for their participation in board meetings paid out in 2022.
2) Refers to fees in board committees.
3) Provision for synthetic shares (excl. social costs) at December 31, 2022, MSEK 8.9 (8.6).
4) Refers to synthetic shares received in 2018-2022.

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

1) Union representatives receive compensation to prepare for their participation in board meetings paid out in 2021.
2) A share split and mandatory redemption of the Epiroc share was executed in May 2021. In order to secure the economic value, the number of synthetic shares was adjusted with the same method as for the share-based incentive programs. See note 25 in table Summary of share value based incentive programs.
3) Refers to fees in board committees.
4) Provision for synthetic shares (excl. social costs) at December 31, 2021, MSEK 8.6 (4.2).
5) Refers to synthetic shares received in 2018-2021.

5. Employees and personnel expenses, cont.

REMUNERATION AND OTHER BENEFITS TO GROUP MANAGEMENT

2022 KSEK	Base salary	Variable compensation 1)	Other benefits 2)	Pension	Total, excl. recognized costs for share-based payments	Recognized costs for share-based payments 3)	Total expense recognized
President and CEO							
Helena Hedblom	11 448	5 896	115	3 434	20 893	3 634	24 527
Other members of Group Management (11 positions) 4)	37 304	13 497	4 250	9 884	64 935	-2 682	62 253
Total	**48 752**	**19 393**	**4 365**	**13 318**	**85 828**	**952**	**86 780**

1) Variable compensation refers to amount earned in 2022 and to be paid in 2023.
2) Refers to vacation pay, company car, medical insurance, housing allowance, severance pay and other benefits.
3) Refers to the stock options received in 2016–2022 and includes recognized costs due to change in stock price and vesting period.
4) In February 2022 Charlotta Grähs joined as Senior Vice President General Counsel, replacing Jörgen Ekelöw who has retired. Ashleigh Braddock is acting as President for Digital Solutions Division.

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

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

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

Remuneration to the Board of Directors 2022

The remuneration to the Board of Directors is approved at the Annual General Meeting of the shareholders. Remuneration and fees are based on the work performed by the board. The Annual General Meeting held on April 25, 2022 decided that fees to the board members elected by the general meeting, until the next Annual General Meeting, should be as follows:

- The chair of the board was granted an amount of SEK 2 475 000.
- Each of the other board members not employed by the Group were granted SEK 775 000.
- An amount of SEK 280 000 was granted to the chair of the audit committee and SEK 185 000 to each of the other members of this committee.
- An amount of SEK 130 000 was granted to the chair of the remuneration committee and SEK 95 000 to each of the other members of this committee.
- An amount of SEK 70 000 to each non-executive director who, in addition, participates in committee work decided upon by the board.

The board members may choose to receive their whole remuneration in cash or 50% of the remuneration in cash and 50% of their remuneration in the form of synthetic shares. The synthetic shares received will be based on an average of the closing price of A-shares during ten trading days following the publishing of the first quarter results 2022. The payment of each synthetic share is made in 2026 and corresponds to the average price during the ten trading days after the publishing of the first quarterly result in 2026. The synthetic shares also carry the right to a recalculation in order to take into account the value of any dividend paid on Epiroc's shares during the period the synthetic shares have been held.

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

Remuneration to Group Management

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

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

5. Employees and personnel expenses, cont.

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

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

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

The President and CEO is eligible to a performance related employee stock option plan during 2022. Further information about the plan is found in note 25.

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

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

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

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

Group Management is eligible for a performance related employee stock option plan during 2022. Further information about the plan is found in note 25.

Stock Options, holdings for Group Management
The stock options holdings as of December 31, 2022, are detailed below. See also note 25 for additional information.

STOCK OPTIONS HOLDINGS (INCLUDING MATCHING OPTIONS) AT DEC. 31, 2022

Grant Year [1]	President and CEO	Other members of Group Management
2016	–	51 957
2017	3 471	90 461
2018	4 795	133 542
2019	32 563	101 533
2020	58 723	109 657
2021	153 341	273 856
2022 [2]	129 062	299 799
Total	**381 955**	**1 060 785**

[1] Grants prior to 2018 relate to Atlas Copco plans transferred to Epiroc.
[2] Estimated grants for the 2022 stock option program including matching options.

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

Guidelines for senior executive remuneration, as adopted by the Annual General Meeting 2020
The President and CEO and the other members of Group Management fall within the provisions of these guidelines and are hereinafter referred to as "senior executives". The guidelines are forward-looking, i.e., they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. These guidelines do not apply to remuneration decided or approved by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability
For more information regarding the Company's business strategy, please see the most recent Annual Report on Epiroc Group's webpage. A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration.

Long-term share-related incentive programs have been implemented in the Company. Such programs have been decided, and any future such program will be decided, by the general meeting and are therefore excluded from these guidelines. For more information on the existing programs, please see the Annual Report or the Group's webpage.

Types of remuneration, etc.
The remuneration may consist of a base salary, annual variable compensation, pension contributions and additional benefits and shall be on market terms. Additionally, the general meeting may – irrespective of these guidelines – decided on, among other things, share-related or share price-related remuneration.

Base salary
The base salary shall reflect the position, competence and individual performance.

Variable cash remuneration
The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration compensation is limited to a maximum of 70% of the base salary. The variable cash remuneration shall be linked to criteria that can be financial or non-financial. The financial goals may be in relation to, for example, value creation, and development of revenues, operating profit or working capital. The goals may be individualized, quantitative or qualitative objectives. The objective with the variable cash remuneration is to promote the fulfillment of annual short-term goals in line with the company's business strategy and long-term interests, including its sustainability.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the remuneration committee. To what extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the President and CEO. For variable cash remuneration to other executives, the President and CEO is responsible for the evaluation.

5. Employees and personnel expenses, cont.

Pension benefits
The pension benefits shall be defined contribution to a maximum of 35% of the base salary. Variable cash remuneration shall not qualify for pension benefits if not stipulated by mandatory law or by collective agreement covering the executive.

Other benefits
Other benefits may include, for example, life insurance, private medical insurance and company cars. Premiums and other costs relating to such benefits may amount to not more than 15 % of the base salary.

Conditions for expatriates, etc.
For a senior executive working on an international assignment outside of own home country, certain other benefits apply in compliance with the Company's Conditions for Expatriate Employees. For executives employed in other countries than Sweden the pension and other benefits will be according to local market practice.

Termination of employment
In case of termination of employment of a senior executive by the Company, the compensation can amount to a maximum of 24 months' base salary depending on age, length of employment and possible income from other economic activity or employment. When the executive terminates employment, the period of notice is six months. The executive will in the latter case not be entitled to severance pay unless bound by a non-compete obligation.

Salary and employment conditions for employees
In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for other employees of the company have been taken into account. This is done by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines
The remuneration committee's tasks include preparing the Board of Directors' decision to propose guidelines for senior executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be valid until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for executive management, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in the Company.

Deviations from these guidelines
The Board of Directors may resolve to deviate from these guidelines, in whole or in part, if in a specific case there is special cause for the deviation and the Board deems a deviation is reasonable to serve the company's long-term interests or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

6. Remuneration to auditors

AUDIT FEES AND OTHER SERVICES

	2022	2021
Ernst & Young		
Audit fees and other services	31	1
Other services, tax	1	–
Other services, other	2	–
Other audit firms		
Audit fees	11	31
Other services, tax	13	11
Other services, other	14	28
Total	**72**	**71**

Audit fees refers to audit of the financial statements and the accounting records. For the Parent Company this also includes audit of the administration of the business by the Board of Directors, and the President and CEO as well as the Sustainability audit at Group level.

Audit activities other than the audit assignment refer, for example, to comfort letters. Tax services include both tax consulting services and tax compliance services. Other services essentially comprise other consultancy services, such as due-diligence services in connection with acquisitions.

At the Annual General Meeting of Epiroc 2022, Ernst & Young was elected as auditor for the Epiroc Group until the Annual General Meeting 2023.

7. Other operating income and expenses

OTHER OPERATING INCOME

	2022	2021
Commissions received	2	1
Capital gain on sale of property, plant and equipment	57	16
Revaluation gain attributable to non-controlling interest in Mobilaris	–	167
Foreign exchange gains	220	110
Other operating income	69	67
Total	**348**	**361**

OTHER OPERATING EXPENSES

	2022	2021
Capital loss on sale of property, plant and equipment	-5	-22
Other operating expenses	-70	-117
Total	**-75**	**-139**

Additional information on costs by nature
Cost of sales includes expenses for inventories, see note 17, warranty costs, environmental fees, and transportation costs.

Salaries, remunerations and employer contributions amounted to 10 595 (8 733) of which expenses for post-employment benefits amounted to 594 (502). See note 5.

Included in the operating profit are exchange rate gains and losses on translation of payables and receivables of an operating nature. Amortization, depreciation and impairment for the year amounted to 2 130 (1 746). Costs for research and development, including amortization, depreciation and impairment, amounted to 1 438 (1 172). Amortization related to development expenditure amounted to 382 (314). See note 13 and 14.

8. Remeasurement for hyperinflation

Epirocs' operations in Turkey are accounted for according to IAS 29, Financial reporting in Hyperinflationary economies. See note 1.

The index used by Epiroc for the remeasurement of the financial statements is the consumer price index with base period January 2003. The impact on the consolidated statement of income from IAS 29 is illustrated below.

EXCHANGE RATES AND INDEX

	2022	2021
Exchange rate SEK/TRY	0.56	–
Index	1 128.45	–

NET MONETARY GAIN OR LOSS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME

	2022	2021
Net monetary gain or loss	-52	–

9. Financial income and expenses

FINANCIAL INCOME AND EXPENSES

	2022	2021
Assets measured at amortized cost		
Interest income		
– cash and cash equivalents	122	30
– financial lease receivables	115	81
Interest income at effective interest method	**237**	**111**
Assets measured at fair value in income statement		
Capital gain – other assets	1	2
Foreign exchange gain, net	–	53
Financial income	**238**	**166**
Liabilities measured at amortized cost		
Interest expenses		
– Interest-bearing liabilities	-162	-95
Total interest expenses at effective interest method	**-162**	**-95**
Liabilities measured at fair value in income statement		
- derivatives	-117	-28
- lease liabilities	-59	-41
- pension provisions, net	-8	-16
- other	-20	-20
Change in fair value		
- other liabilities and borrowings	9	-2
Foreign exchange losses, net	-259	–
Impairment gain or loss	9	5
Financial expenses	**-607**	**-197**
Financial expenses, net	**-369**	**-31**

Foreign exchange gain, net includes foreign exchange gains of 1 148 (639) and foreign exchange losses of -1 407 (-586). The gains and losses refer to revaluation of derivatives, interest-bearing liabilities and cash in foreign currency. Total impairment was positive in 2022 as actual losses on financial lease receivables were less than the reversals of the existing provision balance.

10. Income taxes

INCOME TAX EXPENSE

	2022	2021
Current taxes	-2 668	-2 144
Deferred taxes	301	249
Total	**-2 367**	**-1 895**

The income tax expense recognized was -2 367 (-1 895), which corresponds to an effective tax rate of 22.0% (21.1). The major differences between the effective tax rate and the expected tax rate are explained below. The expected tax rate is calculated as a weighted average, based on profit before tax multiplied by the statutory tax rate in each country.

BRIDGE OF THE EFFECTIVE TAX RATE

	2022	2021
Profit before tax	**10 778**	**8 964**
Expected income tax expense (weighted average)	-2 503	-2 076
Expected tax in %	**23.2**	**23.2**
Tax effect of:		
Non-deductible expenses	-214	-61
Non-taxable income	456	290
Withholding taxes	-36	-105
Adjustments related to prior years, net:		
– current taxes	26	30
– deferred taxes	40	31
Tax loss carryforwards and tax credits, net	-10	6
Change in tax rates, deferred tax	-117	3
Other items	-9	-13
Recognized income tax expense	-2 367	-1 895
Effective tax in %	**22.0**	**21.1**

The income tax expense was mainly impacted by non-deductible expenses and non-taxable income. Included in non-taxable income is income subject to reduced taxation under local tax law, mainly in China and the US. Withholding taxes concern taxes on profit repatriation. Adjustments from prior years, current and deferred taxes, relate to adjustments of tax provisions and tax assessments for previous years. The net effect from tax credits and tax loss carryforwards relates to expired tax credits and tax loss carryforwards, as well as utilized tax credits and tax loss carryforwards for which no deferred tax assets previously were recognized. Change in tax rate relates to changed corporate tax rates in certain countries, as well as updated tax rate on internal profit.

10. Income taxes, cont.

Changes in the net deferred tax asset balance from the beginning of the year to the end of the year are explained below:

CHANGE IN NET DEFERRED TAX ASSET BALANCE

	2022	2021
Opening balance, Jan. 1	684	768
Recognized in the income statement	301	249
Tax on amounts recorded in equity	-164	-141
Acquisitions	-548	-232
Translation difference	38	42
Transaction with shareholders	0	-2
Closing balance, Dec. 31	**311**	**684**

Changes in deferred taxes recognized in the income statement are attributable to the change in temporary differences on the following items:

DEFERRED TAXES RECOGNIZED IN THE INCOME STATEMENT

	2022	2021
Intangible assets	123	20
Property, plant and equipment	-83	9
Other financial assets	0	-4
Inventories	164	156
Current receivables	51	-56
Operating liabilities	21	71
Provisions	43	15
Post-employment benefits	-5	39
Borrowings	20	22
Other items	-39	-42
Changes due to temporary differences	**295**	**230**
Loss/credit carryforwards	6	19
Charges to profit for the year	**301**	**249**

The deferred tax assets and liabilities recognized in the balance sheet are attributable to temporary differences on the following items:

DEFERRED TAX ASSETS AND LIABILITIES

	2022			2021		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	43	1 118	-1 075	43	662	-619
Property, plant and equipment	108	744	-636	143	601	-458
Other financial assets	11	153	-142	10	32	-22
Inventories	1 151	10	1 141	977	27	950
Current receivables	123	39	84	106	85	21
Operating liabilities	444	11	433	386	5	381
Provisions	140	1	139	99	0	99
Post-employment benefits	53	2	51	89	0	89
Borrowings	478	1	477	419	0	419
Tax loss/credit carryforwards	60	–	60	43	0	43
Other items[1]	–	221	-221	33	252	-219
Deferred tax assets/liabilities	**2 611**	**2 300**	**311**	**2 348**	**1 664**	**684**
Netting of assets/liabilities	-1 085	-1 085	–	-879	-879	–
Net deferred tax balances	**1 526**	**1 215**	**311**	**1 469**	**785**	**684**

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

Epiroc has tax loss carryforwards of 222 (162), for which deferred tax assets of 60 (43) were recognized. Epiroc has tax loss carryforwards of 110 (0) for which no deferred tax assets have been recognized. Such tax loss carryforwards expire as indicated below.

EXPIRATION OF UNUSED TAX LOSS CARRYFORWARDS

	2022	2021
Expires after 1-2 years	–	–
Expires after 3-4 years	–	–
Expires after 5-6 years	–	–
Expires after 6 or more years	99	–
No expiry date	11	–
Total	**110**	**–**

11. Other comprehensive income

OTHER COMPREHENSIVE INCOME FOR THE YEAR

	2022			2021		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Attributable to owners of the parent						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	687	-139	548	697	-141	556
Items that may be reclassified subsequently to profit or loss						
Translation differences on foreign operations	2 105	–	2 105	1 093	–	1 093
Cash flow hedges	119	-25	94	–	–	–
Total other comprehensive income	**2 911**	**-164**	**2 747**	**1 790**	**-141**	**1 649**
Attributable to non-controlling interests						
Translation differences on foreign operations	7	–	7	6	–	6
Total other comprehensive income	**2 918**	**-164**	**2 754**	**1 796**	**-141**	**1 655**

12. Earnings per share

EARNINGS PER SHARE

SEK	2022	2021
Basic earnings per share	6.96	5.85
Diluted earnings per share	6.95	5.84

The calculation of earnings per share presented above is based on profits and average number of shares as detailed below.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

	2022	2021
Profit for the year	8 397	7 058

AVERAGE NUMBER OF SHARES OUTSTANDING

In thousands of shares	2022	2021
Basic weighted average number of shares outstanding	1 206 330	1 206 305
Effect of employee stock options	1 359	1 765
Diluted weighted average number of shares outstanding	**1 207 689**	**1 208 070**

13. Intangible assets

Impairment tests are performed annually, and whenever there are indications of impairment. Goodwill is allocated and tested at the level of cash-generating units, identified as Epiroc's operating segments. The recoverable amount for each cash-generating unit has been determined on the basis of value in use in Epiroc's valuation model. Epiroc's valuation model is based on discounted future cash flows, with a forecast period of five years or ten years, as applicable. The forecast is based on the business plan of each operating segment, considering the characteristics and development of its particular end markets based on both internal and external sources, and represents management's best estimate of the development of its business operations. The parameters used to calculate future cash flows are assumptions on revenue growth, gross margin development, functional cost efficiency, as well as capital efficiency, including planned capital expenditures and target levels of working capital.

Epiroc's weighted average cost of capital (WACC) is calculated as 8% (8) after tax. As the operating segments are all relatively diversified with similar geographic coverage, and to a large extent have similar organization structures and customer bases, the same discount rate is used for all segments. The perpetual growth beyond the forecast period is assumed as 2% (2).

In 2022, the estimated value of all Epiroc's operating segments exceeded their carrying values, and no impairment was recognized. Epiroc also performed sensitivity analysis including a range for the most critical assumptions, including revenue growth, gross margin development, WACC and perpetual growth rate, and concluded that neither of these scenarios would give rise to any impairment charge.

The table below presents the carrying value of goodwill allocated to operating segments (cash-generating units) and reporting segments.

GOODWILL

	2022	2021
Underground Division	144	144
Surface Division	1 506	1 091
Parts & Services Division	1 858	637
Digital Solutions Division	3 446	1 013
Equipment & Service	**6 954**	**2 885**
Tools & Attachments Division	1 321	1 204
Tools & Attachments	**1 321**	**1 204**
Total	**8 275**	**4 089**

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

	2022		2021	
	Internally generated	Acquired	Internally generated	Acquired
Cost of sales	1	3	–	5
Administrative expenses	66	96	24	58
Marketing expenses	–	81	1	32
Research and development expenses	279	103	270	44
Total	**346**	**283**	**295**	**139**

Impairment charges on intangible assets totaled 54 (23), of which 4 (23) were classified as research and development expenses in the income statement, and 50 (0) were classified as administration expenses and 0 (0) as cost of sales. Of the impairment charges, 4 (23) were due to capitalized development costs relating to discontinued projects.

	Internally generated		Acquired				
2022	Product development	Other technology and contract based	Trademarks	Marketing and customer related	Other technology and contract based	Goodwill	Total
Cost							
Opening balance, Jan. 1	3 557	378	150	508	2 200	4 089	10 882
Additions	312	–	–	–	102	–	414
Acquisition of business	–	–	342	720	678	3 886	5 626
Disposals	-3	-16	–	-4	-77	–	-100
Translation differences	185	14	15	81	79	300	674
Closing balance, Dec. 31	**4 051**	**376**	**507**	**1 305**	**2 982**	**8 275**	**17 496**
Amortization and impairment losses							
Opening balance, Jan. 1	2 451	280	57	293	568	–	3 649
Amortization for the period	275	67	37	51	145	–	575
Impairment charge for the period	4	–	–	–	50	–	54
Disposals	-3	-16	–	-4	-77	–	-100
Reclassifications	1	–	–	–	–	–	1
Translation differences	144	13	4	42	41	–	244
Closing balance, Dec. 31	**2 872**	**344**	**98**	**382**	**727**	–	**4 423**
Carrying amounts							
At Jan. 1	1 106	98	93	215	1 632	4 089	7 233
At Dec. 31	**1 179**	**32**	**409**	**923**	**2 255**	**8 275**	**13 073**

13. Intangible assets, cont.

2021	Internally generated: Product development	Internally generated: Other technology and contract based	Acquired: Trademarks	Acquired: Marketing and customer related	Acquired: Other technology and contract based	Acquired: Goodwill	Total
Cost							
Opening balance, Jan. 1	3 193	336	87	431	1 121	2 049	7 217
Additions	279	33	–	–	125	–	437
Acquisition of business	–	–	59	48	946	1 877	2 930
Disposals	-3	-1	–	-5	-30	–	-39
Reclassification	-27	–	–	–	1	–	-26
Translation differences	115	10	4	34	37	163	363
Closing balance, Dec. 31	**3 557**	**378**	**150**	**508**	**2 200**	**4 089**	**10 882**
Amortization and impairment losses							
Opening balance, Jan. 1	2 101	246	41	251	467	–	3 106
Amortization for the period	246	26	14	24	101	–	411
Impairment charge for the period	23	–	–	–	–	–	23
Disposals	-2	-1	–	-5	-27	–	-35
Reclassifications	-3	–	–	–	1	–	-2
Translation differences	86	9	2	23	26	–	146
Closing balance, Dec. 31	**2 451**	**280**	**57**	**293**	**568**	**–**	**3 649**
Carrying amounts							
At Jan. 1	1 092	90	46	180	654	2 049	4 111
At Dec. 31	**1 106**	**98**	**93**	**215**	**1 632**	**4 089**	**7 233**

Other technology and contract based intangible assets include computer software, patents, trademarks, customer relationships and contract based rights such as licenses and franchise agreements. All intangible assets other than goodwill are amortized. For information regarding amortization and impairment policies, see note 1.

14. Property, plant and equipment

2022	Buildings and land	Machinery and equipment	Construction in progress and advances	Right-of-use asset	Total	Rental equipment	Right-of-use asset	Total Rental equipment
Cost								
Opening balance, Jan. 1	1 471	5 449	471	2 944	10 335	2 309	5	2 314
Additions	20	279	301	701	1 301	875	–	875
Acquisition of business	59	194	64	150	467	–	–	–
Disposals	-23	-264	–	-351	-638	-529	–	-529
Reclassifications	135	171	-388	-18	-100	-232	–	-232
Translation differences	125	351	15	174	665	179	1	180
Closing balance, Dec. 31	**1 787**	**6 180**	**463**	**3 600**	**12 030**	**2 602**	**6**	**2 608**
Depreciation and impairment losses								
Opening balance, Jan. 1	559	4 142	–	1 047	5 748	1 032	3	1 035
Depreciation for the period	62	438	–	508	1 008	490	2	492
Impairment charge for the period	1	–	–	–	1	–	–	–
Disposals	-22	-233	–	-302	-557	-318	–	-318
Reclassifications	–	13	–	-18	-5	-145	–	-145
Translation differences	53	278	–	75	406	86	–	86
Closing balance, Dec. 31	**653**	**4 638**	**–**	**1 310**	**6 601**	**1 145**	**5**	**1 150**
Carrying amounts								
At Jan. 1	912	1 307	471	1 897	4 587	1 277	2	1 279
At Dec. 31	**1 134**	**1 542**	**463**	**2 290**	**5 429**	**1 457**	**1**	**1 458**

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

RIGHT-OF-USE ASSETS

2022	Buildings and land	Machinery and equipment	Total	Rental equipment
Carrying amounts, Jan. 1	1 650	247	1 897	2
Carrying amounts, Dec. 31	**1 993**	**297**	**2 290**	**1**

14. Property, plant and equipment, cont.

2021	Buildings and land	Machinery and equipment	Construction in progress and advances	Right-of-use asset	Total	Rental equipment	Right-of-use asset	Total Rental equipment
Cost								
Opening balance, Jan. 1	1 166	5 109	435	2 554	9 264	1 969	6	1 975
Additions	6	167	316	548	1 037	775	–	775
Acquisition of business	91	187	21	48	347	–	–	–
Divestment of business	–	-4	–	–	-4	–	–	–
Disposals	-10	-298	–	-300	-608	-491	–	-491
Reclassifications	136	96	-309	-1	-78	-50	-2	-52
Translation differences	82	192	8	95	377	106	1	107
Closing balance, Dec. 31	**1 471**	**5 449**	**471**	**2 944**	**10 335**	**2 309**	**5**	**2 314**
Depreciation and impairment losses								
Opening balance, Jan. 1	460	3 874	–	780	5 114	974	2	976
Depreciation for the period	46	411	–	459	916	391	2	393
Impairment charge for the period	3	–	–	–	3	–	–	–
Divestment of business	–	-4	–	–	-4	–	–	–
Disposals	-8	-288	–	-227	-523	-285	–	-285
Reclassifications	20	6	–	-1	25	-103	-1	-104
Translation differences	38	143	–	36	217	55	–	55
Closing balance, Dec. 31	**559**	**4 142**	**–**	**1 047**	**5 748**	**1 032**	**3**	**1 035**
Carrying amounts								
At Jan. 1	706	1 235	435	1 774	4 150	995	4	999
At Dec. 31	**912**	**1 307**	**471**	**1 897**	**4 587**	**1 277**	**2**	**1 279**

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

	2022	2021
Cost of sales	1 067	887
Administrative expenses	186	176
Marketing expenses	209	217
Research and development expenses	33	30
Other operating expenses	6	2
Total	**1 501**	**1 312**

Depreciation for the period relating to right-of-use assets amounted to a total of 510 (461), of which 371 (324) relates to Buildings and land, 137 (135) to Machinery and equipment and 2 (2) to Rental equipment. For more information regarding depreciation, see note 1.

15. Investments in associated companies and joint ventures

ACCUMULATED CAPITAL PARTICIPATION

	2022	2021
Opening balance, Jan. 1	106	188
Acquisitions of associated companies [1]	–	1
Divestment of business [2]	-14	-64
Profit for the year after income tax	-37	-29 [3]
Translation differences	12	10
Closing balance, Dec. 31	**67**	**106**

15. Investments in associated companies and joint ventures, cont.

SUMMARY OF FINANCIAL INFORMATION FOR ASSOCIATED COMPANIES

2022	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Group's share, %
Shenzhen Nectar Engineering & Equipment Co. Ltd.	China	141	52	89	209	1	25
ASI Mining LLC	USA	173	198	-25	8	-113	34
Glass Terra Pty Ltd. [1]	Australia	1	1	0	1	0	27
Sirius Consulting Pty Ltd. [1]	South Africa	3	0	3	8	3	50

2021	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Group's share, %
Shenzhen Nectar Engineering & Equipment Co. Ltd.	China	125	41	84	139	2	25
Zhejiang GIA Machinery Manufacturing Co. Ltd.	China	96	63	33	61	2	49
ASI Mining LLC	USA	180	108	72	80	-69	34
Glass Terra Pty Ltd. [1]	Australia	1	1	0	2 [4]	0 [4]	27
Sirius Consulting Pty Ltd. [1]	South Africa	2	0	2	5 [4]	2 [4]	50

[1] Part of acquisition of MineRP. See note 3.
[2] Divestment refers to Mobilaris MCE AB that is a fully-owned subsidiary from November 1, 2021 and Zhejiang GIA Machinery Manufacturing Co. Ltd. June 8, 2022. See note 3. The result of remeasuring the equity interest in Mobilaris MCE AB to fair value was recognized as Other operating income. See note 7.
[3] Including share of profit in Mobilaris MCE AB until the divestment date.
[4] Included from the date of acquisition.

The above table is based on the most recent financial reporting available from associated companies. The Epiroc percentage share of each holding represents both ownership interest and voting rights.

16. Other financial assets

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

	2022	2021
Non-current assets		
Pension plan assets in excess of pension obligations (note 24)	540	171
Derivatives		
- designated for hedge accounting	30	–
Financial assets classified at amortized cost		
– finance lease receivables	332	276
– other financial receivables	850	560
Closing balance, Dec. 31	**1 752**	**1 007**
Current assets		
Financial assets classified at amortized cost		
– finance lease receivables	271	242
– other financial receivables	739	586
Closing balance, Dec. 31	**1 010**	**828**

The gross amount of finance lease receivables amounted to 606 (520), of which 3 (2) have been impaired. The gross amount of other financial receivables amounted to 1 598 (1 173), of which 9 (27) have been impaired. The total estimated fair value of collateral to finance lease receivables and other financial receivables was 457 (365) and 1 162 (821), respectively, consisting primarily of repossession rights. See note 23 for information regarding finance leases for Group as lessor and note 29 for information on credit risk.

17. Inventories

	2022	2021
Raw materials	664	540
Work in progress	2 999	2 084
Semi-finished goods	3 065	1 935
Finished goods	10 217	7 302
Closing balance, Dec. 31	**16 945**	**11 861**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 660 (388). Reversals of write-downs which were recognized in earnings totaled 87 (137). Previous write-downs have been reversed as a result of improved market conditions in certain markets. Inventories recognized as expenses amounted to 20 783 (16 741).

18. Trade receivables

Fair value for trade receivables corresponds to their carrying value. Trade receivables are classified at amortized cost.

EXPECTED CREDIT LOSSES, TRADE RECEIVABLES

	2022	2021
Provisions at Jan. 1	586	551
Provisions recognized for expected credit losses	250	152
Release of unutilized provisions	-104	-147
Write-offs	-16	-12
Translation differences	57	42
Closing balance, Dec. 31	**773**	**586**

Trade receivables of 9 581 (7 174) are reported net of impairment amounting to 773 (586). Impairment recognized in the income statement totaled 250 (152). Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. The acquisition of subsidiaries increased trade receivables by 414 (203) at date of completion of the acquisitions. At year-end 2022, the expected credit loss amounted to 7.5% (7.6) of gross total customer receivables. The impairment assessed for individual receivables affected the loss provision negatively. The change in the provision for potential credit losses is due to assessments made on an individual basis for each receivable, which also takes into account future ability to pay, changed market conditions, and is not always linked to a change in the size of the balance sheet item. For credit risk information, see note 29.

19. Other receivables

Fair value for other receivables corresponds to their carrying value.

	2022	2021
Derivatives		
– recognized at fair value through profit and loss	198	46
– designated for hedge accounting	98	–
Other receivables	1 767	1 220
Accrued income	158	183
Prepaid expenses	974	608
Closing balance, Dec. 31	**3 195**	**2 057**

Other receivables consist primarily of VAT claims and advances to suppliers. Accrued income relates mainly to service and construction projects. Prepaid expenses include items such as rent, insurance, interest, IT and employee costs. Other receivables are reported net of impairments amounting to 3 195 (2 057). See note 29 for information regarding derivatives.

20. Cash and cash equivalents

Cash and cash equivalents are classified at amortized cost. Fair value corresponds to their carrying value. According to IFRS 9, cash and cash equivalents are subject to impairment testing according to the expected credit loss model. During 2022 the impairment was insignificant and therefore not recognized.

Cash and cash equivalents had an estimated average effective interest rate of 1.2% (0.2). As interest rates has risen during 2022, the return is higher than previous year.

The committed, but unutilized, credit line is 4 000 (4 000), see note 22 for additional information.

	2022	2021
Cash	3 810	5 933
Cash equivalents	3 516	4 859
Closing balance, Dec. 31	**7 326**	**10 792**

21. Equity

At year-end, Epiroc's share capital totaled 500 (500). The total number of issued Epiroc shares was 1 213 738 703 (1 213 738 703) shares, of which 823 765 854 (823 765 854) were class A shares and 389 972 849 (389 972 849) were class B shares, each with a quota value of approximately SEK 0.41 (0.41). Class A shares entitle the owner to one vote while class B shares entitle the owner to one tenth of a vote. Class A shares and class B shares carry equal rights to a part of the company's assets upon liquidation and distribution of dividends.

The Board of Directors of Epiroc has been granted a mandate by Epiroc's Annual General Meeting on April 25, 2022 to repurchase, transfer and sell own shares in order to fulfill the obligations under Epiroc's performance based employee stock option plans. Repurchase and sale will be made at a price per share within the registered trading interval, at any given point in time. The mandate is valid until Epiroc's Annual General Meeting 2023 and allows:

1) The acquisition of not more than 1 800 000 series A shares, of which a maximum of 1 700 000 may be transferred to option holders under the performance based personnel option plan 2022.
2) The acquisition of not more than 20 000 series A shares, later to be sold on the market in connection with payment to Board members who have opted to receive synthetic shares as part of their remuneration.
3) The sale of not more than 60 000 series A shares to cover costs related to previously issued synthetic shares to Board members.
4) The sale of a maximum 5 000 000 series A and series B shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the performance based personnel option plans 2016, 2017, 2018 and 2019.

The Board of Directors of Epiroc has been granted a mandate by Epiroc's Annual General Meeting on April 28, 2021 to repurchase, transfer and sell own shares in order to fulfill the obligations under Epiroc's performance based employee stock option plans. Repurchase and sale will be made at a price per share within the registered trading interval, at any given point in time. The mandate was valid until Epiroc's Annual General Meeting 2022 and allowed:

1) The acquisition of not more than 1 800 000 series A shares, of which a maximum of 1 700 000 may be transferred to option holders under the performance based personnel option plan 2021.
2) The acquisition of not more than 20 000 series A shares, later to be sold on the market in connection with payment to Board members who have opted to receive synthetic shares as part of their remuneration.
3) The sale of not more than 60 000 series A shares to cover costs related to previously issued synthetic shares to Board members.
4) The sale of a maximum 5 800 000 series A and series B shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the performance based personnel option plans 2016, 2017 and 2018.

21. Equity, cont.

During 2022 Epiroc divested 692 444 class A shares in accordance with mandates granted by the 2022 and 2021 Annual General Meeting. As of December 31, 2022, Epiroc AB held 8 168 377 (7 475 933) class A shares. More information regarding employee stock option plans can be found in note 25.

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.

Cash flow hedges
Cash flow hedges amounts to 94 (–). See note 29 for more information.

Non-controlling interest
The non-controlling interest amounts to 488 (56).

Appropriation of profit
The Board of Directors proposes a dividend of SEK 3.40 (3.00) per share, totaling 4 099 (3 619) if shares held by the Company on December 31, 2022 are excluded.

Amounts in SEK	
Retained earnings including reserve for fair value	43 747 166 318
Profit for the year	5 138 239 966
Total	**48 885 406 284**
The Board of Directors proposes that these earnings shall be appropriated as follows;	
To the shareholders, a dividend of SEK 3.40 per share [1]	4 098 939 108
To be retained in the business	44 786 467 176
Total	**48 885 406 284**

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

The proposed dividend for 2021 of SEK 3.00 per share, that was approved by the Annual General Meeting on April 25, 2022, was accordingly paid by Epiroc AB. Total dividend paid amounted to SEK 3 618 864 323.

22. Borrowings

			2022		2021	
	Maturity	Repurchased nominal amount	Carrying amount	Fair value	Carrying amount	Fair value
Non-current						
Medium Term Note Program MSEK 1 250, Fixed	2023	790	459	450	1 247	1 282
Medium Term Note Program MSEK 750, Floating	2023	76	674	679	749	762
Medium Term Note Program MSEK 1 000, Fixed	2026		997	900	997	1 032
Medium Term Note Program MSEK 1 000, Floating	2026		999	995	999	1 061
Medium Term Note Program MSEK 1 500, Fixed	2027		1 497	1 488	–	–
Medium Term Note Program MSEK 500, Floating	2027		499	498	–	–
Bilateral borrowings MSEK 2 000, Floating	2025		1 999	2 031	1 998	1 999
Bilateral borrowings MSEK 1 000, Floating	2027		999	1 055	999	1 021
Other bank loans			65	65	61	61
Less current portion of long-term borrowings			– 1 156	– 1 152	-22	-22
Total non-current bonds and loans			**7 032**	**7 009**	**7 028**	**7 196**
Lease liabilities			1 842	1 842	1 528	1 528
Other financial liabilities			3	3	6	6
Total non-current borrowings			**8 877**	**8 854**	**8 562**	**8 730**
Current						
Current portion of long-term borrowings			1 156	1 152	22	22
Loans			173	173	180	180
Lease liabilities			538	538	424	424
Other financial liabilities			132	132	2	2
Total current borrowings			**1 999**	**1 995**	**628**	**628**
Closing balance, Dec. 31			**10 876**	**10 849**	**9 190**	**9 358**

The difference between carrying amount and fair value of borrowings relates to the measurement method as certain liabilities are reported at fair value and not at amortized cost. See additional information about the Group's exposure to interest rate risk and foreign currency risk in note 29.

Debt in the Group is primarily raised by the Parent Company and transferred to subsidiaries as internal loans or capital injections. Financing is also undertaken locally in countries in which there are legal restrictions preventing financing through Group companies. In September the Group issued green bonds of 2 000 maturing in 2027. The proceeds will be used to finance sustainable investments, expenditures, and R&D. In connection to the issuance the Group repurchased 866 of the bonds maturing in December 2023. The bonds maturing in 2023 are recognized as current portion of long-term borrowings at year-end. In December 2022 S&P Global Ratings affirmed Epiroc's BBB+ credit rating with a stable outlook. The table below shows the Group's back-up facilities.

22. Borrowings, cont.

BACK-UP FACILITIES

	2022		2021	
	Facility size	Utilized	Facility size	Utilized
Revolving credit facility[1)]	4 000	–	4 000	–
Commercial paper program	2 000	–	2 000	–
Total back-up facilities	**6 000**	**–**	**6 000**	**–**

1) The revolving credit facility matures in 2025.

RECONCILIATION OF CHANGES IN LIABILITIES

2022	Opening balance	Financing cash flows	New leases	Other changes in lease liabilities	Acquired/ divested companies	Fair value change through P/L	Foreign exchange movement	Reclassification	Closing balance
Non-current									
Loans and bonds	7 028	1 107	–	–	23	4	4	-1 134	7 032
Lease liabilities	1 528	-28	432	-55	127	–	75	-237	1 842
Other financial liabilities	6	-4	–	–	–	–	1	–	3
Total non-current borrowings	**8 562**	**1 075**	**432**	**-55**	**150**	**4**	**80**	**-1 371**	**8 877**
Current									
Loans	202	-94	–	–	70	–	17	1 134	1 329
Lease liabilities	424	-451	269	-6	40	–	25	237	538
Other financial liabilities	2	128	–	–	–	–	2	–	132
Total current borrowings	**628**	**-417**	**269**	**-6**	**110**	**–**	**44**	**1 371**	**1 999**
Total	**9 190**	**658**	**701**	**-61**	**260**	**4**	**124**	**0**	**10 876**

2021	Opening balance	Financing cash flows	New leases	Other changes in lease liabilities	Acquired/ divested companies	Fair value change through P/L	Foreign exchange movement	Reclassification	Closing balance
Non-current									
Loans and bonds	8 047	-1 054	–	–	33	4	19	-21	7 028
Lease liabilities	1 442	-77	313	-50	34	–	45	-179	1 528
Other financial liabilities	2	-171	–	–	176	–	-1	–	6
Total non-current borrowings	**9 491**	**-1 302**	**313**	**-50**	**243**	**4**	**63**	**-200**	**8 562**
Current									
Loans	196	-81	–	–	45	–	21	21	202
Lease liabilities	371	-370	235	-21	14	–	16	179	424
Other financial liabilities	97	-94	–	–	–	–	-1	–	2
Total current borrowings	**664**	**-545**	**235**	**-21**	**59**	**–**	**36**	**200**	**628**
Total	**10 155**	**-1 847**	**548**	**-71**	**302**	**4**	**99**	**0**	**9 190**

23. Leases

Leases – lessee

The Group has lease contracts primarily from rented premises, machinery, and computer and office equipment. Lease contracts for office, factory facilities and machines typically run for a period of 3 to 15 years, while motor vehicles and other equipment generally have lease terms between 2 and 5 years. A limited number of leasing contracts have purchase and renewal options. For machinery, there is the possibility to acquire the underlying asset and extend the contract, and for premises, there is the possibility to extend the contract. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered leases of low value. Also, if the lease contract has a lease term that is less than 12 months, the lease is considered a short-term lease and such payments are recognized as an expense over the lease term.

The carrying amount of right-of-use assets as of December 31, 2022, amounted to 2 291 (1 899). See note 14 for the carrying amounts of right-of-use assets by class of underlying asset recognized and movements during the period.

The carrying amounts of lease liabilities (included under interest-bearing liabilities) are presented below.

Lease liability	2022	2021
Carrying amounts, Jan. 1	1 952	1 813
Carrying amounts, Dec. 31	**2 380**	**1 952**
Non-current	1 842	1 528
Current	538	424
Total	**2 380**	**1 952**

See note 29 for maturity analysis of the lease liability. The Group had a cash outflow for lease liabilities of 470 (444), refer to note 22 for more information.

23. Leases, cont.

The amounts recognized in the income statement during 2022 are the following;

	2022	2021
Costs for low value leases	-26	-24
Costs for short-term leases	-33	-29
Variable lease payments not included in the lease liability	-9	-8
Income from subleasing right-of-use assets	-4	11
Gains/losses from sale and leaseback transactions	–	-1
Interest expenses on lease liability	-59	-41
Depreciation for the period	-510	-461

For information on financial exposure and policies for control of financial risks see note 29.

Leases – lessor

Operating leases – lessor

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

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

	2022	2021
Fall due year:		
2022	–	331
2023	291	134
2024	122	83
2025	48	21
2026	12	0
2027	2	0
>2027	0	0
Total	**475**	**569**

During 2022, lease income relating to operating lease contracts amounted to 603 (535).

Finance leases – lessor

The Group offers lease financing to customers via Epiroc Financial Solutions and certain other subsidiaries. See note 29 for information on financial exposure and policies for control of financial risks. Future lease payments to be received fall due as follows:

	2022	2021
Fall due year:		
2022	–	240
2023	302	169
2024	204	99
2025	109	35
2026	42	4
2027	24	0
>2027	0	0
Undiscounted lease payments	**681**	**547**
Unguaranteed residual value	3	3
Less: Unearned finance income	78	30
Present value of lease payments receivable	**606**	**520**
Impairment loss allowance	-3	-2
Net investment in the lease	**603**	**518**

During the year, the finance lease receivables increased mainly due to higher overall demand for capital equipment.

The selling profit/loss (net) recognized in the income statement amounted to 77 (77), and the finance income on the net investment in the lease amounted to 3 (4).

24. Post-employment benefits

Epiroc provides post-employment defined benefit pension plans and other long-term employee benefits in most of its major locations. The most significant countries in terms of size of plans are Sweden, Germany, Switzerland and India.

The plans in the four most significant countries are funded with different local financing vehicles, held separated from the Group for future benefit payments. In Sweden the main ITP 2-plans retirement pension is funded by the Group's pension foundation. In addition, the Epiroc family pension under ITP 2 is insured by a thirdparty insurer, Alecta. This plan is recognized as a defined contribution plan as sufficient information for calculating the net pension obligation is not available. Alecta's surplus can be distributed among the policyholders and/or the insured. At the end of 2022, Alecta's surplus of its so-called collective funding amounted to 172% (172). The collective funding consists of the fair value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions.

The Group identifies a number of risks in the investments of pension plan assets. The main risks are interest rate risk, market risk, counter-party risk, liquidity risk, inflation risk and currency risk. The risk that the managed pension assets will not cover the pension commitments is also affected by life expectancy and any large wage increases. The Group works continuously to manage the risks and ensure that the investment orientations reflect Epiroc´s risk tolerance level and that the investments have a long-term investment horizon. The investment portfolio should be diversified, which means that multiple asset classes, markets and issuers should be utilized. An asset liability management assessment should be conducted periodically. The study should include a number of elements. The most important elements are the duration of the assets and the timing of settlement of liabilities, the expected return of the assets, the expected development of liabilities, the forecast cash flows and the impact of a shift in interest rates on the obligation.

The net obligations for post-employment benefits and other long-term employee benefits have been recognized in the balance sheet as follows:

	2022	2021
Financial assets (note 16)	-540	-171
Post-employment benefits	149	356
Other provisions (note 27)	109	101
Closing Balance, Dec. 31	**-282**	**286**

The tables below show the Group's obligations for post-employment benefits and other long-term employee benefits, the assumptions used to determine these obligations and the assets relating to these obligations for employee benefits, as well as the amounts recognized in the income statement and the balance sheet.

The net amount recognized in the balance sheet amounted to -282 (286). The weighted average remaining duration of the obligation is 19.5 (22.3) years.

24. Post-employment benefits, cont.

POST-EMPLOYMENT BENEFITS

2022	Funded pension plans	Unfunded pension plan	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	1 350	86	10	100	1 546
Fair value of plan assets	-1 846	–	-3	–	-1 849
Present value of net obligations	**-496**	**86**	**7**	**100**	**-303**
Effect of asset ceiling	21	–	–	–	21
Other long-term service obligations	–	–	0	–	0
Net amount recognized in balance sheet	**-475**	**86**	**7**	**100**	**-282**

2021	Funded pension plans	Unfunded pension plan	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	1 854	72	14	87	2 027
Fair value of plan assets	-1 738	–	-3	–	-1 741
Present value of net obligations	**116**	**72**	**11**	**87**	**286**
Effect of asset ceiling	–	–	–	–	–
Other long-term service obligations	–	–	–	–	–
Net amount recognized in balance sheet	**116**	**72**	**11**	**87**	**286**

PLAN ASSETS CONSIST OF THE FOLLOWING:

2022	Quoted market price	Unquoted market price	Total
Debt instruments	351	–	351
Equity instruments	108	–	108
Property [1]	30	533	563
Assets held by insurance companies	53	–	53
Cash	178	–	178
Investment funds	577	–	577
Derivatives	–	-1	-1
Other	20	–	20
Closing balance, Dec. 31	**1 317**	**532**	**1 849**

[1] There are properties occupied and used by Epiroc.

2021	Quoted market price	Unquoted market price	Total
Debt instruments	330	4	334
Equity instruments	97	–	97
Property [1]	24	413	437
Assets held by insurance companies	49	–	49
Cash	236	–	236
Investment funds	148	426	574
Derivatives	0	-4	-4
Other	18	–	18
Closing balance, Dec. 31	**902**	**839**	**1 741**

[1] There are properties occupied and used by Epiroc.

MOVEMENTS IN PLAN ASSETS

	2022	2021
Fair value of plan assets at Jan. 1	1 741	1 401
Interest income	31	20
Remeasurement – return on plan assets	66	300
Settlements	-1	0
Other significant events	–	11
Employer contributions	14	14
Plan members contributions	1	1
Benefit paid by the plan	-27	-17
Translation differences	24	11
Fair value of plan assets, Dec. 31	**1 849**	**1 741**

THE PLAN ASSETS ARE ALLOCATED AMONG THE FOLLOWING GEOGRAPHIC AREAS:

	2022	2021
Europe	1 783	1 681
of which Sweden	*1 561*	*1 461*
Rest of the world	66	60
Total	**1 849**	**1 741**

ASSET CEILING

	2022	2021
Asset ceiling at Jan. 1	–	–
Remeasurements – asset ceiling	20	–
Translation difference	1	–
Asset ceiling, Dec. 31	**21**	–

MOVEMENTS IN PRESENT VALUE OF THE OBLIGATIONS FOR DEFINED BENEFITS

	2022	2021
Defined benefit obligations at Jan. 1	2 027	2 251
Current service cost	131	114
Past service cost	-3	-5
Gain/loss on settlement	0	0
Interest expense (+)	40	35
Other significant events	12	67
Actuarial gains (–)/ losses (+) arising from experience adjustments	-52	-210
Actuarial gains (–)/ losses (+) arising from financial assumptions	-612	-169
Actuarial gains (–)/ losses (+) arising from demographic assumptions	32	-7
Settlements	-1	0
Benefits paid from plan or company assets	-72	-65
Translation differences	44	16
Defined benefit obligations, Dec. 31	**1 546**	**2 027**

24. Post-employment benefits, cont.

Remeasurements recognized in other comprehensive income amount to -678 (-697) and 8 (11) in profit and loss. The Group expects to pay 65 (58) in contributions to defined benefit plans in 2023.

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

	2022	2021
Current service cost	131	114
Past service cost	-3	-5
Gain/loss on settlements	0	0
Net interest cost	8	15
Remeasurement of other long-term benefits	8	11
Total	**144**	**135**

The total benefit expense for defined benefit plans amounted to 144 (135), of which 136 (120) has been charged to related functions under operating expenses and 8 (15) to financial expenses. Expenses related to defined contribution plans amounted to 458 (382).

PRINCIPAL ACTUARIAL ASSUMPTIONS

Europe	2022	2021
Financial assumptions		
Discount rate	3.85%	1.67%
Salary increases	3.06%	2.69%
Inflation rate	1.97%	1.69%
Demographic assumptions		
Life expectancy after age 65 in years	23.7	21.5

The Group has identified discount rate, future salary increases, inflation rate and life expectancy 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 principal actuarial assumptions, and describes the potential effect on the present value of the defined pension obligation.

SENSITIVITY ANALYSIS OF PRINCIPAL ACTUARIAL ASSUMPTIONS

Impact on the defined benefit obligations of a change in assumptions

Europe	2022	2021
Financial assumptions		
Discount rate +0.50%	-128	-198
Discount rate -0.50%	145	227
Salary increase rate +0.50%	29	99
Salary increase rate -0.50%	-28	-88
Inflation rate +0.50%	140	213
Inflation rate -0.50%	-124	-192
Demographic assumptions		
Life expectancy + 1 year	50	81
Life expectancy - 1 year	50	81

25. Share-based payments

Share value based incentive programs

Performance based employee stock option plan 2016-2021

Employees in Epiroc have prior to 2018 been offered to participate in certain share-based payment programs offered by Atlas Copco. At the time when the Epiroc shares were listed, Atlas Copco had four programs in place, 2014-2017, in which certain Epiroc employees were participants. The performance based employee stock option plans in Atlas Copco were in accordance with their terms split between Atlas Copco and Epiroc in connection with the distribution and listing of Epiroc on Nasdaq Stockholm. Approximately 90 key employees of Epiroc have received under the performance based stock option plan for the years 2016-2021 options related to Epiroc and receive incentives related to the performance of Epiroc.

The terms and conditions of the performance based employee stock option plans for the years 2016–2021 are in all material aspects similar to the terms and conditions of the performance based employee stock option plan for 2022 in Epiroc, as described below. More details of the programs are found in table "Summary of share value based incentive programs" (see page 121).

Performance based employee stock option plan 2022

The Annual General Meeting of Epiroc held on April 25, 2022, resolved, based on a proposal from the Board of Directors, to introduce a performance based employee stock option plan for 2022, which is similar in structure to the previous stock option plans approved by the Annual General Meeting.

The performance based employee stock option plan is directed at a maximum of 140 key employees in Epiroc, who will have the possibility to acquire a maximum of 1 592 035 Class A shares in Epiroc. The issuing of options depends on the value increase expressed as Economic Value Added of Epiroc during 2022. In an interval of SEK 750 000 000, the issue varies linearly from zero to 100% of the maximum number of options. The participating key employees are divided into different categories, with different amounts of maximum issues of options, depending on their positions. The issuing of options will take place no later than March 20, 2023. The term of the options is seven years from granting, and the options are exercisable not earlier than three years from grant date. The exercise price shall be set at an amount corresponding to 110% of the average of the closing rates on Nasdaq Stockholm of Epiroc's Class A shares during a period of ten business days following the date of the publishing of the Interim report Q4, 2022. A participant must still be employed in order to exercise his/her options. The options are not transferable.

The costs of the performance based employee stock option plan will, on an on-going basis during the term of the plan, be reported in accordance with IFRS 2, and is estimated to amount up to approximately 63. The estimated costs for advice and administration linked to the program are approximately 3.5. In order to limit the exposure of the performance based employee stock option plan, hedging measures have been adopted in the form of share buy-backs (see note 21), which can be transferred to the participants of the plan pursuant to resolutions passed at the Annual General Meeting of Epiroc.

A prerequisite for the participation of senior executives (11 participants) in the performance based employee stock option plan is an investment of a maximum of ten percent of the participants' respective base salary for 2022 before tax, in series A shares of Epiroc. The investments may be made in cash or by payment of shares, however, not by shares that are obtained as a part of the performance based employee stock option plans for 2020 – 2021. Senior executives who have invested in Epiroc series A shares as a part of the employee stock option plan, in addition to the proportional participation in the plan, for each share acquired have a right (a "matching option") to acquire a share three years after the grant until the expiration of the employee stock option plan 2022 at a price equal to 75% of the market value upon which the exercise price of the shares in the 2022 employee stock option plan was based, subject to continued employment and continued ownership of the shares.

For all the programs, 2016–2022, a total maximum of 7 745 888 shares could be delivered to employees, corresponding to approximately 0.6% of the total number of shares in Epiroc.

The Board of Epiroc has the right to decide to implement an alternative incentive solution (SARs) for key persons in such countries where the grant of employee stock options is not feasible. In the 2016–2019 programs, at the request of optionees, it has been possible to settle the options by the Company's paying cash equal to the

25. Share-based payment, cont.

excess of the closing price of the shares over the exercise price on the exercise day, less any administrative fees. Due to this choice of settlement by the Swedish employees, these options were classified for accounting purposes as cash-settled in accordance with IFRS 2. As of October 2020, this possibility was removed from the terms and therefore only those options in the 2016-2017 plans are accounted for as cash-settled if the participant has opted for this possibility.

For the plans 2018 and onwards no options are accounted for as cash-settled.

The Black-Scholes model is used to calculate the fair value of the options/SARs in the programs at issue date. For the programs in 2022, the fair value of the options/SARs was based on the following assumptions:

KEY ASSUMPTIONS

	2022 Program (Dec. 31, 2022)	2021 Program (Dec. 31, 2021)
Expected exercise price	SEK 208.84/142.39 [1]	SEK 252.12/171.90 [1]
Expected volatility	30%	30%
Expected options life (years)	4.41	4.41
Expected share price	SEK 189.85	SEK 229.20
Expected dividend (growth)	SEK 3.00 (6%)	SEK 2.50 (6%)
Risk free interest rate	2.57%	0.00%
Expected average grant value	SEK 38.36/62.39 [1]	SEK 40.80/69.92 [1]
Number of outstanding options	1 394 004	1 524 352
– of which forfeited [2]	-6 847	-26 630
Number of matching options	26 479	24 101

1) Matching options for senior executives.
2) Including adjustments for performance achievement.

The expected volatility has been determined by analyzing the historic development of the Epiroc A Share price and other shares on the stock market. When determining the expected option life, assumptions have been made regarding the expected exercising behavior of different categories of optionees.

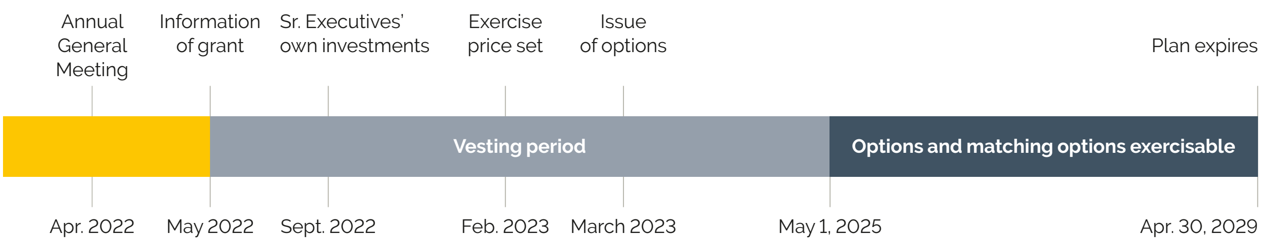
For the stock options in the 2016–2022 programs, the fair value is recognized as an expense over the following vesting periods:

PROGRAM

	Vesting period		Exercise period	
Stock options	From	To	From	To
2016	May-16	Apr-19	May-19	Apr-23
2017	May-17	Apr-20	May-20	Apr-24
2018	May-18	Apr-21	May-21	Apr-25
2019	May-19	Apr-22	May-22	Apr-26
2020	May-20	Apr-23	May-23	Apr-27
2021	May-21	Apr-24	May-24	Apr-28
2022	May-22	Apr-25	May-25	Apr-29

For the 2022 program, a new valuation of the fair value has been performed and will be performed at each reporting date until the issue date, which as indicated below will occur in March 2023.

TIMELINE 2022 OPTION PLAN



For SARs and the options classified as cash-settled, the fair value is recognized as an expense over the same vesting period; the fair value is, however, remeasured at each reporting date and changes in the fair value after the end of the vesting period continue to be recognized as a personnel expense.

In accordance with IFRS 2, the expense in 2022 for the Group for all share-based incentive programs amounted to -11 (193) excluding social costs, of which 30 (22) refers to equity-settled options. The related costs for social security contributions are accounted for in accordance with the statement from the Swedish Financial Reporting Board (UFR 7) and are classified as personnel expenses. In the balance sheet, the provision for the Group for share appreciation rights as of December 31, 2022, amounted to 106 (186). See additional information about the Group's share-based incentive program in note 5.

25. Share-based payment, cont.

SUMMARY OF SHARE VALUE BASED INCENTIVE PROGRAMS

Program	Initial number of employees	Number of options	Additional number of options, share split/ redemption 2021 [1]	Expiration date	Exercise price, SEK [1]	Type of share	Fair value at grant date	Intrinsic value for vested SARs
Stock options								
2016	66	4 966 702	10 168	4/30/23	74.62	A	16.53	–
2017	64	2 095 148	7 591	4/30/24	92.97	A	15.90	–
2018	63	1 976 817	25 383	4/30/25	95.39	A	15.63	–
2019	70	743 903	11 210	4/30/26	127.85	A	6.48	–
2020	64	393 126	5 939	4/30/27	179.91	A	37.04	–
2021	69	1 188 927	n/a	4/30/28	218.06	A	38.87	–
Matching options								
2017	7	22 993	173	4/30/24	63.41	A	26.84	–
2018	11	50 566	760	4/30/25	65.04	A	27.11	–
2019	13	44 784	670	4/30/26	87.17	A	14.14	–
2020	11	37 891	569	4/30/27	122.66	A	61.34	–
2021	11	24 101	n/a	4/30/28	148.68	A	65.71	–
Share appreciation rights								
2016	12	954 761	7 881	4/30/23	74.62	A	–	115.23
2017	14	446 150	10 674	4/30/24	92.97	A	–	96.88
2018	24	555 408	6 301	4/30/25	95.39	A	–	95.26
2019	21	184 998	2 785	4/30/26	127.85	A	–	65.8
2020	27	138 965	2 101	4/30/27	179.91	A	–	–
2021	23	335 425	n/a	4/30/28	218.06	A	–	–

[1] A share split and mandatory redemption of the Epiroc share was executed in May 2021. In order to ensure that the economic value for the participant was not negatively affected, the exercise price and the number of stock options, matching options and share appreciation rights were adjusted, similar to the method used by Nasdaq Stockholm to adjust exchange traded option contracts.

NUMBER OF OPTIONS/RIGHTS 2022

Program	Outstanding January 1	Exercised	Expired/ forfeited	Outstanding December 31	–of which exercisable	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options							
2016	517 441	39 361	–	478 080	478 080	4	196.14
2017	399 639	67 206	30 203	302 230	302 230	16	196.16
2018	1 151 659	178 992	–	972 667	972 667	28	200.72
2019	746 952	89 990	–	656 962	656 962	40	188.56
2020	394 231	–	4 834	389 397	–	52	–
2021	1 175 612	–	13 315	1 162 297	–	64	–
Matching options							
2017	9 906	1 868	–	8 038	8 038	16	188.80
2018	36 962	7 413	–	29 549	29 549	28	190.47
2019	45 454	13 450	–	32 004	32 004	40	195.11
2020	38 460	–	–	38 460	–	52	–
2021	24 101	–	–	24 101	–	64	–
Share appreciation rights							
2016	336 669	208 951	–	127 718	127 718	4	195.58
2017	509 851	90 852	–	418 999	418 999	16	190.51
2018	299 190	24 500	–	274 690	274 690	28	195.28
2019	187 783	20 322	–	167 461	167 461	40	172.08
2020	136 232	–	9 668	126 564	–	52	–
2021	322 110	–	13 315	308 795	–	64	–

NUMBER OF OPTIONS/RIGHTS 2021

Program	Outstanding January 1	Additional number of options, share split/ redemption 2021 [1]	Exercised	Expired/ forfeited	Outstanding December 31	–of which exercisable	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2016	717 890	10 168	210 617	–	517 441	517 441	16	201.56
2017	518 807	7 591	126 759	–	399 639	399 639	28	209.84
2018	1 814 605	25 383	688 329	–	1 151 659	1 151 659	40	203.59
2019	743 903	11 210	–	8 161	746 952	–	52	–
2020	393 126	5 939	–	4 834	394 231	–	64	–
Matching options								
2017	11 605	173	1 872	–	9 906	9 906	28	214.15
2018	50 566	760	14 364	–	36 962	36 962	40	225.16
2019	44 784	670	–	–	45 454	–	52	–
2020	37 891	569	–	–	38 460	–	64	–
Share appreciation rights								
2016	636 134	7 881	307 346	–	336 669	336 669	16	201.55
2017	992 956	10 674	493 779	–	509 851	509 851	28	190.10
2018	462 949	6 301	170 060	–	299 190	299 190	40	203.97
2019	184 998	2 785	–	–	187 783	–	52	–
2020	138 965	2 101	–	4 834	136 232	–	64	–

[1] A share split and mandatory redemption of the Epiroc share was executed in May 2021. In order to ensure that the economic value for the participant was not negatively affected, the exercise price and the number of stock options, matching options and share appreciation rights were adjusted, similar to the method used by Nasdaq Stockholm to adjust exchange traded option contracts.

26. Other liabilities

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

OTHER CURRENT LIABILITIES

	2022	2021
Derivatives		
– classified at fair value through profit and loss	200	94
Other financial liabilities		
– other liabilities	1 815	861
– accrued expenses	3 218	2 637
Advances from customers[1]	2 177	1 564
Deferred revenue service contracts[1]	306	291
Closing balance, Dec. 31	**7 716**	**5 447**

1) In advances from customers and deferred revenue, 1 955 (1 574) is related to contract liabilities. The increase from prior year is the result of new advances from the increase of orders received where the control of the goods has not yet been transferred to the customer. 1 244 (864) of the advances from customers and deferred revenue 2021 have been recognized as revenue during 2022.

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

27. Provisions

2022	Product warranty	Restruc-turing	Other	Total
Opening balance, Jan. 1	**192**	**27**	**524**	**743**
During the year				
Additions	141	136	141	418
Utilization	-94	-30	-133	-257
Reversal of excess amounts	-36	-3	-38	-77
Acquisition of business	2	–	63	65
Reclassification	–	-2	2	–
Translation differences	19	3	20	42
Closing balance, Dec. 31	**224**	**131**	**579**	**934**
Non-current	12	7	296	315
Current	212	124	283	619
Total	**224**	**131**	**579**	**934**

2022, Maturity	Product warranty	Restruc-turing	Other	Total
Less than one year	212	124	283	619
Between one and five years	12	4	267	283
More than five years	–	3	29	32
Total	**224**	**131**	**579**	**934**

It is currently not possible to conduct business in Russia. Epiroc has adjusted the Russian operations accordingly and recognized provisions of 550 in 2022, of which 148 is recognized as restructuring and other provisions.

2021	Product warranty	Restruc-turing	Other	Total
Opening balance, Jan. 1	**176**	**76**	**367**	**619**
During the year				
Additions	178	15	372	565
Utilization	-144	-33	-226	-403
Reversal of excess amounts	-29	–	-21	-50
Discounting effect	-1	–	-2	-3
Acquisition of business	–	–	20	20
Reclassification	–	-31	7	-24
Translation differences	12	–	7	19
Closing balance, Dec. 31	**192**	**27**	**524**	**743**
Non-current	12	3	439	454
Current	180	24	85	289
Total	**192**	**27**	**524**	**743**

2021, Maturity	Product warranty	Restruc-turing	Other	Total
Less than one year	180	24	85	289
Between one and five years	12	1	406	419
More than five years	0	2	33	35
Total	**192**	**27**	**524**	**743**

Other provisions consist primarily of amounts related to share-based payments including social fees and other long-term employee benefits (see note 25).

28. Pledged assets and contingent liabilities

Epiroc had 175 (84) in sureties and other contingent liabilities. These primarily relate to pension commitments and commitments related to customer claims and various legal matters. In addition, Epiroc has commercial guarantees for fulfillment of contractual undertakings, which is part of the Group's normal course of business of 360 (430).

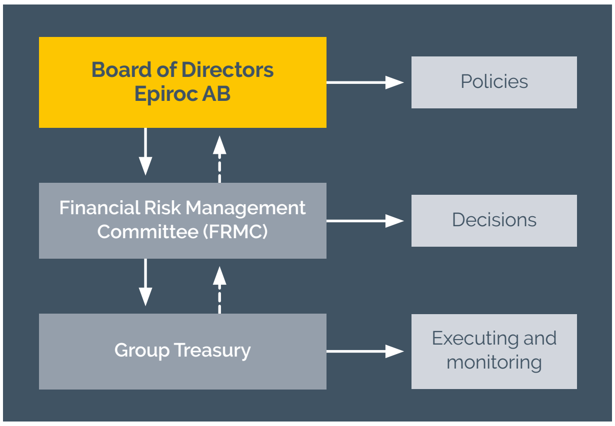
29. Financial risk management

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

Organization
The Board of Directors establishes the Group's financial risk policy. The Group has a Financial Risk Management Committee (FRMC) that manages the Group's financial risks within the mandate given by the Board of Directors. The members of the FRMC are the President and CEO, Senior Vice President Controlling and Finance, Group Treasurer and representatives from Group Treasury. The FRMC meets quarterly or more frequently if circumstances require.

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

Group Treasury reports to the FRMC quarterly and the FRMC reports to the Audit Committee.



Capital structure
The Group defines capital as borrowings and equity. The Group's financial goals include an efficient capital structure and the flexibility to make selective acquisitions, while maintaining an investment grade rating. The Group's goal is to provide long-term stability and raise dividends to its shareholders. The dividend should correspond to 50% of net profit over the cycle. The capital requirement is assessed on the basis of ratios such as net debt/equity and net debt/EBITDA.

Net debt/cash
Net debt/cash is defined by the Group as interest-bearing liabilities and post-employment benefits, adjusted for the fair value of interest rate swaps, less cash and cash equivalents and certain other financial receivables. The position for December 31 was:

29. Financial risk management, cont.

NET DEBT/CASH

	2022	2021
Interest-bearing liabilities	10 876	9 190
Post-employment benefits	149	356
Cash and cash equivalents	-7 326	-10 792
Certain other financial receivables	-8	-58
Net debt/cash	**3 691**	**-1 304**
Total equity	**33 508**	**25 785**
Net debt/equity ratio, %	11.0	-5.1

Rating
Another variable in the assessment of the Group's capital structure is the credit rating. In December 2022, S&P Global Ratings affirmed Epiroc's BBB+ credit rating with a stable outlook.

Funding and liquidity risk

Funding and liquidity risk is defined as the risk of the cost being higher and financing opportunities limited as borrowing is renegotiated and payment obligations cannot be met as a result of insufficient liquidity or difficulties in securing funding.

Policy
The policy states the minimum average tenor, i.e., time to maturity (three years), and the maximum amount that can mature within the next 12 months (MSEK 3 000). According to the policy the Group should maintain a minimum of committed credit facilities (MSEK 4 000) and ensure a short-term liquidity reserve, which comprises cash, cash equivalents and uncommitted credit facilities.

Comments for the year
The Group has borrowings amounting to 1 329 maturing within the next 12 months. As back-up facilities, the Group has an MSEK 4 000 revolving credit facility and an MSEK 2 000 commercial paper program, both unutilized at year-end.

As of December 31, the Group's total interest-bearing liabilities amounted to 10 876 (9 190). The average time to maturity of the Group's external debt was 3.3 years (3.7) at year-end. Cash and cash equivalents for the Group total 7 326 (10 792). See note 22.

The following table shows the maturity structure of the Group's financial liabilities. The figures shown are contractual undiscounted cash flows based on contracted date, when the Group is liable to pay, including both interest and nominal amounts. The Group's short-term liquidity reserve exceeds financial liabilities due within 2023.

FINANCIAL LIABILITIES - FUTURE UNDISCOUNTED CASH FLOWS

2022	2023	2024	2025	2026	2027	>2027
Liabilities to credit institutions	216	242	2 218	2 136	3 088	1
Lease liabilities	–	402	337	271	231	747
Derivatives	–	–	–	–	–	–
Other liabilities	–	307	–	–	–	–
Non-current financial liabilities	**216**	**951**	**2 555**	**2 407**	**3 319**	**748**
Liabilities to credit institutions	1 360	–	–	–	–	–
Lease liabilities	499	–	–	–	–	–
Derivatives	200	–	–	–	–	–
Other accrued expenses	3 219	–	–	–	–	–
Trade payables	6 375	–	–	–	–	–
Other liabilities	1 509	–	–	–	–	–
Current financial liabilities	**13 162**	–	–	–	–	–
Total financial liabilities	**13 378**	**951**	**2 555**	**2 407**	**3 319**	**748**

2021	2022	2023	2024	2025	2026	>2026
Liabilities to credit institutions	61	2 097	35	2 032	2 023	1 005
Lease liabilities	–	363	263	219	181	551
Derivatives	–	–	–	–	–	–
Other liabilities	–	191	–	–	–	–
Non-current financial liabilities	**61**	**2 651**	**298**	**2 251**	**2 204**	**1 556**
Liabilities to credit institutions	201	–	–	–	–	–
Lease liabilities	455	–	–	–	–	–
Derivatives	94	–	–	–	–	–
Other accrued expenses	2 638	–	–	–	–	–
Trade payables	5 512	–	–	–	–	–
Other liabilities	777	–	–	–	–	–
Current financial liabilities	**9 677**	–	–	–	–	–
Total financial liabilities	**9 738**	**2 651**	**298**	**2 251**	**2 204**	**1 556**

Interest rate risk

Interest rate risk is the risk that changes in market interest rates affect the Group's net interest. How quickly interest rate changes impact net interest depends on the fixed interest term of the borrowings, including interest rate derivatives.

Policy
The policy states that the duration, i.e., period over which interest rates are fixed, of the loan portfolio should be within a range (6–48 months, with a benchmark of 12 months), including effects from interest rate derivatives.

Comments for the year
The Group's borrowings have a mix of fixed and floating rates. The Group is exposed to benchmark rates in borrowings at a floating rate of 5 174 (4 745). The Group's floating rate borrowings are linked to STIBOR, for more information on the Group's borrowings, see note 22.

The average interest duration was 18 (13) months and the average interest rate of the Parent Company's borrowings was 2.96% (0.86).

A shift upwards in interest rates of 1 percentage point would affect the Group's borrowings and impact the Group's net interest by approximately -52 (-48) and a similar downwards shift would impact the Group's net interest by approximately +52 (+31).

29. Financial risk management, cont.

Currency risk

The Group operates in various geographical markets and undertakes transactions denominated in foreign currencies and is consequently exposed to exchange rate fluctuations. Currency exposure occurs in connection with payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure).

Transaction exposure

Transaction exposure primarily arises when the Group's products are sold in other countries and in other currencies. Sales in each respective market primarily take place in local currency. These payment flows create currency exposures that affect the Group's earnings in the event of exchange rate fluctuations.

Policy

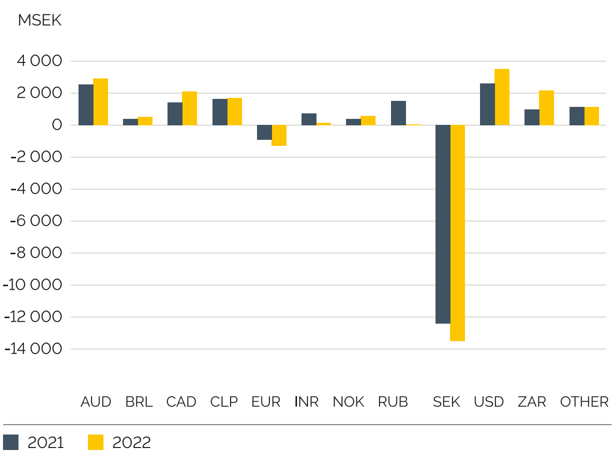
The Group's policy states that exposures shall be reduced by matching inflows and outflows of the same currencies. Based on the assumption that hedging does not have any significant effect on the Group's long-term result, the policy recommends leaving transaction exposures unhedged on an ongoing basis. Divisional management is responsible for maintaining readiness to adjust operations (price and cost) to compensate for adverse currency movements. However, the FRMC can decide to hedge part of the transaction exposure as well as the purchase price of highly probable acquisitions. For these cases, transactions shall qualify for hedge accounting in accordance with IFRS and hedging beyond 18 months is not allowed.

Comments for the year

The operational transaction exposure is measured as an estimate of the net foreign exchange flows per currency. Estimates are based on the Group's intercompany payments and on payment flows from customers and to suppliers in the most significant currencies. The net amounts are shown in the graph below, corresponding to 15 206 (12 421).

The Group has continued to manage transaction exposures primarily by matching inflows and outflows in the same currencies. A part of the transaction exposure in USD has been hedged with FX forward contracts following a decision by the FRMC. The FRMC has also decided to hedge part of the purchase price of a highly probable acquisition with FX forwards.

ESTIMATED OPERATIONAL TRANSACTION EXPOSURE IN THE GROUP'S MOST IMPORTANT CURRENCIES, 2022 AND 2021



The table below shows the effect on pretax earnings that one-sided fluctuations in each currency may have.

TRANSACTION EXPOSURE SENSITIVITY [1)]

	2022	2021
AUD Currency rate +/–1%	29	25
CAD Currency rate +/–1%	21	14
USD Currency rate +/–1%	35	26
SEK Currency rate +/–1%	135	124
ZAR Currency rate +/–1%	22	10

1) The indication is based on the assumptions that no hedging transactions have been undertaken, and before any impact of offsetting price adjustments or similar measures.

The financial transaction exposure in the Group, i.e., internal and external borrowing or lending in foreign currencies, is centrally managed by Group Treasury. Group Treasury hedges the financial transaction exposure either by FX forwards or by matching inflows and outflows in the same currencies.

Hedge accounting

The Group applies hedge accounting for hedging of certain forecasted transaction exposure cash flows, and when applicable, for hedging the purchase price of highly probable acquisitions. Furthermore, the Group also applies hedge accounting for forecasted electricity consumption in the Swedish entities. The hedge relationships are expected to be highly effective, and no material sources of hedge ineffectiveness are expected to occur.

Hedge accounting of foreign exchange risk

Part of the forecasted transaction exposure in USD has been hedged by FX forwards. The total market value for hedges amounted to 29 (-) at year-end, of which a total of 30 (-) has been reported in the hedge reserve in OCI. The realized result from the hedges is reported as Other operating income and expenses. Furthermore, a part of the forecasted purchase price in USD of a highly probable acquisition has been hedged by FX forwards. The total market value amounted to 17 (-), of which a total of 16 (-) has been reported in the hedge reserve in OCI. The realized result from the hedges will be included in the transaction price and will affect the goodwill. The hedges are defined as cash flow hedges and at year-end a net nominal amount of MUSD 157 was hedged. None of the hedges have maturity beyond 12 months. During the year no ineffectiveness has occurred.

Hedge accounting of electricity price risk

The market value of electricity derivatives amounted to 73 (-) and a total of 73 (-) has been reported in the hedge reserve in OCI at year-end. The realized result of the hedges is included in cost of sales. The hedges are defined as cash flow hedges and at year end 118 GWh was hedged. The hedges mature in 2023-2025. During the year no ineffectiveness has occurred.

29. Financial risk management, cont.

EFFECT ON FINANCIAL STATEMENT - HEDGING INSTRUMENTS

2022	Nominal amount of hedging instrument	Carrying amount of the hedging instrument: Assets	Carrying amount of the hedging instrument: Liabilities	Line item in the balance sheet
Cash flow hedges				
Commodity price risk				
Electricity derivatives - non current	47 GWh	30	-	Other financial assets and receivables
Electricity derivatives - current	71 GWh	44	1	Other receivables and other liabilities
Foreign exchange risk				
USD purchases, net - current	157 USD	54	-	Other receivables

Translation exposure

Currency exposure occurs when translating the results of foreign subsidiaries into SEK, which affects the Group's earnings when exchange rates fluctuate (income statement). The translation exposure on the balance sheet occurs when translating net assets of foreign subsidiaries into SEK, which affects other comprehensive income (OCI).

Policy

The Group's general policy for managing translation exposure is that the translation exposure should be reduced by matching assets and liabilities in the same currencies. The FRMC may decide to hedge part or all of the remaining translation exposure and any hedging shall qualify for hedge accounting in accordance with IFRS.

Comments for the year

The translation exposure is measured as the net of assets and liabilities in a certain currency. As of year-end the Group has not hedged any of its translation exposure.

A change up or down by 1% in the value of each currency against the Swedish krona would affect the Group's pretax earnings by approximately +/- 29 (23).

Credit risk

Credit risk can be divided into operational and financial credit risk. These risks are described further in the following sections. The table shows the total credit risk exposure related to assets classified as financial instruments as of December 31, 2022.

CREDIT RISK

	2022	2021
Loans and receivables		
– trade receivables	9 581	7 174
– finance lease receivables	603	518
– other financial receivables	1 587	1 146
– other receivables	1 767	1 221
– accrued income	158	182
– cash and cash equivalents	7 326	10 792
Derivatives	326	46
Total	**21 348**	**21 079**

TRADE RECEIVABLES

	2022		2021	
Gross value	Gross	Impaired	Gross	Impaired
Not past due	6 285	9	5 175	11
Past due but not individually impaired				
0-30 days	1 857	0	1 179	0
31-60 days	712	0	406	2
61-90 days	261	1	154	1
More than 90 days	511	200	675	27
Past due and individually impaired				
0-30 days	51	0	41	1
31-60 days	11	0	6	3
61-90 days	6	3	7	2
More than 90 days	260	220	107	100
collectively impaired	400	340	10	439
Total	**10 354**	**773**	**7 760**	**586**

Operational credit risk

Operational credit risk is the risk that the Group's customers do not meet their payment obligations.

Policy

According to the Group's operational credit risk policy, divisions and individual entities are responsible for the commercial risks arising from their operations. The operational credit risk is measured as the net aggregate value of receivables from a customer.

Since the Group's sales are distributed among many customers, of whom no single customer represents a significant share of the Group's commercial risk, the monitoring of commercial credit risks is primarily performed at the divisional or entity level. Each entity is required to have an approved commercial risk policy. These shall aim to preserve the high credit quality of the Group's portfolios and thereby protect the Group's short and long-term viability. Risk is always assessed based on all available information; taking into account collateral, credit characteristics and overall market conditions. When making commercial credit risk decisions, risk will always be judged based on the combined risks rather than on each of the several risk factors evaluated.

The entities recognize provisions for its estimate of expected credit losses (ECL) in respect of financial assets. The measurement of ECL is based on different measures for different credit risk exposures. For trade receivables and contract assets, the measure for ECL is based on the expected loss rate based on historical default statistics, with forward-looking analysis separately considered. The provision is calculated for all receivables and the expected loss rate is applied. In addition, the Group performs an assessment on an individual basis to ensure that adequate loss allowance is made for receivables with observable evidence of higher credit risk with specific factors such as signs of bankruptcy, officially known insolvency, etc.

Lease receivables are impaired by using a rating model when determining the expected credit loss. The rating model considers the customer's rating, the country's political and commercial risk and a rating of the country's legal system. Both external credit agencies' ratings and internally developed rating methods are applied. The measurement of ECL considers the fair value of collateral and any delay. The assessment also takes into account the degree of insurance.

Forward-looking analysis, including macroeconomic factors impacting different customer segments and geographical areas, is separately considered in both models described above (if not reflected in the rating model) and the impairment level is adjusted to reflect identified changes for the specific market, if needed.

Comments for the year

Trade receivables relate to a large number of customers, spread across diverse geographical areas and reflect the spread of sales. Stringent credit policies are applied and there is no major concentration of credit risk, the Group therefore evaluates the credit risk to be limited. At year-end 2022, trade receivables of 9 581 (7 174) were reported, net of impairment amounting to 773 (586). The expected credit loss amounted to 7.5% (7.6) of gross total customer receivables. See note 18.

The Group has an in-house customer finance operation (part of Epiroc Financial Solutions) as a means of supporting equipment sales. Credit risk in customer financing is typically mitigated by Epiroc Financial Solutions' maintaining collateral for its credit portfolio primarily through repossession rights in equipment. Entities may also partly transfer the commercial risk through insurance to external entities (normally to an export credit agency). At December 31, 2022, the credit portfolio of customer financial operations totaled approx-

29. Financial risk management, cont.

imately 2 009 (1 526), consisting of 26 (13) reported as trade receivables, 571 (519) reported as finance lease receivables, and 1 377 (994) reported as other financial receivables. In addition, Epiroc Financial Solutions also has non-cancelable operating lease contracts of 378 (450). Residual value risk on operating lease contracts is managed through monitoring of equipment with support from customer centers. The customer centers perform a continuous assessment of the value of the underlying asset. There were no significant concentrations of customer risks in these operations. No customer represented more than 6% (5) of the total outstanding receivables. For further information, see note 16 and 23.

Financial credit risk

Credit risk on financial transactions is the risk that the Group incurs losses as a result of non-payment by counterparties related to the Group's investments, bank deposits or derivative transactions. The financial credit risk is measured differently depending on transaction type.

Policy

The Group's policy states that diversification of credit risk should be the norm and that maximum exposure limits shall be assigned for each financial counterparty (with a maximum of 3 000 per counterparty). Derivative transactions can only be undertaken with counterparties for which CSA (Credit Support Annex) agreements are established. Furthermore, financial transactions are only to be entered into with counterparties that have a certain rating (not below A3/A-/A-). An investment policy stipulating the framework for investments of the Group's excess cash shall consider the above points. The policy's demand for security shall always be prioritized over the aim of maximum return.

Comments for the year

When measuring credit risk on cash and cash equivalents, the Group applies the general approach on impairment. The maturities are well below 12 months and the counterparties are stable banks with a high rating. Calculations based on the banks' probabilities of default, yields an expected loss which is in all respects immaterial. At year-end 2022, the measured credit risk on derivatives, taking into account the mark-to-market value and collateral, amounted to 2 (21). The table below presents the reported value of the Group´s derivatives.

OUTSTANDING DERIVATIVE INSTRUMENTS, FAIR VALUE

	2022	2021
Assets	326	46
Liabilities	201	94

No financial assets or liabilities are offset in the balance sheet. Derivative instruments are subject to master netting agreements and the fair value of derivatives that are not offset in the balance sheet are 252 (46) for assets and 200 (94) for liabilities. The following table shows derivatives covered by master netting agreements.

OUTSTANDING NET POSITION FOR DERIVATIVE INSTRUMENTS

2022	Gross	Offset in Balance sheet	Net in Balance sheet	Master netting agreement	CSA	Net position
Assets						
Derivatives	252	–	252	-252	0	0
Liabilities						
Derivatives	200	–	200	-252	122	-70

Other market and price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is directly and indirectly exposed to raw material price fluctuations. Cost increases for raw materials and components frequently coincide with strong end-customer demand and are offset by increased sales to mining customers and compensated for by increased market prices. Therefore, the Group does not hedge commodity-price risks on a regular basis. However, the Operations may decide to hedge part of the commodity risk and if so, the hedging shall be approved by Group Treasury and qualify for hedge accounting and hedging beyond 60 months is not allowed. Currently the Swedish entities hedge their forecasted electricity consumption with electricity derivatives through a discretionary management mandate. The hedges are defined as cash flow hedges and the unrealized result is recognized in OCI. The realized result is recognized as an adjustment to the cost for electricity in costs of goods sold in the period during which the hedged item affects the result.

Fair value of financial instruments

In the Group's balance sheet, financial instruments are carried at fair value or at amortized cost. The fair value is established according to a fair value hierarchy. The hierarchy levels should reflect the extent to which fair value is based on observable market data or own assumptions.

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for assets or liabilities either directly or indirectly, for example, market interest rates or yield curves.
- Level 3: Based on a valuation model, whereby significant input is based on unobservable market data.

Valuation methods

- Forward exchange contracts: Fair value is calculated based on prevailing market rates and present value of future cash flows.
- Electricity derivatives: Fair value is based on market rates and present value of future cash flows
- Interest-bearing liabilities: Fair values are calculated based on market rates and present value of future cash flows.
- Finance leases and other financial receivables: Fair values are calculated based on market rates and present value of future cash flows.

The Group's financial instruments by level

The fair value of bonds is based on level 1, the fair values of other financial instruments are based on level 2 and the fair values of earn-out are based on level 3 in the fair value hierarchy. Compared to 2021, no transfers have been made between different levels in the fair value hierarchy and no significant changes have been made to valuation techniques, inputs or assumptions.

The carrying value for the Group's financial instruments corresponds to fair value in all categories except for borrowings. See note 22.

FINANCIAL ASSETS AND LIABILITIES

		2022		2021	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Financial assets at fair value through profit and loss					
whereof derivatives	2	198	198	46	46
Financial assets at fair value through OCI [1)]					
whereof derivatives	2	128	128	-	-
Financial assets at amortized cost					
whereof trade receivables	2	9 581	9 581	7 174	7 174
whereof cash and cash equivalents	2	7 326	7 326	10 792	10 792
whereof other financial assets	2	2 192	2 192	1 664	1 664
Total financial assets		**19 425**	**19 425**	**19 676**	**19 676**

29. Financial risk management, cont.

	Fair value hierarchy	2022 Carrying value	2022 Fair value	2021 Carrying value	2021 Fair value
Financial liabilities at fair value through profit and loss					
whereof derivatives	2	200	200	94	94
whereof earn-out [2)]	3	556	556	229	229
Financial liabilities at fair value through OCI [1)]					
whereof derivatives	2	1	1	-	-
Financial liabilities at amortized cost					
whereof bonds	1	5 125	5 010	3 992	4 137
whereof other loans	2	5 751	5 839	5 198	5 222
whereof trade payables	2	6 375	6 375	5 512	5 512
whereof other financial liabilities	2	4 477	4 477	3 269	3 269
Total financial liabilities		**22 485**	**22 458**	**18 294**	**18 463**

1) Cash flow hedge accounting.
2) The fair value is based on probability-weighted scenarios and is discounted to net present value. More information is found in Note 3.

CURRENCY RATES USED IN THE FINANCIAL STATEMENTS

			Year-end rate		Average rate	
	Value	Code	2022	2021	2022	2021
Australia	1	AUD	7.09	6.56	6.99	6.43
Canada	1	CAD	7.71	7.06	7.72	6.82
Chile	1 000	CLP	12.18	10.65	11.56	11.27
EU	1	EUR	11.14	10.23	10.63	10.14
Norway	1	NOK	1.06	1.03	1.05	1.00
South Africa	1	ZAR	0.62	0.57	0.62	0.58
USA	1	USD	10.45	9.04	10.07	8.57

30. Related parties

Related-party transactions
Related parties are defined as the subsidiaries in the Epiroc Group and companies over which related physical persons have a controlling, joint controlling or significant influence. The Company's largest shareholder, Investor AB, controls approximately 23% of the voting rights in Epiroc AB. Related parties also include transactions with associated companies and joint ventures. Related persons include board members, senior executives and close family members of the above.

No board member, senior officer or shareholder has:
(i) been a party to a transaction with the Company on unusual terms or of an unusual nature, or
(ii) that is of importance, or has been of importance, for operations as a whole in the present or immediately preceding fiscal year, or in any previous fiscal year, and in any way may be considered outstanding or incomplete.

Information about participation in Group companies can be found in note A19. The Group has transactions with related parties reported in note 4 where intercompany revenues account for a minor part of total revenues as presented in the note. The parent company's revenue of 119 (170) mainly entails allocation of centrally incurred administration costs. Information about remunerations and other benefits to key management personnel can be found in note 5 and in the Corporate governance report. All intra-group transactions take place on general and commercial terms and at market price.

Transactions with associated companies and joint ventures
The Group sold various products and purchased goods through certain associated companies and joint ventures on terms generally similar to those prevailing with unrelated parties.

The following table summarizes the Group's related-party transactions with its associates and joint ventures.

	2022	2021
Revenues	5	44
Goods purchased	-17	-88
Services purchased	-1	-2
At Dec. 31:		
Trade receivables	5	51
Trade payables	5	49

31. Events after the reporting period

Per December 31, the following acquisitions were announced but not yet completed:

Date	Announced acquisitions	Segment	Revenue	Employees
2023 Feb 2	CR	TLS	1 700	400
2023 Feb 2	Mernok Elektronik	E&S	50	45
2023 Apr 1	AARD Mining Equipment	E&S	650	200

CR provides advanced ground engaging tools and related digital solutions mainly for the mining industry and expands Epiroc's first-rate offering of essential consumables and digital solutions. The acquisition was announced on December 13 and completed on February 2, 2023. The purchase price amounts to BSEK 3.3 and is mainly allocated to Intangible assets and goodwill.

Mernok Elektronik provides advanced collision avoidance systems and strengthens Epiroc's position as a world-leading provider of automation and safety solutions for mining operations. The acquisition was announced on December 9 and completed on February 2, 2023.

AARD Mining Equipment manufactures a wide range of mining equipment, specializing in low-profile underground machines for mines with low mining heights. The acquisition complements Epiroc's underground offering as well as strengthens Epiroc's footprint in Africa. The acquisition was announced on August 25 and is expected to be completed in the second quarter 2023.

All acquisitions above were or will be made through the purchase of 100% of shares and voting rights.

Parent Company financial information

Income statement

January - December, MSEK	Note	2022	2021
Administrative expenses	A2	-231	-258
Marketing expenses		-32	-26
Other operating income	A3	125	173
Other operating expenses	A3	-13	-25
Operating profit		**-151**	**-136**
Financial income	A4	130	63
Financial expenses	A4	-159	-87
Profit after financial items		**-180**	**-160**
Appropriations	A5	6 638	4 837
Profit before tax		**6 458**	**4 677**
Income tax	A6	-1 320	-914
Profit for the year		**5 138**	**3 763**

Statement of comprehensive income

January - December, MSEK	Note	2022	2021
Profit for the year		5 138	3 763
Total comprehensive income for the year		**5 138**	**3 763**

Balance sheet

MSEK	Note	Dec. 31, 2022	Dec. 31, 2021
Assets			
Non-current assets			
Intangible assets		1	1
Tangible assets		5	6
Financial assets			
- Deferred tax assets	A7	27	29
- Shares in Group companies	A8, A18	46 215	46 255
- Other financial assets	A9	7 033	7 027
Total non-current assets		**53 281**	**53 318**
Current assets			
Other receivables	A10	4 748	2 272
Cash and cash equivalents	A16	0	0
Total current assets		**4 748**	**2 272**
Total assets		**58 029**	**55 590**
Equity and liabilities			
Equity	A11		
Share capital		500	500
Legal reserve		3	3
Total restricted equity		**503**	**503**
Retained earnings		43 747	43 726
Profit for the year		5 138	3 763
Total non-restricted equity		**48 885**	**47 489**
Total equity		**49 388**	**47 992**
Provisions			
Post-employment benefits	A12	46	35
Other provisions	A13	167	286
Total provisions		**213**	**321**
Liabilities			
Non-current liabilities			
Borrowings	A14	6 990	6 989
Total non-current liabilities		**6 990**	**6 989**
Current liabilities			
Borrowings	A14	1 133	–
Tax liabilities		175	180
Other liabilities	A15	130	108
Total current liabilities		**1 438**	**288**
Total equity and liabilities		**58 029**	**55 590**

Statement of changes in equity

2022, MSEK	Number of shares outstanding	Share capital	Legal reserve	Retained earnings	Total Equity
Opening balance, Jan. 1	1 206 262 770	500	3	47 489	47 992
Total comprehensive income for the year	–	–	–	5 138	5 138
Dividend	–	–	–	-3 619	-3 619
Acquisition of series A shares	-1 278 868	–	–	-232	-232
Divestment of series A shares	586 424	–	–	116	116
Share-based payment, equity-settled					
- expense during the year	–	–	–	30	30
- exercise option	–	–	–	-37	-37
Closing balance, Dec. 31	**1 205 570 326**	**500**	**3**	**48 885**	**49 388**

2021, MSEK	Number of shares outstanding	Share capital	Legal reserve	Retained earnings	Total Equity
Opening balance, Jan. 1	1 205 924 490	500	3	50 397	50 900
Total comprehensive income for the year	–	–	–	3 763	3 763
Dividend	–	–	–	-3 016	-3 016
Redemption of shares	–	–	–	-3 619	-3 619
Acquisition of series A shares	-1 421 649	–	–	-284	-284
Divestment of series A shares	1 759 929	–	–	348	348
Share-based payment, equity-settled					
- expense during the year	–	–	–	22	22
- exercise option	–	–	–	-122	-122
Closing balance, Dec. 31	**1 206 262 770**	**500**	**3**	**47 489**	**47 992**

See note A11 for additional information.

Statement of cash flows

January - December, MSEK	Note	2022	2021
Cash flow from operating activities			
Operating profit		-151	-136
Adjustments for:			
Depreciation, amortization and impairment		1	2
Capital gain/loss and other non-cash items		-82	-220
Operating cash flow surplus/deficit		**-232**	**-354**
Net financial items received/paid		-29	-22
Group contributions received		4 837	3 463
Taxes paid		-1 323	-904
Cash flow before change in working capital		**3 253**	**2 183**
Change in:			
Operating receivables		455	4 328
Operating liabilities		26	57
Change in working capital		**481**	**4 385**
Net cash flow from operating activities		**3 734**	**6 568**
Cash flow from investing activities			
Investments in tangible assets		–	0
Investments in intangible assets		–	0
Acquisition of subsidiaries		0	–
Proceeds to/from other financial assets, net		-1 134	1 004
Net cash flow from investing activities		**-1 134**	**1 004**
Cash flow from financing activities			
Dividend		-3 619	-3 016
Redemption of shares		–	-3 619
Repurchase of own shares		-232	-284
Divestment of own shares		116	348
Borrowings		1 135	–
Repayment of borrowings		–	-1 001
Net cash flow from financing activities		**-2 600**	**-7 572**
Net cash flow for the year		**0**	**0**
Cash and cash equivalents, Jan. 1		0	0
Net cash flow for the year		0	0
Cash and cash equivalents, Dec. 31		**0**	**0**

A1. Significant accounting policies

Epiroc AB is the ultimate Parent Company of the Epiroc Group and is headquartered in Nacka, Sweden. The financial statements of Epiroc AB have been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2, "Accounting for Legal Entities", hereafter referred to as "RFR 2", issued by the Swedish Financial Reporting Board. In accordance with RFR 2, parent companies that issue consolidated financial statements according to International Financial Reporting Standards (IFRS), as endorsed by the European Union, shall present their financial statements in accordance with IFRS, to the extent these accounting policies comply with the Swedish Annual Accounts Act and may use exemptions from IFRS provided by RFR 2 due to Swedish accounting or tax legislation. The financial statements are presented in Swedish krona (SEK), which is the accounting currency for Epiroc AB and also the presentation currency. Unless otherwise stated, the amounts presented are in millions Swedish krona (MSEK).

The Parent Company's accounting policies have been consistently applied to all periods presented unless otherwise stated. The financial statements are prepared using the same accounting policies as described in note 1 in the Group's consolidated financial statements, except for those disclosed in the following sections. For information regarding accounting estimates and judgments, see note 2 in the Group´s consolidated financial statements.

Subsidiaries

Participations in subsidiaries are accounted for by the Parent Company at historical cost. The carrying amounts of participations in subsidiaries are reviewed for impairment in accordance with IAS 36, Impairment of Assets. See the Group's accounting policies, Impairment of financial assets, for further details. Transaction costs incurred in connection with a business combination are accounted for by the Parent Company as part of the acquisition costs and are not expensed.

Lease contracts

The Parent Company recognizes leases in accordance with the exemption rule for IFRS 16 provided in RFR 2. All lease contracts entered into by the Parent Company are accounted for as operating leases.

Employee benefits

Defined benefit plans

Defined benefit plans are not accounted for in accordance with IAS 19. In the Parent Company defined benefit plans are accounted for according to the Swedish law regarding pensions,"Tryggandelagen", and regulations issued by the Swedish Financial Supervisory Board. The primary differences as compared to IAS 19 are the way discount rates are fixed, the calculation of defined benefit obligations is based on current salary levels, without consideration of future salary increases and all actuarial gains and losses are included in profit or loss as they occur.

Share-based payments

The share-based payments that the Parent Company has granted to employees in the Parent Company are accounted for using the same principle as described in note 1 in the Group's consolidated financial statements. The share-based payments that the Parent Company has granted to employees in subsidiaries are not accounted for as an employee expense in the Parent Company, but are recognized against Shares in Group companies. This vesting cost is accrued over the same period as in the Group and with a corresponding increase in equity for equity-settled programs and as a change in liabilities for cash-settled programs.

Financial guarantees

Financial guarantees issued by the Parent Company for the benefit of subsidiaries are not valued at fair value. They are reported as contingent liabilities, unless it is probable that the guarantees will lead to payments. In such case, provisions will be recorded.

Financial instruments

The Parent Company applies the exemption rule for IFRS 9 "Financial instruments", in accordance with RFR 2, which means that all financial instruments are reported in accordance with a method based on cost, in accordance with the Swedish Annual Accounts Act, except for impairment of financial assets where the policies for expected credit losses are applied. The Parent Company does not apply hedge accounting.

Group and shareholders' contributions

In Sweden, group contributions are deductible for tax purposes but shareholders' contributions are not. Group contributions are recognized as appropriations in the income statement. Shareholders' contributions are recognized as an increase of shares in group companies and tested for impairment.

A2. Employees and personnel expenses and remunerations to auditors

AVERAGE NUMBER OF EMPLOYEES

	2022			2021		
	Women	Men	Total	Women	Men	Total
Sweden	25	21	46	20	21	41

WOMEN ON EPIROC BOARD OF DIRECTORS AND GROUP MANAGEMENT, %

	Dec. 31, 2022	Dec. 31, 2021
Board of Directors excl. union representatives	40	44
Group Management	25	17

REMUNERATION AND OTHER BENEFITS

	2022		2021	
	Board members and Group Management[1]	Other employees	Board members and Group Management[1]	Other employees
Sweden	54	36	59	45
of which variable compensation[1]	*11*	–	*14*	–

[1] Includes 9 (8) board members who receive fees from Epiroc AB as well as the President and CEO and 5 (5) members of the Group Management who are employed by and receive remuneration and other benefits from the Parent Company.

For information regarding remuneration and other fees for members of the Board, the President and CEO, and other members of Group Management, see note 5, in the consolidated financial statements.

PENSION BENEFITS AND OTHER SOCIAL COSTS

	2022	2021
Contractual pension benefits for Board Members and Group Management	9	8
Contractual pension benefits for other employees	10	9
Other social costs	16	35
Total	**35**	**52**

REMUNERATIONS TO AUDITORS

	2022	2021
Ernst & Young		
Audit fees	7	–
Other services	1	–
Other audit firms		
Audit fees	–	3
Audit activities other than audit assignment	0	1
Other services	3	0
Total	**11**	**4**

Audit fees refer to audit of the financial statements and accounting records. For the Parent Company the audit also includes the administration of the business by the Board of Directors, the President and CEO.

Audit activities other than the audit assignment refer, for example, to comfort letters and the limited assurance report on Epiroc´s Sustainability report.

Other services essentially comprice consultancy services and tax advice. At the Annual General Meeting 2022, Ernst & Young was elected as auditor for the Group until the Annual General Meeting 2023.

A3. Other operating income and expenses

OTHER OPERATING INCOME

	2022	2021
Management fees[1]	119	170
Exchange-rate differences, net	6	2
Other operating income	0	1
Total	**125**	**173**

OTHER OPERATING EXPENSES

	2022	2021
Management fees[2]	-13	-25
Other operating expenses	0	–
Total	**-13**	**-25**

[1] Income related to services for common group functions in Parent Company.
[2] Expenses related to services for common group functions in Epiroc Rock Drills AB.

A4. Financial income and expenses

	2022	2021
Assets measured at amortized cost		
Interest income		
– cash and cash equivalents	0	–
– receivables from Group companies	115	63
– other	15	–
Interest income at effective interest method	**130**	**63**
Net foreign exchange gain	0	0
Financial income	**130**	**63**
Liabilities measured at amortized cost		
Interest expenses		
– borrowings	-134	-78
– liabilities to Group companies	-25	-9
– other	–	0
Interest expenses at effective interest method	**-159**	**-87**
Financial expenses	**-159**	**-87**
Financial expenses, net	**-29**	**-24**

A5. Appropriations

	2022	2021
Group contributions paid	-1	-4
Group contributions received	6 639	4 841
Total	**6 638**	**4 837**

A6. Income tax

	2022	2021
Current tax	-1 318	-931
Deferred tax	-2	17
Total	**-1 320**	**-914**

	2022	2021
Profit before tax	6 458	4 677
The Swedish corporate tax rate, %	20.6	20.6
National tax based on profit before taxes	-1 330	-963
Tax effect of:		
Non-deductible expenses	-1	-7
Tax-exempt income	11	52
Adjustments from prior years	0	4
Total	**-1 320**	**-914**
Effective tax in %	20.4	19.5

A7. Deferred tax assets and liabilities

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following:

DEFERRED TAX ASSETS AND LIABILITIES

	2022			2021		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Post-employment benefits	10	–	10	9	–	9
Other provisions	17	–	17	20	–	20
Net deferred tax assets/liabilities	**27**	**–**	**27**	**29**	**–**	**29**

	2022	2021
Net balance, Jan. 1	29	11
Charges to profit for the year	-2	18
Net balance, Dec. 31	**27**	**29**

A8. Shares in Group companies

	2022	2021
Accumulated cost		
Opening balance, Jan. 1	46 255	46 021
Investments	0	–
Shareholder contributions	-40	234
Closing balance, Dec. 31	**46 215**	**46 255**

For further information about Group companies, see note A18 and A19.

A9. Other financial assets

	2022	2021
Receivables from Group companies	7 000	7 000
Endowment insurance	33	27
Closing balance, Dec. 31	**7 033**	**7 027**

Endowment insurance relates to defined contribution pension plans and is pledged to the pension beneficiary (see notes A12 and A17).

A10. Other receivables

	2022	2021
Receivables from Group companies	4 709	2 243
Other receivables	2	0
Prepaid expenses and accrued income	37	29
Closing balance, Dec. 31	**4 748**	**2 272**

A11. Equity

For information on share transactions, mandates approved by the Annual General Meeting and proposed dividend for 2022, see note 21 in the consolidated financial statements.

The Parent Company's equity includes a legal reserve which is part of restricted equity and is not available for distribution.

A12. Post-employment benefits

	2022			2021		
	Defined contribution pension plan	Defined benefit pension plan	Total	Defined contribution pension plan	Defined benefit pension plan	Total
Opening balance, Jan. 1	27	8	35	17	6	23
Provision made	6	5	11	10	2	12
Provision used	0	–	0	–	–	–
Closing balance, Dec. 31	**33**	**13**	**46**	**27**	**8**	**35**

The Parent Company has endowment insurance of 33 (27) relating to defined contribution pension plans. The insurance is recognized in other financial assets, and pledged to the pension beneficiary.

Description of defined benefit pension plans
The Parent Company has one defined benefit pension plan. The ITP plan is a final salary pension plan covering employees in Epiroc AB and the benefits are secured through the Epiroc pension trust.

	2022			2021		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	–	13	13	–	8	8
Fair value of plan assets	–	–	–	–	–	–
Present value of net obligations	**–**	**13**	**13**	**–**	**8**	**8**
Not recognized surplus	–	–	–	–	0	0
Net amount recognized in balance sheet	**–**	**13**	**13**	**–**	**8**	**8**

RECONCILIATIONS OF DEFINED BENEFIT OBLIGATIONS

	2022			2021		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations at Jan. 1	–	8	8	–	6	6
Service cost	–	5	5	–	2	2
Interest expenses	–	–	–	–	0	0
Defined benefit obligations at Dec. 31	**–**	**13**	**13**	**–**	**8**	**8**

PENSION COMMITMENTS PROVIDED FOR IN THE BALANCE SHEET

	2022	2021
Costs excluding interest	5	2
Total	**5**	**2**
Pension commitments provided for through insurance contracts		
Service cost	6	10
Total	**6**	**10**
Net cost for pensions, excluding taxes	**11**	**12**
Special employer's contribution	4	5
Total	**15**	**17**

A13. Other provisions

	2022	2021
Opening balance, Jan. 1	286	178
During the year		
– provisions made	-66	254
– provisions used	-53	-146
Closing balance, Dec. 31	**167**	**286**

Other provisions primarily include provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and UFR 7.

A14. Borrowings

			2022		2021	
	Maturity	Repurchased nominal amount	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current						
Medium Term Note Program MSEK 1 250, Fixed	2023	790	459	450	1 247	1 282
Medium Term Note Program MSEK 750, Floating	2023	76	674	679	749	762
Medium Term Note Program MSEK 1 000, Fixed	2026		997	900	997	1 032
Medium Term Note Program MSEK 1 000, Floating	2026		999	995	999	1 061
Medium Term Note Program MSEK 1 500, Fixed	2027		1 497	1 488	–	–
Medium Term Note Program MSEK 500, Floating	2027		499	498	–	–
Bilateral borrowings MSEK 2 000, Floating	2025		1 999	2 031	1 998	1 999
Bilateral borrowings MSEK 1 000, Floating	2027		999	1 055	999	1 021
Less current portion of long-term borrowings			-1 133	-1 129	–	–
Total non-current borrowings			**6 990**	**6 967**	**6 989**	**7 157**
Current						
Current portion of long-term borrowings			1 133	1 129	–	–
Total current borrowings			**1 133**	**1 129**	**–**	**–**
Closing balance, Dec. 31			**8 123**	**8 096**	**6 989**	**7 157**
Of which external borrowings			**8 123**	**8 096**	**6 989**	**7 157**

The difference between carrying value and fair value relates to the measurement method as certain liabilities are reported at amortized cost and not at fair value. Changes in interest rates and credit margins create the difference between fair value and amortized cost.

A15. Other liabilities

	2022	2021
Accounts payable	17	13
Liabilities to Group companies	17	13
Other financial liabilities	13	18
Accrued expenses and prepaid income	83	64
Closing balance, Dec. 31	**130**	**108**

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

A16. Financial risk management

FINANCIAL CREDIT RISK

	2022	2021
Cash and cash equivalents	0	0
Receivables from Group companies, current	4 709	2 243
Receivables from Group companies, non-current	7 000	7 000
Total	**11 709**	**9 243**

Financial credit risk
Credit risk on financial transactions is the risk that the Parent Company incurs losses as a result of non-payment by counterparties related to the Parent Company's investments and bank deposits. Cash, cash equivalents and receivables from Group companies are subject to impairment testing according to the expected credit loss model. During 2022 the impairment was insignificant and therefore not recognized. The table above shows the actual exposure of financial instruments as of December 31.

A17. Pledged assets and contingent liabilities

	2022	2021
Pledged assets for pension commitments		
Endowment insurance	33	27
Total pledged assets for pension commitments	**33**	**27**
Contingent liabilities		
Sureties and other contingent liabilities		
– for external parties	0	0
– for Group companies	1 303	957
Total contingent liabilities	**1 303**	**957**
Total	**1 336**	**984**

Sureties and other contingent liabilities include commercial and financial bank guarantees and parent company guarantees.

A18. Directly owned subsidiaries

	2022			2021		
	Number of shares	Percent held (%)	Carrying value	Number of shares	Percent held (%)	Carrying value
Epiroc Rock Drills AB, 5560779018, Örebro	1 026 897	100	46 210	1 026 897	100	46 250
Certus Insurance Inc, 371238, Burlington, VT	100 000	100	5	100 000	100	5
Epiroc Mining India Ltd, U29309PN2017PLC171542, Pune	1	0	0	-	-	-
Carrying amount, Dec. 31			**46 215**			**46 255**

A19. Related parties

Relationships
The Parent Company has related party relationships with its largest shareholders, its subsidiaries, its associates, its joint ventures and with its board members and Group Management. The Parent Company's largest shareholder, Investor AB, controls approximately 22.7% of the voting rights in Epiroc AB. The subsidiaries that are directly owned by the Parent Company are presented in note A18 and all directly and indirectly owned operating subsidiaries are listed on the following pages.

Information about board members and Group Management is presented on pages 74-77.

Transactions and outstanding balances
The Group has not had any transactions with Investor AB during the year and has no outstanding balances with Investor AB. Investor AB has controlling or significant influence in companies which Epiroc AB may have transactions with in the normal course of business. Any such transactions are made on commercial terms.

The following table summarizes the Parent Company's transactions with Group companies:

	2022	2021
Revenues		
Group contribution	6 639	4 841
Interest income	115	63
Expenses		
Group contribution	-1	-4
Interest expenses	-25	-9
Receivables		
Receivables, current	4 709	2 243
Receivables, non-current	7 000	7 000
Liabilities	**17**	**13**
Guarantees	**1 303**	**957**

Directly and indirectly owned subsidiaries (excluding branches), presented by country of incorporation:

Country	Company	Location (City)
Argentina	Epiroc Argentina S.A.C.I	Buenos Aires
Australia	3D-P Australia Pty Ltd.	Southbank
	Beyond Voice Radio Pty Ltd	East Victoria Park, WA
	Chipscan Pty Ltd	Ascot, WA
	Corebank Pty Ltd	Ascot, WA
	CorePhoto Pty Ltd	Ascot, WA
	Corephysics Pty Ltd	Ascot, WA
	Corescan Pty Ltd	Ascot, WA
	Coreshed Pty Ltd	Ascot, WA
	Coretable Pty Ltd	Ascot, WA
	Epiroc Australia Pty Ltd	Blacktown
	Epiroc Financial Solutions Australia Pty Ltd	Blacktown
	ProReman Pty Ltd	Blacktown
	Epiroc South Pacific Holdings Pty Ltd	Blacktown
	Fordia South East Asia Pty Ltd	Geebung
	Gen Z Energy Pty Ltd	East Victoria Park, WA
	GeoLease Pty Ltd	Ascot, WA
	Geoscan Pty Ltd	Ascot, WA
	HyLogger Pty Ltd	Ascot, WA
	Hylogging Systems Pty Ltd.	Ascot, WA
	JTMEC Holdings Pty Ltd	Perth Airport, WA
	JTMEC Projects Pty Ltd	Perth Airport, WA
	JTMEC Pty Ltd	Perth Airport, WA
	Kinetic Logging Services Pty Ltd	Perth Airport
	MineRP Australia Pty Ltd	South Brisbane
	MineRP Holdings (Australia) Pty Ltd	South Brisbane
	Minescan Pty Ltd	Ascot, WA
	MinSort Pty Ltd	Ascot, WA
	Orescan Pty Ltd	Ascot, WA
	Radlink Holdings Pty Ltd	Perth, WA
	Radlink Management Pty Ltd	East Victoria Park, WA
	Radlink Networks Pty Ltd	East Victoria Park, WA
	Radlink Pty Ltd	East Victoria Park, WA
	Radlink Solutions Pty Ltd	East Victoria Park, WA
	Remote Control Technologies Pty Ltd	Kewdale, WA
Austria	Epiroc Österreich GmbH	Vienna
Bolivia	Epiroc Bolivia Equipos y Servicios S.A.	La Paz

A19. Related parties, cont.

Country	Company	Location (City)
Bosnia and Herzegovina	Epiroc B-H d.o.o.	Sarajevo
Botswana	Epiroc Botswana Pty Ltd	Gaborone
Brazil	Epiroc Brasil Comercializacao De Produtos E Servicos Para Mineracao E Construcao Ltda	Sao Paulo
Bulgaria	Epiroc Bulgaria EOOD	Sofia
Burkina Faso	Epiroc Burkina Faso SARL	Ouagadougou
Canada	Corescan Ltd	Vancouver, BC
	Epiroc Canada Holding Inc.	Toronto
	Epiroc Canada Inc.	Toronto
	Epiroc FVT Inc.	Toronto
	Evtech Solutions Ltd.	Calgary
	Fordia Group Inc.	Montreal
	Gestion Meglab Inc	Val D`Or
	Les Controles D`Avant-Garde S.C.C	Laval
	Meglab Construction Inc.	Ange Gardien
	Meglab Electronique Inc	Val D`Or
	MineRP Canada Limited	Sudbury
	RCT Technologies Inc.	Sudbury, ON
Chile	Corescan SpA	Santiago
	Epiroc Chile S.A.C.	Santiago
	Epiroc Distribution Chile SpA	Santiago
	Epiroc Financial Solutions Chile Ltda	Santiago
	Fordia Sudamerica Ltd	Santiago
	Mining Tag S.A.	Santiago
	Perfomex Chile SpA	Santiago
	RCT Global SpA	Santiago
China	Epiroc (Nanjing) Construction and Mining Equipment Co., Ltd	Nanjing
	Epiroc (Shenyang) Trading Co., Ltd	Shenyang
	Epiroc (Zhangjiakou) Construction & Mining Equipment Co., Ltd	Zhangjiakou
	Epiroc Trading Co., Ltd	Nanjing
	Fordia (Changzhou) Mining Equipment Co., Ltd	Changzhou
	GIA (Shanghai) Mining Equiment Co., Ltd	Shanghai
Colombia	Epiroc Colombia S.A.S	Bogota
	Fordia Colombia S.A.S	La Estrella
Croatia	Epiroc Croatia d.o.o.	Zagreb
Czech Republic	Epiroc Czech Republic s.r.o.	Prague
Democratic Republic of the Congo	Epiroc DRC SARL	Lubumbashi
Ecuador	Epiroc Ecuador S.A.	Guayaquil
Estonia	Sautec AS	Tallinn
Finland	Epiroc Finland Oy Ab	Vantaa
France	Epiroc France S.A.S	Cergy Pontoise
	Fordia Europe Sarl	Le Perray-en-Yvelines
Germany	Construction Tools GmbH [1]	Essen
	Construction Tools Distribution GmbH [1]	Essen
	Epiroc Deutschland GmbH [1]	Essen
Ghana	Secoroc Ghana Ltd	Accra
Greece	Epiroc Hellas S.A.	Athens
Hong Kong	Epiroc Hong Kong Ltd	Hongkong
India	Epiroc Mining India Ltd	Pune
Indonesia	PT Epiroc Southern Asia	Jakarta
Italy	Epiroc Italia S.r.l.	Milan
	Italparts Italia S.r.l.	Camporosso
Ivory Coast	Epiroc Cote d'ivoire Sarl	Abidjan
Japan	Epiroc Japan KK	Kanagawa
Kazakhstan	Epiroc Central Asia LLP	Astana
Kenya	Epiroc Eastern Africa Ltd	Nairobi
Laos	Epiroc (Lao) Sole Co. Ltd.	Ban Phiavat
Mali	Epiroc Mali SARL	Bamako
Mexico	Corescan SA de C.V.	Hermosillo
	Epiroc México, S.A. de C. V.	Tlalnepantla
	Refacciones Neumáticas La Paz, S.A. de C.V.	San Luis Potosi
Mongolia	Epiroc Mongolia LLC	Ulaanbaatar
	Moderm Machine Engineers Gobi LLC	Khanbogd soum
Morocco	Epiroc Maroc SARL	Casablanca
Mozambique	Epiroc Moçambique Limitada	Maputo
Namibia	Epiroc Mining (Namibia) Pty Ltd	Windhoek
North Macedonia	Epiroc North Macedonia DOOEL	Skopje
Norway	Epiroc Norge AS	Langhus
Panama	Epiroc Central América S.A.	Panama
Peru	Corescan S.A.C.	San Bora
	Epiroc Perú S.A.	Lima
	Fordia Andina S.A.C.	Lima
	Mining Tag Peru S.A.C.	Lima
	Perfomex Perú S.A.C	Lima
Philippines	Epiroc Philippines Inc.	Laguna
Poland	Epiroc Polska Sp. z o.o.	Warsaw
Portugal	Epiroc Portugal Unipessoal Lda	Porto Salvo
Russia	Epiroc RUS LLC	Moscow
Serbia	Epiroc Srbija a.d.	Belgrade
Singapore	Epiroc Singapore Distribution Pte. Ltd.	Singapore
South Africa	CHT Beleggings Pty Ltd	Aeroton
	Epiroc Holdings South Africa Pty Ltd	Boksburg
	Epiroc South Africa Pty Ltd	Boksburg
	Fordia South Africa Pty Ltd	Alberton
	Innovative Mining Products Pty Ltd	Aeroton
	Keep Investments Pty Ltd	Aeroton
	MineRP South Africa Pty Ltd	Centurion
	New Concept Mining Pty Ltd	Aeroton
	Nicaud Companies 22 Pty Ltd	Aeroton
	Retfin 211 Pty Ltd	Aeroton
South Korea	DandA Heavy Industries Co.,Ltd.	Seoul
	Epiroc Korea Co., Ltd	Seongnam
Spain	Epiroc Mineria e Ingeniería Civil España, S.L	Coslada
Sweden	Construction Tools PC AB	Kalmar
	Drill Bit Changer AB	Örebro
	Epiroc Drilling Tools AB	Fagersta
	Epiroc Financial Solutions AB	Nacka
	Epiroc Gällersta Gryt 4:9 HB	Orebro
	Epiroc Rock Drills AB	Orebro
	Epiroc Sweden AB	Norsborg
	Epiroc Treasury AB	Nacka
	Epiroc Mining Intelligence AB	Luleå
Switzerland	Epiroc Schweiz AG	Studen
Tajikistan	Epiroc Tajikistan LLC	Rogun
Tanzania	Epiroc Tanzania Ltd	Dar es Salaam
Thailand	Epiroc (Thailand) Ltd	Bangna
Turkey	Epiroc Makina AS	Istanbul
Ukraine	Epiroc Ukraine LLC	Kiev
United Arab Emirates	Epiroc Middle East FZE	Dubai
United Kingdom	Corescan Ltd	Kensington
	Epiroc UK and Ireland Ltd	Hemel Hempstead
United States	Corescan Inc	Chapel Hill, NC
	RCT Global Inc.	Midvale, UT
	SensIR Inc	Chapel Hill, NC
	Certus Insurance Inc	Burlington, VT
	Epiroc Drilling Solutions LLC	Garland, TX
	Epiroc Drilling Tools LLC	Fort Loudon, PA
	Epiroc Financial Solutions USA LLC	Garland, TX
	Epiroc North America Corp	Garland, TX
	Epiroc USA LLC	Commerce City, CO
	EPRC Export Corp.	Garland, TX
	Italparts USA LLC	Garland, TX
	JCAC Technologies Inc.	Payson, AZ
Uzbekistan	Epiroc Mining and Construction Technique FE LLP	Tashkent
Zambia	Epiroc Zambia Ltd	Chingola
Zimbabwe	Epiroc Zimbabwe (Private) Ltd	Harare

[1] These companies have made use of the exemption rights under Sec. 264 para. 3 of the German Commercial Code (HGB) since 2018.

A20. Events after the reporting period

No significant events have occurred after the balance sheet date.

Signatures of the Board of Directors

The financial statements have been prepared in accordance with generally accepted accounting policies in Sweden and the consolidated financial statements have been prepared in accordance with International Accounting Standards as prescribed by the European Parliament and the Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards.

The audited Annual Report for the Group and Parent Company provides a true and fair view of the business development, financial position and result of operation of the Parent Company and the consolidated Group and describes significant risks and uncertainties that the Parent Company and its subsidiaries face. The Annual Report also includes the sustainability reporting for the Group and the Parent Company in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, see page 144.

Nacka, March 9, 2023

Ronnie Leten
Chair of Board

Helena Hedblom
Board member
President and CEO

Johan Forssell
Board member

Anders Ullberg
Board member

Ulla Litzén
Board member

Lennart Evrell
Board member

Jeane Hull
Board member

Astrid Skarheim Onsum
Board member

Sigurd Mareels
Board member

Anthea Bath
Board member

Kristina Kanestad
Employee representative

Daniel Rundgren
Employee representative

Our audit report was submitted on March 9, 2023

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Epiroc AB (publ) corporate identity number 556041-2149

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Epiroc AB (publ) except for the corporate governance statement on pages 68-85 for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 54-139 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 68-85. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden, and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other matters

The audit of the annual accounts for 2021 was performed by another auditor who submitted an auditor´s report dated 3 March 2022, with unmodified opinions in the Report on the annual accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

Description	*How our audit addressed this key audit matter*
The group recognize revenue from a wide range of geographical markets and the revenues are generated from product- and product related offerings such as equipment and service. The timing of revenue recognition can vary from a point in time to recognition over time. Judgement may be required in assessing if control has been transferred to the customer and to determine the satisfaction of performance obligations. Disclosures related to the group's accounting principles, critical accounting estimates and judgement are provided in note 2 and note 4 provides disclosures regarding revenue disaggregated by operating segment and geography. Based on the above, we have assessed the revenue recognition as a key audit matter in our audit.	In our audit we have assessed the group's processes for revenue recognition. Further, we have reviewed the group's accounting manual and assessed whether the policies for revenue recognition are in accordance with the applicable accounting standards. We have on a sample basis examined significant revenue contracts and evaluated the identified performance obligations and determinations made regarding when performance obligations are considered satisfied. In addition, we have performed detailed revenue transaction testing and revenue data analytical procedures to assess the revenue recognition. We have also assessed the appropriateness of the disclosures provided in the annual report.

Valuation of inventory

Description	*How our audit addressed this key audit matter*
The group's inventory amounts to 16,945 MSEK (11,861 MSEK) as of December 31, 2022, which corresponds to 27 percent of the group's balance sheet. The inventory consists of goods and spare parts manufactured and held by several subsidiaries in the group. Valuation of inventory is subject to management's estimates for determining its cost and its net realizable value. In note 2 the group's inventory accounting policy and critical accounting estimates and judgments are described. In note 17 disclosures are made of the group's inventory. Based on the above, we have assessed the valuation of inventory as a key audit matter in our audit.	In our audit we have assessed the group's processes for valuation of inventory. Furthermore, we have reviewed the group's accounting manual and assessed whether the policies for valuation of inventory are in accordance with the applicable accounting standards. We have on a sample basis examined the inventory valuation in the group and assessed the determinations made by management regarding the groups estimates on valuation of inventory. We have also on a sample basis examined the net realizable value of inventory as well as assessed the group's routines related to safeguarding of inventory and provisions for inventory obsolescence. We have also performed observations of stock take procedures and assessed the safeguarding of inventory by management. We have also assessed the appropriateness of the disclosures provided in the annual report.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-53 and 144-163. The remuneration report for 2022 which will be authorized for release after the date of this auditors report also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

If we conclude that the remuneration report contains a material misstatement, we are required to raise the matter with the Board of Directors and request a correction.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Epiroc AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Epiroc AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Epiroc AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 68-85 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Epiroc AB (publ) by the general meeting of the shareholders on the 25th of April 2022 and has been the company's auditor since the 25th of April 2022.

Stockholm, March 9, 2023
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Notes on sustainability performance

Notes overview*

For a full view of our sustainability performance, see pages 160-161.

* Additional information can be found on pages 34-53.

1. Our approach to reporting

This is Epiroc's fifth sustainability report written in accordance with the Global Reporting Initiative (GRI) Standards.

The scope

This sustainability report is part of the Annual and Sustainability Report 2022. The report includes information covering material topics, where Epiroc has significant economic, environmental and social impacts, which have substantial influence over key stakeholder priorities and how these impacts are managed. This report also contains information about sustainability topics necessary for understanding Epiroc's development and performance, as well as impacts from our operations. Included are also our indirect impacts along the value chain, among suppliers and from when products are in use. The process for defining boundaries for the material topics is based on where Epiroc has full control over data collection and information quality. For operations performed outside of Epiroc's control, e.g., performed by customers or business partners, activities are performed in order to be able to measure Epiroc's indirect impact.

Epiroc regards sustainability as an integral part of its business. To provide a more complete picture of its business, environmental and social information has been included in sections throughout the Annual Report whenever relevant. In addition, information is provided about material topics, risks, relevant policies, activities and results. The ambition is that these disclosures provide investors and stakeholders with a comprehensive and easily accessible overview of Epiroc's most important activities. The report covers Epiroc's operations for the 2022 fiscal year, unless otherwise stated. The entities in the scope are companies for which Epiroc has operational control, which are those companies that Epiroc AB, as the ultimate parent company, indirectly or directly owns. By year-end 2022, the number of subsidiaries was 161 (123), as well as 4 (5) associated companies.

Significant acquisitions are required to submit an environmental report in a provided format during the next upcoming quarter, if possible, and at the latest during the last quarter of the current year. Employees in acquisitions completed before October 1, must complete their Code of Conduct (CoC) E-learning training before year-end. Entities where Epiroc has a minority interest are also included in these processes.

The report comprises pages 34-53 and 144-161. A GRI Index is available at www.epirocgroup.com/en/sustainability. Reporting meets requirements of Sweden's legislation on sustainability reporting as per Chapter 6, Section 11 of the Annual Accounts Act.

Epiroc is a signatory to the UN Global Compact. This report discloses performance in relation to the UN Global Compact's ten principles. The information is also made available on UN Global Compact's website, see www.unglobalcompact.org/what-is-gc/participants.

Epiroc reports, for the third time, in accordance with the Sustainability Accounting Standards Board (SASB) framework for the Industrial Machinery & Goods Standards. That report is included in the Sustainability Reporting Standards Disclosure 2022, www.epirocgroup.com/en/sustainability/annual-and-sustainability-reports. Epiroc also reports according to the Task Force on Climate-related Financial Disclosures (TCFD). Relevant information can be found in the same document, as well as on pages 154-155.

Between 2001 and 2017, sustainability impacts and performance were reported in accordance with the Global Reporting Initiative (GRI) as part of Atlas Copco's Annual Report.

Changes to reporting

Significant changes from the previous reporting period are as follows:

- We have made a change to our definition of significant indirect sales channels, see pages 53 and 157-158.
- The baseline for transport emissions has been updated to cover well to wheel (WTW) definition instead of the previous tank to wheel (TTW).

Target audience

The report's primary target audiences are investors and shareholders. We also strive to meet information needs of other stakeholders such as customers, suppliers, employees and society.

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

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

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

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

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

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

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

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

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

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

Review
The Annual and Sustainability Report has been reviewed and approved by Epiroc's Group Management and the Epiroc Board of Directors. The sustainability information in the 2022 Annual and Sustainability Report has been subject to limited assurance by Ernst & Young, excluding section 6 related to EU Taxonomy, see the auditors' report on page 159.

Data collection, calculation and reporting
The Sustainability and Corporate Governance Reports are parts of the 2022 Annual and Sustainability Report. Quantifications and other disclosures have been verified in accordance with Epiroc's procedures for internal control. Collection of data is integrated into our reporting consolidation system and data is collected on a quarterly basis. When a restatement of data is carried out, it is either due to a change of calculation method or scope. Values are not typically corrected retroactively.

Environmental data covers all production units and distribution centers, where responsibility for reporting rests with the Safety, Health, Environment and Quality (SHEQ) manager/coordinator of each company. Energy data (MWh) and CO_2e emissions for Scope 1 and Scope 2, includes data from all production units and distribution centers as well as 22 customer centers. Business partner data covers production units and distribution centers. Responsibility for reporting business partner data rests with the Sourcing manager of each company.

Employee data covers all operations, and responsibility for reporting this data rests with the HR manager of each company. Safety data covers all operations, and responsibility for reporting this data rests with the SHEQ manager/coordinator of each company.

Data is reported at local operating unit level, aggregated to division and Group levels. Data is verified at each level prior to submitting it to external auditors for verification. Greenhouse gas emissions are reported in accordance with the GHG Protocol (ghgprotocol.org).

Disclosure on management approach
Sustainability management as per each topic is described in greater detail on the following pages.

2. Materiality

Epiroc uses a materiality process to identify the sustainability areas where we can make the greatest difference, and where our impacts are the greatest. With this clarity, we are able to more effectively manage, monitor and communicate our approach to sustainability.

The process was first conducted in 2017. Short-term three year targets and key performance indicators (KPIs) were defined based on the material topics. The formulation of these KPIs was guided by GRI Standards indicators. Based on the outcome, we clustered our most material topics into four focus areas and identified KPIs for each of the topics, to help us measure their relevance and impact.

When we developed our sustainability goals for 2030, an update of our materiality analysis took place, following the process below:

Step 1 – Identification of sustainability topics
We gathered information about sustainability trends and global trends for our industry from research, benchmarking and third parties, including an external risk data provider.

Step 2 – Stakeholder survey
To get our stakeholders' views on our most relevant sustainability topics, we conducted a survey with our five stakeholder groups (see page 146) and in depth interviews with selected stakeholders from each group. They got to rank several topics, based on step 1, on a scale from 0-5 (5 being the highest) on importance from two perspectives: Epiroc's significant economic, environmental and social impacts, and influence on our stakeholders' assessments and decisions.

Step 3 – Internal discussions
Based on the input and information gathered in step 1 and 2, we held workshops involving cross-disciplinary discussions and impact analysis. We had participants from legal; sourcing; strategy; communication; finance; HR; Research & Development (R&D); Safety, Health, Environment and Quality (SHEQ); taxes; marketing council; divisions; customer centers in complex markets; as well as four representatives from Group Management.

Step 4 – Updated materiality assessment
The materiality assessment was then updated and the final result was approved by Group Management in early 2020.

Step 5 – Input to strategic work
During the materiality assessment, significant sustainability topics were defined and given as an input to the company strategy and risk processes.

Feedback from the process indicated increasing focus on both tackling climate change and the importance of responsible business practices, safety as well as product safety.

Long-term goals and KPIs were defined based on the new material topics. The formulation of these KPIs was guided by the GRI Standards indicators. Our KPIs help monitor and address risks, opportunities and impacts of our businesses in the parts of the value chain where they have been identified to be most important. They help us keep track of our performance year on year and ensure that we stay competitive, innovative and ethically sound, and to ensure that Epiroc can capture opportunities while reducing risks to business. The Board reviews and approves the reported information, including material topics.

As a response to upcoming legislation and increased stakeholder expectations of how the materiality process should be conducted, we have initiated a revision of our process. In 2022, we introduced the double materiality approach into our process. The goal was not to find new material topics this year, but to start getting familiar with these new perspectives and start using the materiality assessment as a more continuous tool.

The double materiality approach consists of the combination of:
- the organization's impact on people or the environment in financial decision-making processes (inside-out perspective), and
- the impact from financial risks and opportunities that sustainability matters can have on the organization (outside-in perspective).

With our current material topics as a basis, we first looked at what activities we are performing under each topic-umbrella combined with our value chain. We then looked at the impact for each activity from different perspectives. The perspectives included were potential and actual, negative and positive impact, from and on Epiroc.

The roles included in this work so far are VP Corporate Responsibility; VP Safety, Health, Environment, Quality; Senior Vice President Human Resources; Group Safety and Health Manager; Group Environmental and Chemical Manager; Group Climate Change Manager; and Group Sustainability Controller.

In 2023, we will continue the revision of the materiality process. Our current material topics are listed in the illustration below. No changes have been made since previous reporting year.

Note: The numbers indicate the order of materiality from 1-13 (1 being most material). No KPIs at Group level established for the topics lifecycle perspective, crisis management, employee care and empowerment, or cyber risks, but management approach, activities and information is provided within this report.

3. Stakeholder dialogue and networks

We define our most important stakeholders as those groups that we aim to create value for, or that Epiroc is dependent on for the long-term value creation of the company. Epiroc has identified customers, employees, shareholders, business partners and society as key stakeholder groups. As part of normal business operations, Epiroc continually conducts dialogue with stakeholders, addressing a range of topics.

The benefits of stakeholder engagement are many. It helps get Epiroc information about sustainability topics necessary for understanding its development and performance. It also contributes to the understanding of direct and indirect impacts from our operations and along the value chain, among suppliers and when products are in use. Feedback from stakeholders can lead to increasing focus on, for example, tackling climate change and the importance of responsible business practices, safety as well as product safety. Not only can stakeholder engagement help mitigate certain risks, e.g., reputational risks, it also presents opportunities to increase the awareness and credibility of Epiroc's brand through collaboration and innovation. Engagement with stakeholders gives new knowledge directly from networks and seminars with external parties, as well as input to content and format for necessary new or updated trainings for management and employees. For example, our sustainability trainings are under update due to requests from employees and new expectations from other stakeholders.

External networks

Epiroc is a member—or is represented on the boards—of a range of networks. Here, we learn new things, share our knowledge, and influence specific agendas material to our business. Networks include:

- Association of Swedish Engineering Industries
- Association of Equipment Manufacturers (AEM) Substance Compliance Council
- Committee for European Construction Equipment (CECE), HLTPG Advisory Board
- EIT Innoenergy
- EIT RawMaterials
- EU Battery Alliance
- European Technology Platform on Sustainable Mineral Resources (ETP SMR)
- Global Mining Guidelines Group (GMG)
- ICC International Commission on Corporate Responsibility & Anti-Corruption
- International Council of Swedish Industry (NIR)
- Responsible Mining Initiative (RMI)
- Sweden Mining Innovation (SMI)
- Swedish Association for Construction Equipment (SACE)
- Swedish Electromobility Centre (SEC)
- Swedish Mining Industry (SWEMIN)
- Transparency International
- UN Global Compact Network Sweden

	Customers	Employees	Shareholders	Business partners	Society
Definition	Current and potential	Current and potential	Current and potential shareholders, investors and analysts	Suppliers, sub-suppliers, joint-ventures partners, indirect sales channels	Governments, local communities, non-governmental organizations, industry partners, academia, society
Dialogue form	Meetings, interaction via customer centers, joint projects, exhibitions, customer surveys, materiality assessment	Workplace meetings, management meetings, internal councils, employee surveys, performance review, trade unions and other cooperation councils, employee engagements, materiality assessment	Investors and analysts' meetings, Capital Market Days, website, annual and sustainability report, questionnaires and surveys, materiality assessment	Business partner evaluations and audits, procurements, meetings, materiality assessment, joint projects, development projects	Meetings, stakeholder dialogues, participation in industry groups, research projects, materiality assessment, collaboration with academia and governments, interaction with industry peers
Key topics of interest	Product safety, safety, lifecycle perspective and circularity, CO_2e emissions products, diversity, crisis management, human rights, business ethics incl. corruption, community engagement, supply-chain management	Product safety, safety, human rights, lifecycle perspective and circularity, CO_2e emissions operations, CO_2e emissions products, diversity, employee care, leadership, crisis management, business ethics including corruption, supply-chain management, CO_2e emissions transport, community engagement, waste, water	Product safety, safety, human rights, lifecycle perspective and circularity, CO_2e emissions products, CO_2e emissions operations, crisis management, business ethics including corruption, supply-chain management, CO_2e emissions transport, water, leadership	Product safety, safety, human rights, CO_2e emissions products, diversity, employee care, leadership, crisis management, business ethics including corruption, supply-chain management, CO_2e emissions transport, CO_2e emissions operations, community engagement, waste	Human rights, diversity, CO_2e emissions operations, CO_2e emissions products, business ethics including corruption, supply-chain management, CO_2e emissions transport, community engagement, taxes, biodiversity, waste, water, lifecycle perspective and circularity

4. Management approach/integrating sustainability

Governance system

Epiroc's governance system is the foundation for how we work. With a global presence also comes a global responsibility. In a decentralized organization, good business ethics and governance are central to success. Sustainability is integrated into the daily work within the Group.

Responsibility is clearly delegated within Epiroc's organization. The strategy, including issues related to sustainability, corporate responsibility and compliance, is rooted at the highest management level, i.e., at the Board. Progress on 2030 goals and short-term three-year targets are reported to the Board quarterly. For more information on governance, risk management and the role of the Board, see pages 68-77 and 80-85.

The CEO has the ultimate responsibility for delivering results in accordance with strategies, set goals, including our sustainability agenda, and formulating policies. Group Management is responsible for formulating and integrating the company mission, strategies and goals (three-year targets and our 2030 goals) related to sustainability, corporate responsibility, compliance, and activities, into our operations. Group Management also oversees due diligence and other processes to identify and manage sustainability impacts, reviews the effectiveness of processes, and monitors progress. Four times a year, progress on our short-term three-year targets is reported to Group Management.

Our 2030 goals were set by Group Management, after an informed dialogue with stakeholders. For each goal, a council or board is responsible for initiating and coordinating the activities and driving the way forward. Divisions set divisional targets and are responsible for the results. Twice a year, activities and progress are reported in detail by councils to Group Management. At these meetings, information to further deepen the collective knowledge is shared with Group Management regarding sustainability topics and sustainable development.

Divisions are the highest operational units, responsible for delivering results in line with Group strategies and objectives set for financial and non-financial targets. Each division has administrative responsibility for its operational entities, such as customer centers or production units. Administrative responsibility ensures compliance and understanding of Group policies and procedures as per the Epiroc Way, and all legal requirements. Each division has global responsibility for its own product range, and its management leads and develops the business through its product units, distribution centers and customer centers. All policies are implemented and followed up by employees who have proper training and experience relevant for the respective policy.

Every division president and general manager is responsible for health and safety and for ensuring adherence to the Sustainability Policy in planning processes, strategy, trainings, targets and performance. Products are developed in each division in close cooperation with customer centers.

A Compliance Board is in place, with the mission to safeguard that Epiroc's Code of Conduct (CoC) is implemented and complied with. The Compliance Board guides, supports and follows up on the process and provides training material as appropriate. During 2022, it consisted of the Senior Vice President General Counsel (Chair), Senior Vice President Corporate Communications, Senior Vice President People & Leadership, Vice President Corporate Responsibility, Vice President Compliance, the Head of Internal Control and Assurance, and representatives from each division. The Epiroc Compliance Board and Group Compliance have an oversight role, and our divisions and local management drive the implementation of our CoC and our compliance governance framework at a local level. Managers are responsible for promoting CoC values and implementing them among their team members. All employees are expected to be aware of the CoC and take responsibility for ensuring it is applied.

Epiroc's People & Leadership Council leads initiatives, monitors performance and shares best practice in matters relating to human resource management across the Group. The Inclusion and Diversity Board, with senior management members from across the Group, is responsible for setting targets, initiating activities, safeguarding progress as well as acting as ambassadors and leaders for achieving our goals and ambitions in this area. The CoC sets out our commitment to diversity and high labor protection standards.

Epiroc has a Group Safety, Health, Environment and Quality (SHEQ) Council to support integration of safety, health, environment and quality priorities. It includes representatives from each division and relevant Group functions. The SHEQ Council is tasked with overseeing the safety, occupational health and safety, and environmental approach at Group level, and initiating and driving Group programs, projects and activities. The SHEQ council proposes updates on Group policies, develops targets and key performance indicators, and implements and communicates improvements. The Vice President Safety, Health, Environment and Quality (SHEQ) is responsible for outlining internal and external requirements and guidelines related to these areas, monitoring its performance, coordinating alignment between divisions and entities and initiating global activities to ensure continuous improvements. The Vice President SHEQ reported to the Senior Vice President Corporate Communication, a member of Group Management during 2022.

Similarly, with respect to responsible sourcing issues, a Sourcing Council is in place. The Sourcing Council is responsible for the Purchasing Policy, but the divisions are responsible for compliance. Local management is responsible for evaluating their suppliers and indirect sales channels according to the requirements in our CoC and Business Partner Code of Conduct. General managers and Division presidents are responsible for performing responsible sales assessments.

The Vice President Corporate Responsibility is responsible for coordinating and driving sustainability and corporate responsibility work at Group level, and reported to the Senior Vice President Corporate Communication, a member of Group Management during 2022.

The Vice President Compliance is responsible for Epiroc's Code of Conduct and Epiroc's Compliance Programs within the areas of anti-corruption, anti-trust, data privacy and trade compliance, as well as the company's whistleblowing function, and reports to the Senior Vice President General Counsel, a member of Group Management.

For more information on governance, see pages 68-77.

Epiroc's management system

The Epiroc Way is our single most important management tool, available to employees via our intranet. It includes policies, guidelines, processes and instructions, covering a number of different compliance, sustainability and corporate responsibility topics, such as: purchasing, safety, health, environment, quality, trade compliance, taxes, anti-corruption, data privacy, anti-money laundering, anti-trust and human rights. This ensures that our management system helps integrate compliance, sustainability and corporate responsibility into every aspect of how we conduct business.

The management system is certified according to relevant standards. In addition, local policies, instructions, guidelines, tools and management systems correspond to specific risks and local laws and regulations. During 2021, we recertified from OHSAS 18001 to ISO 45001.

We work with a global certified management system that ensures that operations review and address the most material topics, set targets, measure performance, follow-up on progress and continuously improve performance. Certification programs also require documented delegation of responsibilities at each site and that relevant competencies are in place. The following standards apply:

- ISO 14001:2015 (Environment)
- ISO 45001:2018 (Occupational health and safety)
- ISO 9001:2015 (Quality management)

For all major operating units, we seek triple-certification for ISO 9001 for quality management, ISO 14001 for environmental management and ISO 45001 for occupational health and safety. The Parent company, all divisions, production units, distribution centers, and customer centers with more than 70 employees, are to be triple certified. Acquired units are normally certified within a two-year period.

74% of the major operating units have triple certification in place by the end of the year. The same measure for each individual certification is 77% for ISO 9001, 75% for ISO 14001 and 74% for ISO 45001. The major operating units that have not yet been triple-certified are in the process of being so. Those lacking certification are mainly acquisitions still within the recommended two-year compliance

4. Management approach/integrating sustainability, cont.

time framework or represent units that were recently restructured. For more information, see pages 34-53. See also the Corporate Governance Report pages 68-77.

Crisis and risk management
Epiroc's ability to prevent, detect and manage risks relating to the business, is crucial for effective governance and control. Effectively managing risks helps us both reduce risks and capture business opportunities. Risk management reflects the decentralized way of working within Epiroc. Local companies are responsible for managing, monitoring and regularly following up their own risk management. Group functions are responsible for compliance, legal, insurance, treasury, tax, controlling, accounting, and for providing policies, guidelines and instructions. For the role of the Board with respect to risk management, see page 80. Implementation is regularly audited by internal and external audits.

For an overview, see the Corporate Governance report pages 68-77. For more information on Epiroc's risk management and processes to deal with disruptive and unexpected events that could harm the organization, the environment or our stakeholders, see pages 80-85.

5. Policies and guidelines

Epiroc is a signatory of:
- UN Global Compact (UNGC)

Epiroc is committed to conducting its business in accordance with:
- UN Guiding Principles on Business and Human Rights (UNGP)
- United Nations International Bill of Human Rights
- International Labour Organization Declaration on Fundamental Principles and Rights at Work (ILO)
- OECD's Guidelines for Multinational Enterprises
- UN Sustainable Development Goals (SDGs)
- UN Convention against Corruption
- The Rio Declaration on Environment and Development

These commitments are reflected in Group policies, procedures and public policy work. The standards form a base for our Code of Conduct (CoC) where they are acknowledged.

Relevant policies and guidelines
We have internal policies and guidelines that cover ethical, quality, environmental, labor, health and safety issues. These are applied throughout the organization as well as in business relationships. Regular internal trainings are conducted.

Some examples:
- Sustainability Policy (including health and safety, quality and environmental issues)
- Speak Up Policy
- Anti-Corruption Policy
- Anti-Money Laundering Policy
- Conflict of Interest Policy
- Gift and Hospitality Policy
- Anti-trust and Competition Policy
- Global Trade Compliance Policy
- Data Privacy Governance Policy
- Alcohol and Drug Policy
- Purchasing Policy
- Guidelines for Diversity
- Tax Policy
- Responsible Sales Assessment Policy
- Sponsoring and Community Engagement Policy

Epiroc Code of Conduct and Sustainability Policy
Our Code of Conduct (CoC), our Sustainability Policy and our core values guide our employees and our actions for a sustainable and responsible business.

Laws, environmental standards and social conditions vary in the countries where we operate. The CoC is our guide on how to do business ethically, how to optimize social and environmental impacts of our operations, and it supports a Speak Up culture. Our CoC is designed to guide us, including everyone acting on behalf of Epiroc, on how we should act in our business relationships with one another and with stakeholders. It reflects our commitments to international standards and guidelines. The Epiroc Board of Directors has approved the CoC and all employees and managers in Epiroc, as well as business partners, are expected to adhere to it. The CoC can be found on www.epirocgroup.com/en/sustainability.

Our Sustainability Policy guides our work. The policy is applicable to all units within the Epiroc Group. Operational responsibility of each Divisional President, General Manager and managers in the Group includes all sustainability aspects as well as communication and implementation of the policy and its spirit. The Sustainability Policy can be found on www.epirocgroup.com/en/sustainability/our-sustainability-approach.

6. EU Taxonomy

Reporting in line with Article 8 of the EU Taxonomy Regulation
The purpose of this note is to present disclosures in line with the requirements set out in the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation. Due to the uncertainty regarding several aspects of the Taxonomy Regulation, a conservative approach to the disclosure has been adopted.

Disclosure 2022 - KPI turnover

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	**Code(s) (2)**	**Absolute turnover (3)**	**Proportion of turnover (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of turnover, year N (18)**	**Taxonomy-aligned proportion of turnover, year N-1 (19)**	**Category (enabling activity or) (20)**	**Category '(transitional activity)' (21)**
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)"																				
Manufacture of other low carbon technologies	3.6	294	0.6%	100%						Y	Y	Y	Y	Y	Y	Y	0.6%		E	-
Manufacture of batteries	3.4	46	0.1%	100%						Y	Y	Y	Y	Y	Y	Y	0.1%		E	-
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1) "		341	0.7%														**0.7%**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6	87	0.2%																	
Manufacture of batteries	3.4	0	0%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		87	**0.2%**																	
Total (A.1 + A.2)		428	**0.9%**														**0.7%**			

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy-non-eligible activities (B)		49 266	**99.1%**
Total (A + B)		49 694	**100%**

Proportion of turnover from products associated with Taxonomy-aligned economic activities - disclosure covering year N = 2022

6. EU taxonomy, cont.

Disclosure 2022 - KPI CapEx

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year N (18)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Category (enabling activity) (20)	Category '(transitional activity)' (21)
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
-	-	0	0%	0%						-	-	-	-	-	-	-	0%		-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%													**0%**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6	300	6.3%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	6	0.1%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0.3	0.01%																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	0.5	0.01%																	
Installation, maintenance and repair of renewable energy technologies	7.6	13	0.3%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		320	**6.7%**																	
Total (A.1 + A.2)		320	**6.7%**														**0%**			

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

CapEx of Taxonomy-non-eligible activities (B)		4 477	**93.3%**
Total (A + B)		4 797	**100%**

Proportion of CapEx from products associated with Taxonomy-aligned economic activities - disclosure covering year N = 2022

6. EU taxonomy, cont.

Disclosure 2022 - KPI OpEx

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	**Code(s) (2)**	**Absolute OpEx (3)**	**Proportion of OpEx (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of OpEx, year N (18)**	**Taxonomy-aligned proportion of OpEx, year N-1 (19)**	**Category (enabling activity) (20)**	**Category '(transitional activity)' (21)**
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
-	-	0	0%	0%						-	-	-	-	-	-	-	0%		-	-
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%													**0%**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6	155	13.5%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	0.6	0.1%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0.04	0.003%																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	0.03	0.002%																	
Installation, maintenance and repair of renewable energy technologies	7.6	0.16	0.014%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		156	**13.6%**																	
Total (A.1 + A.2)		156	**13.6%**														**0%**			

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

OpEx of Taxonomy-non-eligible activities (B)		995	**86.4%**
Total (A + B)		1 151	**100%**

Proportion of OpEx from products associated with Taxonomy-aligned economic activities - disclosure covering year N = 2022

6. EU taxonomy, cont.

Assessment of eligibility

The description of EUST activity 3.6 Manufacture of other low carbon technologies, contains the following: "Manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered in Sections 3.1 to 3.5 of this Annex.". Epiroc has chosen to define this as products that have zero tailpipe emissions, and that are direct alternatives to fossil-fuel-powered products. Based on that, specific products have been identified as eligible. Eligible equipment includes battery-electric underground machines, cable-electric underground loaders and surface drill rigs.

In addition to activities related to EUST activity 3.6, Epiroc is to a small extent involved in assembly of batteries, and thus also covered by the activity 3.4 Manufacture of batteries.

Accounting policy

The revenues, capital expenditure (capex) and operating expenditure (opex) denominator and numerator are based on the definitions 1.1.1, 1.1.2 and 1.1.3 as specified in Annex I in the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation.

A clear audit trail from reported figures in enterprise resource planning systems, to the Group accounting consolidation system, has been kept to prevent double counting in revenues, capex and opex.

Calculation of revenue KPIs

The denominator includes total revenues in the consolidated income statement, page 88. The numerator includes revenues from the sale of products, batteries and accessories that fulfill the eligibility criteria for EUST activities 3.6 and 3.4.

Revenues from aftermarket, Service and Tools & Attachments are excluded, due to the uncertainty in definition. In the table provided at the end of this note, additional calculations are provided, which include revenues that are excluded from the formal disclosure, but still contribute to reducing CO_2e emissions.

Calculation of capital expenditure (capex) KPIs

The denominator includes the total additions and acquisitions of businesses as reported in Note 13 Intangible assets and Note 14 Property, plant and equipment on pages 110-112.

The numerator includes the capex that relates to an asset or process that is associated with the eligible equipment under EUST activity 3.6, and the manufacturing of batteries under EUST activity 3.4. This includes, for example, investments in production facilities, production equipment, and R&D. For assets or processes that are also associated with non-eligible products, an allocated share of the capex based on the expected use/output of the asset or process, has been applied. Capex related to EUST activity 7.3 to 7.6 from the Climate Delegated Act has also been included, based on point c in the definitions in 1.1.2. These are property, plant and equipment investments related to energy efficiency and renewable energy.

The following four categories of capex were not included due to the uncertainties in scopes, definitions and available reporting guidance: 1) Capex related to assets or processes that are associated with the overall functioning of the company, 2) Capex related to the purchase of output from taxonomy-eligible activities (except 7.3-7.6), 3) Capex related to R&D into GHG reductions of non-eligible products, 4) Capex related to climate change adaptation measures.

Calculation of operational expenditure (opex) KPIs

The denominator includes operating expenditures associated with maintaining the value of the asset: a) Research and development expenses, b) Building renovation measures, c) Maintenance and repair. Excluded from a) are, amortization, impairment and capitalized costs. Short-term leases and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment, have been excluded due to the uncertainties in scopes, definitions and available reporting guidance. The scope of categories b) and c) has been limited to only include the reporting entities representing the largest share of these types of expenses. This to balance the cost against the value of the data collection.

The numerator includes operating expenditures that relate to an asset or process that is associated with the eligible equipment under EUST activity 3.6 or the EUST activity 3.4. This includes, for example, operating expenditures in production facilities, production equipment, and R&D. For assets or processes that are also associated with non-eligible products, an allocated share of the opex based on the expected use/output of the asset or process, has been included.

Operating expenditures related to EUST activities 7.3 to 7.6 from the Climate Delegated Act have also been included, based on point c in the definitions in 1.1.3. These are operating expenditures related to energy efficiency and renewable energy.

Contextual information

As described above, a conservative approach to the disclosure has been adopted due to uncertainty regarding several aspects of the EU taxonomy. This section provides additional disclosure of revenues that are excluded from the formal disclosure, but still contribute to reducing CO_2e emissions.

In the table below, the following revenues are added to the revenues described in Calculation of revenue KPIs above: Revenues from all underground drilling equipment which uses electricity via cable while drilling, and a range of surface drill rigs with significantly lower fuel consumption compared to other surface drill rigs.

	Absolute revenues MSEK	Proportion of revenues, %
A. Taxonomy-Eligible activities and additional revenues		10.5 (11.2)
B. Taxonomy-Non-Eligible activities and additional revenues		89.5 (88.8)
Total (A + B)	**49 694 (39 645)**	**100**

Notes: Eligible revenues and additional revenues include equipment revenues only and do not include revenues from aftermarket. Aftermarket represents around 2/3 of total revenues.

6. EU taxonomy, cont.

Assessment of alignment of EUST Activity 3.4 and 3.6

During 2022, the turnover share for the Production facility (PC) Örebro Avos has been assessed.

	Technical screening criteria	Epiroc interpretation of criteria	Alignment proof	Aligned Y/N
	Substantial contribution to climate change mitigation	Epiroc has defined the EUST Activity 3.6 criteria "The best performing alternative technology/product/solution available on the market" as products that have zero tailpipe emissions, and that are a direct alternative to a fossil-fuel-powered product. The "substantial life-cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market." is applied to comparisons between the battery and diesel products of Minetruck MT42 and Scooptram ST14. The models are sold worldwide and replace the entire work cycle from fossil to electric, and hence considered representative. Epiroc is to a small extent involved in assembly of batteries, and thus covered by EUST Activity 3.4 Manufacture of batteries, meaning that the activity has to enable recycling of batteries.	Quantified lifecycle GHG emissions are calculated for the battery and diesel driven products Minetruck MT42 and Scooptram ST14, respectively. Epiroc enables battery recycling by means of Service & repair stations for battery packs and subpacks. The GHG calculations are not verified by an independent third party, but the calculations are conducted by an independent third party instead. Substantial life cycle GHG emissions savings are obtained for electric-powered Minetruck MT42 and Scooptram ST14 operating on electricity with low climate change impact (e.g. wind power), compared to diesel-powered ones. However, substantial GHG emissions savings are not obtained for Minetruck MT42 and Scooptram ST14 if they operate on electricity generated from fossil fuels (e.g. coal power).	Y
DNSH criteria ('Does Not Significantly Harm')	Climate adaptation	The criteria for EUST Activities 3.4 and 3.6 are set out in Appendix A to the Delegated act on the climate objectives. For Epiroc, the criteria mean that a production facility associated with the production of eligible products should be covered by a physical climate risk assessment; a climate risk- and vulnerability assessment, to assess the materiality of the identified physical climate risks; and an assessment of adaptation solutions that can reduce the identified physical climate risks. PC Örebro Avos produces the eligible battery fleet products and performs battery assembly.	A TCFD risk analysis regarding physical and transitional climate risks was performed in 2021 at company level, covering production facilities, distribution centers and key suppliers (see pages 154-155). In 2022, a local incorporation of the risk analysis was initiated at PC Örebro Avos in order to assess vulnerability and materiality of the physical climate risks. A plan, which also includes adaptation solutions, will be further developed during 2023 and onward.	Y
	Water	The criteria for EUST Activities 3.4 and 3.6 are set out in Appendix B to the Delegated act on the climate objectives. For Epiroc, the criteria mean that a production facility associated with the production of eligible products, should be covered by an assessment of whether the site is located in a water stressed area; if it has a permit related to water use or emissions to water; if the permit includes an environmental impact assessment (EIA) and assessment of the impact on water, risks and mitigation activities; if the EIA includes risks related to preserving water quality and emissions to water; and if permit, conditions or other requirements are fulfilled.	PC Örebro Avos is not located in a water stressed area. The facility has a permit, and an EIA was made as part of the permit application. It included risks relating to preserving water quality and emissions to water. Water consumption is not regulated in the permit or by other regulations (not a water stressed area), however, it is measured and reported internally and externally to supervisory authority. Emissions to water are regulated and internal control programs are in place to control emissions. Permit and conditions fulfilment are controlled internally and externally by supervisory authority.	Y
	Circular economy	The criteria for EUST Activities 3.4 and 3.6 mean that an Epiroc production facility associated with battery assembly and/or producing eligible products should be covered by an assessment of: reuse and use of secondary raw materials and reused components in products manufactured; design for high durability, recyclability, easy disassembly and adaptability of products manufactured; waste management that prioritizes recycling over disposal, in the manufacturing process; information on and traceability of substances of concern throughout the lifecycle of the manufactured products - in order to, where feasible, adopt techniques that support these.	An assessment was performed in 2022 for PC Örebro Avos, covering the degree of recycled steel in products; design for environment tools as part of the design process; Epiroc's Environmental principles; Guidance for circularity and waste management; and Safety, Health, Environment and Quality (SHEQ) focus area on Sustainability. Together, these provide a waste management that prioritizes recycling over disposal. At PC Örebro Avos, waste management is implemented in a waste sorting manual, routines, and waste management instructions. Waste quantities and handling are followed up both in local environmental aspects and in a short-term target. Epiroc's declarable list contain substances covered by the information duties, i.e., SVHC. Epiroc Substance of Concern policy clarifies the expectations from group. A group-wide procedure further explains roles, responsibilities, tools etc.	Y
	Pollution prevention	The criteria for EUST Activities 3.4 and 3.6 are set out in Appendix C to the Delegated act on the climate objectives. For Epiroc, the criteria mean that a production facility associated with the production of eligible products should be covered by an assessment of whether the activity does not lead to the manufacture, placing on the market or use of regulated substances: persistent organic substances, mercury and mercury compounds, ozone depleting, EU RoHS directive substances, REACH restricted substances, Substances of concern.	Epiroc's prohibited list and declarable list include the regulated substances for processes and products. Epiroc Substance of Concern policy clarifies the expectations from group. A group-wide procedure further explains roles, responsibilities, tools etc. Additionally, suppliers signing the Epiroc Business Partner Code of Conduct agree to follow Epiroc's prohibited list. At PC Örebro Avos, local procedures cover assessment and approval before purchasing new chemicals, as well as inventory and registration of chemicals handled within production. The application of these requirements is regularly assessed as part of legal compliance checks, safety rounds and chemical inventories.	Y
	Biodiversity	The criteria for EUST Activities 3.4 and 3.6 are set out in Appendix D to the Delegated act on the climate objectives. For Epiroc, the criteria mean that a production facility associated with the production of eligible products should be covered by an assessment of whether an EIA has been carried out; if it includes considerations to and potential mitigation or compensation activities related to biodiversity and/or protected areas; if protection and restoration of biodiversity and ecosystem plant is regulated in the permit or by other regulation; if the plant has a high-impact upon the recipients'/surroundings' biodiversity values; if a biodiversity inventory has been conducted; and if permits, conditions or other requirements are fulfilled.	PC Örebro Avos has a permit and an EIA was made as part of the permit application. The facility is not located near biodiversity-sensitive areas. It is situated in an industrial area and has been in operation for more than 20 years. Checklists and internal control programs are implemented to control mitigation and compensation measures to protect the environment. Internal control programs are in place to control emissions that might potentially affect e.g. biodiversity. There is no discharge directly into recipient. We are continuously audited by local authorities to control mitigation and compensation measures to protect the environment.	Y
	Minimum social safeguards	This requirement consists of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work and the International Bill of Human Rights.	Epiroc is committed to conducting its business in accordance with e.g., OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights (UNGP), International Labour Organization Declaration on Fundamental Principles and Rights at Work (ILO), United Nations International Bill of Human Rights (see full list of standards on page 148). The standards are reflected in the Epiroc CoC as well as Epiroc's sourcing process and Responsible Sales Assessment process. Epiroc's suppliers are committed to the Epiroc Business Partner CoC. Human rights due diligence processes are implemented according to UNGP.	Y

7. Task Force on Climate-related Financial Disclosures (TCFD)

Epiroc is aligning its approach with the TCFD guidelines. It is a structured approach for identifying and managing climate risks and opportunities. The TCFD requires companies to report on their short-, medium- and long-term climate-change risks and increase transparency on related actions to tackle them. Through the implementation of the recommendations of the TCFD, Epiroc is bringing clarity, transparency and comparability in ways that are relevant to stakeholders.

Governance

Climate-related risks and opportunities are included in the company's total risk management and business development work. The Board of Directors has the ultimate responsibility for the organization and its administration. The Board's tasks include establishing and monitoring overall goals and strategies, and it must identify how sustainability issues affect the company's risks and business opportunities. At an operational level, risks and opportunities are governed by Group Management. Moreover, risks and opportunities are addressed on a continuous basis in the organization and in cross-functional networks. Group Management approves Group targets, which include climate-related targets. Read more about Corporate Governance, pages 68-77.

Strategy

Epiroc assesses climate-related risks and opportunities with actual and potential impact on the company's business and strategy. The process for identification of risks and opportunities is centered in the divisions. Epiroc has performed a comprehensive risk mapping of its exposure to climate risks, which identified exposure against both physical- and transitional climate risks. At the same time, the transition to a net-zero economy brings significant climate-related business opportunities for Epiroc, as the mining and infrastructure industries are needed for the transformation to a climate neutral economy. Climate-related risks and opportunities are integrated into, and are a central component of, the business strategy. Epiroc is well positioned to benefit from hard rock mining, as well as electrification and automation, and will continue to develop low emissions products and services, helping clients to lower their emissions. The validated Science Based Target Initiative (SBTi) goals demonstrate Epiroc´s business ambition to limit the global temperature rise to 1.5°C above pre-industrial levels.

Risk Management

Climate-related risks, such as physical risks for operational entities or in relation to suppliers, or transition risks connected to products, are assessed at the divisional level and are, if deemed relevant, included in the annual Enterprise Risk Management process. An aggregated analysis of the identified risks is presented to Group Management annually. Read more about the risk management process on pages 80-85.

During 2021, a qualitative scenario assessment for physical and transition climate-related risks and opportunities, was performed. It is described below.

Targets and Metrics

Epiroc has a number of targets related to climate impact in place. Epiroc´s validated SBTi goals cover Scope 1, Scope 2 and Scope 3 – use of products, where Epiroc is to halve CO_2e emissions by 2030 with 2019 as the base year. Targets to halve CO_2e emissions from transport and relevant suppliers in absolute numbers by 2030, are also in place.

In addition, Epiroc has targets to increase the share of renewable energy in own operations, offer a full range of emissions free products, increase share of waste diverted from disposal, as well as lower the water consumption in water risk areas. Read more about targets and progress on pages 34-42.

Scenario analysis

The TCFD recommendations encourage companies to use scenario analysis to help ensure that their strategies are resilient to climate change in a range of possible future scenarios.

Qualitative scenario assessment

During 2021, the work focused on a qualitative scenario assessment for physical and transitional climate-related risks and opportunities in short- (5-10 years), medium- (10-30 years) and long-term (30-50 years). Physical climate risks arise from physical events, and transition risks stem from changes arising from society adapting to a net-zero economy.

A physical risk mapping was performed of Epiroc´s production units, distribution centers and key suppliers. A climate risk tool from an external risk data provider, categorizing the risks linked to the specific geographical locations, was used. Epiroc used the so-called physical risk factors for acute risks (coastal flood hazard, drought hazard, extra-tropical cyclone hazard, flood hazard, landslide hazard, severe storm hazard, tropical storm and cyclone hazard, and wildfire hazard), as well as the so-called chronic risks (climate change exposure, cooling degree days, heating degree days, heat stress, sea level rise, climate model uncertainty, and water stress) from the risk tool to identify areas where Epiroc operates, that might be exposed to physical risks. All three main categories of operations listed above (production units, distribution centers and key suppliers) have been linked to the specific physical risks, and further identified and analyzed on how and whether they will affect Epiroc. Epiroc also used the data and risk mapping to analyze how this might affect the end market and aftermarket services, to fully understand how Epiroc can be impacted by the physical effects of climate change.

With the physical risk mapping as a basis, a prioritization was carried out of the risks identified, partly by using climate scenarios. Epiroc used a combination of a physical risk scenario from the International Panel for Climate Change (IPCC) to understand physical risks, and input from several transition scenarios to determine and predict the development of transition risks for short-, medium- and long-term.

Indices used for transition risks in the risk tool were CO_2e emissions from energy use, CO_2e emissions from land use change and forestry, carbon policy, GHG targets, low carbon economy and total GHG emissions.

Physical risks

Physical risks such as heat stress, extreme weather, and water scarcity affecting suppliers or Epiroc´s own operations, were all identified as risks in a Business-As-Usual scenario by the IPCC (RCP 8.5 scenario), that would deliver a temperature increase of 4–5 degrees. The scenario includes severe physical impacts and increased frequency if the measures to prevent further climate change remain ineffective.

An example of a potential risk is that our service personnel may experience restricted access to sites due to physical climate events. Fortunately, our service personnel are localized at or close to customer sites, and the risk is viewed as limited in impact.

Another risk is supply interruptions, which could arise from shortages of raw materials and weather conditions affecting products or shipments, transportation disruptions or other factors beyond Epiroc's control. However, the impact for Epiroc is considered low due to possible mitigation measures, such as reducing single supplier dependency, strategic location of production units, distribution centers and suppliers, as well as altered working hours.

Transition risks

For transitional risks, for example, the IPCC (RCP 2.6 scenario): Global warming of 1.5 degrees, Greenpeace Advanced Energy Revolutions and IEA World Energy Outlook scenarios to 2040, were used.

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

A stress test was made of the scenario analysis based on a 1.5-degree transition risk scenario, where several regulatory requirements are implemented to reduce emissions and to reach net-zero objectives. In such a scenario, coal mining is expected to be affected, either by higher CO_2 taxes or restrictions in license to operate. Epiroc´s exposure to coal was 3.0% of orders received during 2022. The product portfolio is designed for hard-rock excavation, and Epiroc does not have nor develop any equipment that is exclusively dedicated to coal extraction, even if some of the drill rigs can be used in coal applications. In 2020, Epiroc made the decision

7. Task Force on Climate-related Financial Disclosures (TCFD), cont.

to no longer develop products or solutions exclusively dedicated to coal extraction.

Another risk connected to technology and product development, is failing to develop, launch and market new products or respond to technological development and customer demand for sustainable products. This could lead to substitution of existing Epiroc products and services with lower-emission options from competitors, but meeting this risk with our continued focus on innovation, digitalization, automation and electrification can also bring great business opportunities.

Climate-related opportunities

The transition for all sectors to a net-zero economy provides significant business opportunities for Epiroc. During the climate risk analysis, it became clear that Epiroc is well equipped to meet the effects of climate change and that our business model and product range also provide Epiroc with a range of climate opportunities within the mining and infrastructure industries. Customer demand for products and solutions with lower environmental impact is increasing, e.g., for battery-electric equipment and electrification solutions as well as for automation solutions. Epiroc has a leading position in electrification and automation and is well positioned for growth in this area.

Epiroc continues to invest significantly in R&D, makes acquisitions and develops partnerships to safeguard Epiroc´s position and to support customers' efforts to lower their emissions.

Another area that represents a significant business opportunity for Epiroc is minerals critical for the transition to a net-zero economy. An increased demand for sustainable infrastructure and electrification means that the demand for certain minerals such as copper, zinc and nickel, which a large part of Epiroc´s revenues relate to, is increasing. Epiroc is expected to benefit from this increasing demand.

As a company that seeks to be a positive driver for sustainable growth, it is crucial for Epiroc to fully realize these opportunities. Both to transform our own business, but also to enable clients to operate more sustainable.

Continued work

In 2022, Epiroc has focused on getting a clearer picture of the double materiality approach and aligning the TCFD work in such an assessment process. In 2023, we will continue with that alignment. For more information and disclosure on TCFD, see the Sustainability Reporting Standards Disclosure 2022, www.epirocgroup.com/en/sustainability/annual-and-sustainability-reports.

8. We use resources responsibly and efficiently

Environmental performance

Epiroc has integrated its most material environmental KPIs into its planning process. The KPIs help monitor and drive improvements and efficiency so that the Group can reduce its environmental impact. It is mandatory to report incidents or fines for non-compliance with environmental legislation, as well as incidents involving chemical, oil or fuel spillages. There were 10 (9) incidents which were all accidents resulting in adverse environmental effects. For these 10 incidents, we got no monetary and no non-monetary sanctions. We report all incidents with environmental effects. All accidents were addressed fully and with corrective actions. Clean-up costs amounted to KSEK 160 (54). No fines were paid during 2022.

Permits in compliance with Swedish environmental regulations

Three production units require permits in accordance with Swedish environmental regulations. Permits relate to areas such as emissions to water and air, as well as noise pollution. None of these permits were under review in 2022.

Environmental management

To help minimize environmental impacts and to ensure that the precautionary approach is applied, we have implemented the environmental management system ISO 14001:2015 in 75% of our major operating units through our global triple certification.

Product responsibility

Starting in 2021, we register products sold in EU containing substances of very high concern (SVHC) in the EU waste database SCIP (Substances of Concern In articles as such or in complex objects (Products)). Information on which parts in products that contain SVHC is also included in the technical file of the product, and provided to customers in line with EU Reach requirements.

Conflict minerals and cobalt

Responsible sourcing of the minerals included in our products is important to us. Suppliers of products containing tin, tungsten, tantalum or gold (3TG), are required to identify and declare the origin of such minerals present in the products and components sold to us. This ensures that the minerals do not directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo, i.e. that the products are conflict free.

We have a dedicated conflict minerals program since several years, focusing on the origin of tin, tungsten, tantalum, gold (3TG) and cobalt in our products to ensure responsible sourcing within our supply chain. The program and tools developed are built on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, as well as on the tools of the Responsible Minerals Initiative (RMI) that Epiroc is a member of. Information about the presence and origin of 3TG in Epiroc products is consolidated and shared with interested parties.

	3TG	Cobalt
Suppliers asked	222	29
Suppliers responded	181	21
Smelters identified in supply chain	387	29

In 2022, 222 (227) relevant suppliers were requested to declare the origin of 3TG present in their products. 82% (89) of the suppliers of products containing 3TG responded. 387 (496) smelters of tin, tungsten, tantalum and gold were identified by our suppliers, none of which finance armed groups in the Democratic Republic of the Congo.

The fact that our products do not contain conflict minerals is important not only for Epiroc, but it also supports our customers and their obligations to report the origins of tin, tungsten, tantalum and gold in a transparent way.

Although it is not yet a regulated metal, cobalt is a concern for Epiroc. In 2022, 29 (27) suppliers of products including cobalt metal were asked to declare the origin of the cobalt included in the products, to get an understanding of supplier awareness. About 72% (78) of the suppliers asked responded.

The EU Conflict minerals regulation came into effect in January 2021 and applies to EU importers of tin, tungsten, tantalum or gold under certain TARIC codes and above certain threshold limits. One Epiroc company falls under the regulation. Having conducted due diligence for several years on all suppliers of products containing 3TG, including metals imported to the EU, has helped to ensure that we are fulfilling the new EU regulation.

In 2023, we will continue to follow up with and educate our suppliers to ensure a deeper knowledge and an increased response rate.

Hazardous substances in products and processes

The Epiroc Prohibited and Declarable Lists, are lists of hazardous substances, which are either prohibited or which must be declared due to their potential negative impact on health or the environment. Substances included in the Prohibited List may not be included in any products, components or used in processes. Products containing substances included in the Epiroc Declarable List, must be identified and communicated to customers to facilitate safe use, and from January 2021 registered in the EU waste database SCIP.

Suppliers' use of listed substances is regularly checked to ensure no prohibited substances are used, and if found, they must immedi-

8. We use resources responsibly and efficiently, cont.

ately be replaced by appropriate alternatives. When declarable substances are present in any product, such information is added into applicable business system to be forwarded to customers and the SCIP database. Compliance with the Prohibited and Declarable lists is included in the Epiroc Business Partner Code of Conduct, which Epiroc suppliers shall adhere to.

Both lists are continuously revised according to applicable legislation, including REACH, RoHS, TSCA and global conventions. The Lists on Prohibited and Declarable Substances are published on the Epiroc website together with Epiroc's Substance of Concern Policy, which explains actions required by suppliers and the internal organization for substances included in either of the lists.

9. We invest in safety and health

GEOGRAPHICAL SPREAD OF INJURIES AMONG EPIROC'S TOTAL WORKFORCE

	Average number in Epiroc's workforce, 2022	Number of work-related injuries, 2022	Total recordable injury frequency rate (TRIFR), 2022
North America	2 867	46	8.4
South America	1 566	11	3.7
Europe	5 430	69	6.7
Africa/Middle East	2 756	21	4.0
Asia/Australia	4 959	45	4.8
Total	**17 578**	**192**	**5.7**

The number of work-related injuries increased by 24% to 192 (155) mainly due to the high order intake and many new employees. The majority of injuries reported have been in Europe and North America (60% of total injuries). Compared to 2021, the number of injuries in Europe and North America has increased by 25%, which is mainly explained by an increased workforce. There is a continued focus on training and activities to further reduce the number of injuries. The total recordable injury frequency rate (TRIFR) for external workforce has remained on 8.0. As Epiroc has started to report a wider scope of injury codes, we are now moving towards a greater focus on TRIFR as our primary safety performance indicator. Total recordable injuries (TRI) are reflecting all recordable injuries at Epiroc.

Hazard identification, risk assessment, and incident investigation
In Epiroc, we have procedures for risk assessments, incident reporting, and safety inspections. Risk assessment is a requirement in the Epiroc management system and ISO 45001. Epiroc companies are encouraged to use a reporting tool for incident reporting, e.g., risk observations, near-misses and injuries.

Our priority is to highlight all risks, report, investigate and act to mitigate them to secure a safe work environment. Work-related injuries are reported and followed up at the entity level, divisional level and Group level. All injuries and safety incidents result in investigation and corrective action. Injuries and their descriptions and lessons learned are shared within the company as safety shares. Consolidated safety data based on reporting of injuries and risks is analyzed and used as a basis for local and global safety measures.

Occupational health services, worker participation, and promotion of worker health
Occupational health services are provided to employees at most units and vary from one country to another depending on the specific needs of the unit, the level of health service available and local legislation. Health services are provided by the company and supported by company doctors and nurses, psychologists, physiotherapists and ergonomists.

In Epiroc, workers or worker representatives participate in risk analysis and finding solutions to mitigate risks as part of the requirements in ISO 45001. Any employee at any time has the freedom to come up with suggestions on how to perform tasks in a safer way. Safety committees are organized in many places and coordinated locally. Escalation procedures are in place. Promotion of workers' health is mainly carried out in the local entities. In some locations, employees are allowed to exercise during working hours. All health promotion services and programs are voluntary within Epiroc.

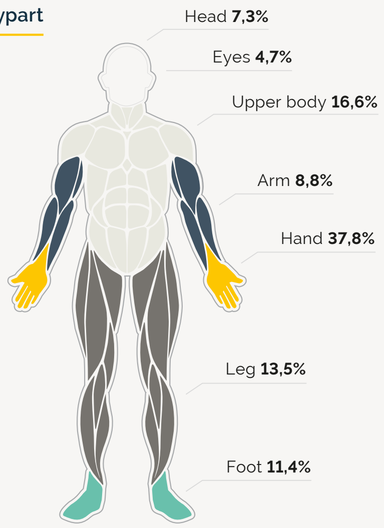
Contractor safety
Contractors working on behalf of Epiroc are required to follow the Epiroc Business Partner Code of Conduct. Contractors working on Epiroc premises are obligated to follow the same safety procedures and routines as employees.

Product safety
Safety for our customers is a top priority for Epiroc. Therefore, Epiroc has a well-defined product safety procedure in place at the group level as well as local procedures at the entity level. Our approach for product safety follows the complete lifecycle perspective from development of new products to reactive action on already sold products. All our products fulfill and often exceed local regulations in the market where they are sold. Products are always delivered with comprehensive safety instructions and warnings. Customer training is included when relevant, to ensure the safe handling of products. To further enhance the safety of our customers, Epiroc runs a Live Work Elimination program.

Any safety issues on already delivered products are tracked through safety campaigns consisting of appropriate actions and information. 6 (10) incidents for non-compliance with voluntary codes concerning the health and safety impacts of products and services were reported for 2022. Incidents of non-compliance of voluntary codes are situations where a part needs to be replaced or a program modified to enhance the safety of the product. No incidents of non-compliance resulting in warnings, fines or penalties were reported for 2022.

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
Suppliers are required to follow the Epiroc Business Partner Code of Conduct and Epiroc performs regular audits at significant suppliers' sites to ensure compliance. When working in the field at a customer site or similar, Epiroc employees are trained to perform their own risk assessments, like Last Minute Risk Assessment, and are required to follow local regulations and procedures. If they still face a risk situation, they are told not put themselves in a hazardous situation.

Injury by bodypart

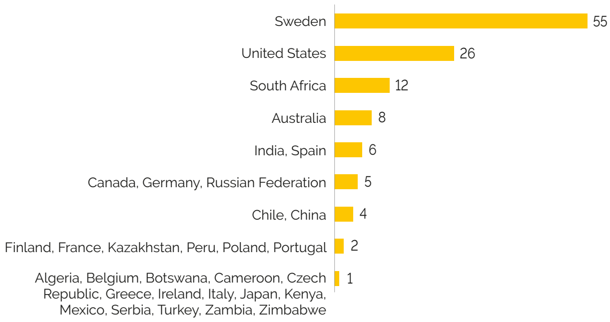


10. We grow together with passionate people and courageous leaders

Number of employees, December 31, 2022	16 996
- permanent contract employees	16 741
- temporary contract employees	255
- full-time employees	16 639
- part-time employees	357
- under 30 years old[1]	2 960
- 30-50 years old[1]	9 924
- over 50 years old[1]	2 913
CEO and employees pay ratio[2]	42.3

[1] Epiroc companies in USA only report total number of employees, 1 199 in 2022.
[2] Ratio of remuneration for highest paid individual to average total compensation for average employees. Calculations based on numbers on pages 103-104.

Number per nationality[1] among the most senior management



[1] Limited to current, single nationality per manager, not reflecting dual nationalities.

Employee turnover and new hires 2022

The definition of "full-time employee" is based on recommendations of the Swedish Accounting Standards Board. The "full-time equivalents" (FTE) method is used, where one employee corresponds to the normal full working hours in the company, i.e., assuming 40 hours per week - an employee who is contracted to work 20 hours a week is 0.5 FTE.

In 2022, voluntary employee turnover was 8.8%. Employee turnover increased by 1.8% compared to the 12-month period ending in December 2021. 40% of total turnover in 2022 was in Asia/Australia, 23% in North America, 18% in Europe, 8% in South America and 11% in Africa/Middle East.

Number of new employee hires in 2022 was 2 632. New employee hires increased by 25% in 2022 compared to the 12-month period ending in December 2021. 30% of new hires in 2022 were represented in Asia/Australia, 20% in Europe, 8% in Africa/Middle East, 32% in North America and 10% in South America.

Freedom of association and the right to collective bargaining

Employees have the right to choose whether they wish to be represented by a trade union or not. In 2022, a total of 39% (40) of our employees were covered by collective bargaining agreements. For employees who are not covered by a collective bargaining agreement, we aim to provide terms and conditions of employment fully aligned with market practices.

11. We live by the highest ethical standards

SUPPLIERS' COMMITMENT

	2022	2021
Significant suppliers, number	1 597	1 422
Safety, health, social and environmental audited significant suppliers, %	5	4
Approved suppliers, %	97	95
Conditionally approved suppliers (monitored), %	3	5
Rejected suppliers, %	0	-
Significant suppliers asked for commitment to the Epiroc Business Partner CoC, number	1588	1 422
Significant suppliers that confirmed compliance to the Epiroc Business Partner CoC, %	99	100

The scope of significant suppliers includes all suppliers of goods and services, direct and indirect, with a purchasing value above EUR 100 000, based on 12-month values from January 2021 to December 2021. Suppliers are also deemed significant when they are located in high-risk countries and have a purchasing value above EUR 12 500, based on 12-month values from January 2021 to December 2021.

Epiroc's significant suppliers in 2022 amounted to 1 597 (1 422). Evaluations of their performance and impacts are conducted by Epiroc teams at the suppliers' site every fifth year. All new suppliers are assessed according to different criteria, including social and environmental. In 2022, 216 (135) quality and safety, health, social and environmental audits were performed. Performance of digital or self-assessed audits are also used as an alternative for existing suppliers if these conditions are met:

- The supplier complies with Epiroc Business partner Code of Conduct.
- The supplier has not had any major changes in ownership, manufacturing process or manufacturing location since the last audit.
- The supplier lives up to our requirements and expectations, there are no major quality- or delivery issues.

In 2022, a total of 16 (22) safety, health, social and environmental digital audits were performed, of which all were approved. 1 588 (1 422) suppliers were requested to commit to the Epiroc Business Partner CoC. If a supplier after negotiations refuses to accept our Business Partner CoC but can show that their own CoC is equivalent to ours, they may be exempted. However, each case is to be closely evaluated and decisions are made based on the specific supplier's situation.

If a business partner uses subcontractors or sub-suppliers for the production of products or the provision of services for the Epiroc Group, it is the responsibility of the business partner to use the principles in the Epiroc Business Partner CoC to evaluate and select their subcontractors. If requested, the business partner must inform Epiroc which subcontractors they use. Epiroc requires cooperative management and free access to the business partner's premises, including the manufacturing facilities.

The supplier evaluation process examines:

- Business partners' record of governance, ethics and stance against corruption.
- Labor issues: Rejection of forced, compulsory or child labor, elimination of discrimination, safeguarding employee health and safety, collective bargaining rights.
- Environmental performance: Managing waste, minimizing emissions, and reducing consumption of natural resources.
- Human rights issues: Respect for human rights in operations.

In 2022, it was necessary in 0 (1) instances to withdraw from supplier agreements due to cases of non-compliance that were not adequately addressed. 99% of significant suppliers confirmed compliance to the Epiroc Business Partner CoC. We have ended our collaboration with the suppliers who did not confirm compliance.

Indirect sales (IDS) channels

In 2022, the previous definition of significant agents, resellers and distributors was replaced with a new definition called indirect sales (IDS) channels. The definition of IDS channels is all indirect sales channels of goods and services or any third party acting as an intermediary to serve Epiroc customers. Significant IDS channels are the ones with a purchasing value above EUR 500 000, based on 12

11. We live by the highest ethical standards, cont.

months rolling values. IDS channels are also deemed significant if they have operations in markets with high risks of corruption, environmental and human rights violations, and have a purchasing value above EUR 50 000, based on 12 months rolling values. We define risk markets using environmental, human rights and corruption criteria from a third-party risk analytics firm.

Speak Up cases

REPORTED POTENTIAL VIOLATIONS, NUMBER

	2022	2021
Fraud and corruption	19	17
Labor-related matters	64	48
Safety	2	7
Discrimination	2	1
Harassment	12	17
Conflict of interest	7	7
Breach of privacy	1	0
Other	14	3
Total	**121**	**100**

In 2022, in total 121 cases were reported. 28 of these cases are still under investigation. Out of the total number, 64 cases concern labor relations, 19 fraud and corruption and 12 harassment. 9 cases during the year were deemed material. In 4 confirmed incidents, employees were dismissed or disciplined for corruption and in one confirmed incident, for harassment. The company appreciates the increasing involvement of our employees alerting the company to areas that need improvements in different parts of the organization, be it business conduct, leadership behavior, processes or controls. No fines related to non-compliances reported through our Speak Up line have been paid during the year. No instances of anti-competitive behavior, nor any significant fines or non-monetary sanctions related to non-compliance with laws and/or regulations in the social and economic area have been brought to the attention of Epiroc Group management.

The Speak Up system can be used to report all perceived violations of laws, regulations, Epiroc Code of Conduct and Group policies, for example, fraud and corruption, conflict of interest situations, non-compliance with environmental laws, health and safety issues, violations of human and labor rights, harassment and diversity issues. It is also open for business partners, including suppliers. The Speak Up system can be used to report information, acquired in a work-related context, on misconduct in violation of applicable laws (including European Union law), other irregularities in respect of which there is a public interest, violations of the Epiroc Code of Conduct, Epiroc Business Partner Code of Conduct or Group policies. Reporting in Speak Up is open for employees, applicants, volunteers, trainees, customers, contractors, sub-contractors, suppliers, shareholders, board members etc. The Speak Up system is managed by Group Compliance. In the Speak Up-process, receipt of report will be acknowledged within seven days, and impartial investigator(s) will be designated to investigate reported issues and provide feedback to the reporting person on the outcome of the investigation and potential actions taken, within three months. The Board is annually given an overview of the matters handled in Speak Up, the outcome of the investigations and actions taken, if any.

Implementing the UN Guiding Principles on Business and Human Rights (UNGP)

The UNGP requires companies to have a human rights due diligence process in place to identify, prevent, mitigate and account for how they address human rights impacts. We are committed to addressing and integrating human rights across our business operations in accordance with the UNGP. The Compliance Board monitors the implementation of the Code of Conduct (CoC), including human rights issues. Our commitment and how we conduct human rights due diligence is described on pages 50-53.

Knowledge about human rights is key to understanding risks

A key priority is to raise employees' awareness about human rights and at the same time create an understanding in the organization of the different challenges that may need to be addressed along the value chain – in relation to both suppliers and customers. How to address human rights issues is therefore part of the Code of Conduct (CoC) and CoC e-learning training. It contains sessions on business and human rights, non-discrimination, labor standards, modern slavery and other human rights issues. The e-learning on Responsible Sales Assessment includes sessions on how Epiroc should implement the UNGP. It covers different human rights issues and aims to build a greater awareness of specific human rights challenges.

Stakeholder consultation

Epiroc's ability to influence in order to affect change in possible wrongful practices along the value chain is an important way to take action in accordance with the UNGP. Therefore, human rights issues are on the agenda for dialogues with Epiroc´s identified stakeholders. Feedback from these consultations is implemented into operations as a way to build a better understanding, as well as assessing and mitigating human rights risks in complex markets. We are fully committed to continuously addressing and monitoring human rights challenges.

Leverage

Leverage is important for the implementation of the UNGP. It exists where we can affect change in the wrongful practices of an entity that causes harm (principle 19, UNGP). We are exploring this aspect through dialogue with business partners and non-governmental organizations such as the International Council of Swedish Industry (NIR), finding examples of how we can better understand and assess human rights risks in complex markets. We also actively participated in the planning and designing of an innovative multi-stakeholder development program led by NIR to promote sustainability in the supply of minerals for the energy transition in Latin America. The program is expected to fully launch in 2023 and will work across the supply chain to increase leverage over local ESG-related risks in mineral extraction.

Remediation

Both states and companies have roles to play in ensuring that victims of business-related human rights abuses have access to an effective remedy. Remedy means taking action to repair any harm done to people. Behavior or actions that are, or for good reasons may be perceived as, violations of laws or of the Epiroc CoC should be reported. The Speak Up line may be used by employees or external stakeholders to report concerns.

Management of taxes

Epiroc is a global company with a presence in many countries and through compliance with the Arm's Length principle, we aim to pay the fair amount of taxes in each country. We strive to be a good and reliable corporate citizen through prudent and sustainable management of taxes.

We also recognize the importance of taxes in the area of advancing economic development and contributing to society by paying corporate income taxes as well as other taxes, levies and social security contributions. Our action is in accordance with IFRS, all applicable tax laws and regulations as well as international standards from the OECD and the UN. The Epiroc Tax Policy is available at www.epirocgroup.com/en/investors/tax-policy.

Auditor's Limited Assurance Report on Epiroc AB's Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.
To Epiroc AB, corporate identity number 556041-2149

Introduction
We have been engaged by the Board of Directors of Epiroc AB to undertake a limited assurance engagement of Epiroc AB's Sustainability Report for the year 2022. The Company has defined the scope of the Sustainability Report and the Statutory Sustainability Report on page 144.

Responsibilities of the Board and Executive Management
The Board of Directors and Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on pages 144-145 in the Sustainability Report and consist of the GRI Sustainability Reporting Standards, as well as the accounting and calculation principles that the company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the Sustainability Report based on our limited assurance procedures and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented in this document and does therefore not cover future oriented information.

We have conducted our engagement in accordance with ISAE 3000 (revised) Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 are different from and substantially less in scope than reasonable assurance conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Epiroc AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited review and an examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. The conclusion based on limited assurance procedures and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on reasonable assurance.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, March 9, 2023

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Outi Alestalo
Expert Member of FAR

Sustainability performance[1)]

ECONOMIC VALUE, MSEK	Note	2017	2018	2019	2020	2021	Targets 2022	2022	Targets 2023*
Direct economic value									
Revenues[2)]		31 675	38 500	41 096	36 431	40 172		50 280	
Economic value distributed									
Operating costs[2)]		18 651	23 399	24 326	21 024	22 278		28 300	
Employee wages and benefits, including other social costs		6 862	7 535	8 454	7 881	8 733		10 595	
Costs for providers of capital[2)]		5 547	365	2 926	3 340	3 220		4 228	
Costs for direct taxes to governments		1 590	1 921	1 992	1 848	2 144		2 668	
Economic value retained		–975	5 280	3 398	2 338	3 797		4 489	
WE USE RESOURCES RESPONSIBLY AND EFFICIENTLY									
Renewable energy for operations, % of total energy[3) 4)]		45	49	53	57	53		60	
Renewable energy for operations incl. renewable of mix, % of total energy[3) 4)]		55	60	63	64	62	66	65	68
Direct energy use in GWh[4)]		27	30	29	24	33		41	
Indirect energy use in GWh[4)]		129	142	132	122	144		134	
- Of which is electricity, GWh		108	121	111	103	123		113	
- Of which is heating, GWh		21	21	21	18	21		21	
Total energy use in GWh[4)]		155	172	161	146	177		175	
Total energy use in MWh/Cost of Sales (COS)[4)]		8.5	7.6	6.8	7.1	7.8	7.1	6.1	5.7
CO_2e emissions '000 tonnes (direct energy) – Scope 1[5)]		6	6	6	5	6		8	
CO_2e emissions '000 tonnes (indirect energy) – Scope 2[5) 6)]		28	29	22	22	27		18	
CO_2e emissions '000 tonnes (total energy) – Scope 1+2[5)]		34	35	28	27	33	31	26	25
Location-based CO_2e emissions '000 tonnes (indirect energy) - Scope 2[5) 6)]		31	33	28	27	36		31	
CO_2e emissions '000 tonnes (transports) –Scope 3[5)]		114	128	105	83	82	85	91	93
CO_2e emissions tonnes (transports)/COS[5)]		6.2	5.6	4.5	4.1	3.6	4.1	3.2	–
CO_2e emissions '000 tonnes (use phase products sold) – Scope 3[5) 7)]				5 326	3 815	4 825	5 030	5 186	4 861
Proportion of reused, recycled and recovered waste, %[8)]		97	97	95	94	96		N/A	
Waste Diverted from disposal %[8)]						100		89	
Water consumption in water risk areas ('000 m^3)[9)]		67	65	55	82	95		85	
Water consumption in water risk areas (in m^3)/COS[9)]		3.7	2.9	2.4	4.0	4.2	4.0	3.0	3.2
WE INVEST IN SAFETY AND HEALTH									
Work-related Lost-time injuries, number		113	99	82	58	65		77	
Work-related injuries, number[10)]	9	113	257	184	141	155		192	
Lost-time injury frequency rate (LTIFR)		4.3	3.4	2.7	2.0	2.1	1.7	2.3	–
Lost days due to Lost-time injuries, number per one million working hours		93	97	70	55	62		61	
Total recordable injury frequency rate (TRIFR)[10)]	9	–	8.9	6.0	4.8	5.1	4.5	5.7	<5.0
Fatalities		1	0	1	0	0	0	0	0
High-consequence injuries[10)]		–	–	–	–	6		4	
Sick leave due to illness, %		2.1	2.1	2.1	2.1	2.4		2.3	
Sick leave due to illness and Lost-time injuries, %		2.2	2.2	2.1	2.1	2.4	<2.5	2.4	<2.5

WE GROW TOGETHER WITH PASSIONATE PEOPLE AND COURAGEOUS LEADERS	Note	2017	2018	2019	2020	2021	Targets 2022	2022	Targets 2023*
White-collar employees, %		51	51	49	49	48		49	
Blue-collar employees, %		49	49	51	51	52		51	
Employee turnover white-collar employees, %	10	5.7	7.4	7.5	5.3	6.7		7.9	
Employee turnover blue-collar employees, %	10	4.7	7.4	7.3	5.6	7.1		9.7	
Total turnover, voluntary leave %	10	5.2	7.4	7.4	5.5	6.9		8.8	
Yearly performance and development discussion, %		87	88	88	87	87		86	
Women employees, period end, %		15.7	16.0	15.5	15.7	17.1	18.3	18.2	19.3
Women managers, period end, %		18.2	20.0	19.3	21.0	22.5	23.5	22.7	24
New hires of women in the Group, share of total external recruitments, %		18.4	17.4	16.2	19.5	24.0		24.8	
Nationalities among senior managers, number		–	30	32	33	34		32	
Leadership Index		–	–	69	71	72		72	-
WE LIVE BY THE HIGHEST ETHICAL STANDARDS									
Managers signed a Code Compliance Commitment, %		–	91	95	99	100	100	98	100
Managers trained in Epiroc Code of Conduct, %		–	91	95	99	100	100	98	100
Safety, health, social and environment audited significant suppliers, %	11	10	11	11	3	4		5	
Significant indirect sales channels that confirmed compliance with the Epiroc Business Partner Code of Conduct, %								99	
Significant suppliers that confirmed compliance with the Epiroc Business Partner Code of Conduct, %	11	97	98	99	99	100	100	99	100

* Epiroc's key performance indicators for sustainability.

Footnotes to pages 160-161

1) Calculations according to GRI Standards Guidelines, www.globalreporting.org.
2) Revenues include revenues, other operating income, financial income, profit from divested companies and share of profit in associated companies. Operating costs include cost of sales, marketing expenses, administration expenses, research and development expenses, other operating expenses and loss in associated companies, deducted for employee wages and benefits. Costs for providers of capital include financial costs and dividends, but exclude redemption of shares and repurchase of own shares. COS when presented in relation to sustainability information refers to cost of sales at standard cost in MSEK.
3) Renewable of mix does not have any certificate or similar statement from the energy provider that assures only renewable energy sources are used for the electricity or district heating provided according to the contract.
4) The total energy includes both indirect and direct energy used. The calculation of indirect energy, i.e., energy purchased externally by the company, includes electricity and district heating used at the sites. The calculation of direct energy, i.e., energy generated by the company for its own production or operation, comprises all fuels used on the sites, including diesel, gasoline, coal, biofuel, propane and natural gas. The increase in 2021 is mainly explained by the 22 additional main CO_2e emitting customer centers included in the reporting to ensure a 95% coverage of the Scope 1 and Scope 2 emissions for the Group.
5) Greenhouse gas emission reporting is carried out in accordance with the GHG Protocol (www.ghgprotocol.org). Standardized conversion factors published by DEFRA (UK) are used to calculate CO_2e emissions for Scope 1 and International Energy Agency (IEA) for Scope 2. When emissions data is not provided by transport companies, factors from Network for Transport measures (NTM) are used (www.transportmeasures.org). Recalculation of base year (2019) emissions is performed for significant structural changes, improvements in calculation methodology or data accuracy. See recalculated base year emissions on page 38. Emissions on pages 160-161 are not restated. For an explanation on increases in Scope 1 and Scope 2 emissions 2021, see footnote 4. Direct (Scope 1), indirect (Scope 2) and Use phase of products sold (Scope 3) CO_2e emissions include the main greenhouse gases carbon dioxide (CO_2), methane (CH4) and nitrous oxide (N2O). Transport (Scope 3) represents production units and distribution centers only and in CO_2e, calculations are based on both average data, suppliers specific and spend data. We do not measure biogenic emissions. We ask for the direct WTW (Well To Wheel) CO_2e emissions from the forwarders to put into our consolidation system as tonnes CO_2e. If not possible, we re-calculate tonne-km per transport into WTW CO_2e emissions with our internal tool with recalculation factors based on WTW CO_2e conversion factors from DEFRA.
6) A location-based method reflects the average GHG emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data. A market-based method reflects emissions from electricity that an organization has purposefully chosen (or its lack of choice).
7) Unique operation cycles for each product are defined. Based on diesel and electricity usage and life length, we get the CO_2e emission from use phase. For diesel, conversion factors from DEFRA are used, where diesel with average content of biodiesel is used.
   IEA national conversion factors are used for defining WTW CO_2e emissions from electricity use, where an average conversion factor is used based on the countries where the products in each product family are sold.
   In the reporting scope, all products carrying its own energy source on-board (diesel engine, electrical motor and compressor) are included.
   Products without its own energy source is excluded, such as drill machines towing an external provided compressor and hydraulic attachments.
8) In 2022, our waste reporting and calculations were changed to be in line with the GRI. The biggest change compared to previous years, is that waste sent to incineration is now seen as negative waste, waste sent to disposal.
9) Water risk mapping was carried out using the water risk maps generated by a third-party risk analytics firm.
10) New types of injuries were included in reporting in 2021. Injuries with lost time but no medical treatment, injuries that resulted in restricted work or transfer to another job and significant injuries diagnosed by a physician or other licensed healthcare professional. Besides the total recordable work-related injuries, high-consequence injuries were reported. These are injuries where the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

Multi-year summary

	2015	2016	2017	2018	2019	2020	2021	2022
Growth								
*Orders received, MSEK	27 551	27 634	33 831	39 400	39 492	36 579	45 648	53 222
*Total order growth, %	+0	+0	+22	+16	+0	-7	+25	+17
*Organic order growth, %	-7	+3	+20	+13	-5	+0	+26	+2
Revenues, MSEK	28 663	27 102	31 364	38 285	40 849	36 122	39 645	49 694
Total revenue growth, %	+4	-5	+16	+22	+7	-12	+10	+25
*Organic revenue growth, %	-3	-3	+14	+18	+1	-5	+12	+11
*Book-to-bill, %	96	102	108	103	97	99	115	107
Costs								
Cost of sales, MSEK	-18 463	-18 003	-20 101	-24 317	-25 547	-22 418	-24 192	-30 675
Administrative expenses, MSEK	-1 848	-1 879	-2 121	-2 589	-3 261	-2 817	-3 166	-3 628
Marketing expenses, MSEK	-2 346	-2 164	-2 280	-2 574	-2 797	-2 225	-2 313	-3 042
Research and development expenses, MSEK	-861	-662	-795	-977	-1 035	-1 032	-1 172	-1 438
Research and development expenses, % of revenue	3.0	2.4	2.5	2.6	2.5	2.9	3.0	2.9
Profitability								
Gross profit, MSEK	10 200	9 099	11 263	13 968	15 302	13 704	15 453	19 019
*Gross margin, %	35.6	33.6	35.9	36.5	37.5	37.9	39.0	38.3
* EBITDA, MSEK	6 570	5 765	7 183	8 753	10 114	9 128	10 740	13 276
* EBITDA margin, %	22.9	21.3	22.9	22.9	24.8	25.3	27.1	26.7
* Adjusted operating profit, MSEK				7 779	8 582	7 669	9 098	11 755
* Adjusted operating margin, %				20.3	21.0	21.2	22.9	23.7
Operating profit, MSEK		4 548	5 930	7 385	8 136	7 382	8 995	11 147
* Operating margin, %		16.8	18.9	19.3	19.9	20.4	22.7	22.4
Profit before tax, MSEK	4 955	4 411	5 793	7 201	7 843	7 087	8 964	10 778
* Profit margin, %	17.3	16.3	18.5	18.8	19.2	19.6	22.6	21.7
Profit for the period, MSEK	3 571	3 231	4 298	5 437	5 884	5 410	7 069	8 411
Capital efficiency								
Capital employed, MSEK, period end	22 400	23 933	19 286	25 927	31 838	34 700	35 329	44 534
Average capital employed, MSEK	21 727	23 167	21 674	23 086	29 518	34 033	34 485	39 794
Average capital employed, excl. cash, MSEK		22 696	20 812	19 469	23 221	21 818	21 543	29 477
* Return on capital employed, %	23.8	19.6	27.4	32	27.6	21.7	26.1	28.0
* Capital employed turnover ratio			1.4	1.7	1.4	1.1	1.1	1.2
Net debt (+)/Net cash (-), MSEK			5 424	1 208	483	-4 137	-1 304	-3 691
* Net debt/EBITDA ratio			0.75	0.14	0.05	-0.45	-0.12	0.28
* Net Debt/equity, %, period end			45.0	6.4	2.1	-17.4	-5.1	11.0
* Equity ratio, period end			43.7	52.1	55.6	54.1	53.1	54.2
Net working capital, MSEK, average			9 991	12 158	14 062	12 217	11 495	15 570
* Net working capital, MSEK, period end			10 173	12 897	13 153	10 571	12 186	18 564
Average net working capital, % of revenue			31.9	31.8	34.4	33.8	29.0	31.3
Credit rating S&P, period end				BBB+	BBB+	BBB+	BBB+	BBB+
Cash generation								
* Operating cash flow, MSEK	5 630	4 880	4 610	3 884	6 688	7 006	6867	5 662
Cash conversion rate, %, 12 months	158	151	107	71	114	130	97	67
Equity information								
Basic number of shares outstanding, millions	1 212	1 212	1 212	1 206	1 201	1 204	1 206	1 206
Diluted number of shares outstanding, millions	-	-	-	1 206	1 202	1 205	1 208	1 208
Equity per share, SEK, period end	12.3	12.7	9.94	15.63	19.02	19.71	21.38	27.80
Basic earnings per share, SEK	2.95	2.66	3.55	4.50	4.89	4.48	5.85	6.96
Diluted earnings per share, SEK	-	-	-	4.49	4.89	4.48	5.84	6.95
* Return on equity, %			29.1	33.2	28.3	22.7	29.5	28.4
* Operating cash flow per share, SEK	4.60	4.00	3.80	3.20	5.57	5.82	5.69	4.69
Dividend per share, SEK				2.10	2.40	2.50	3.00	3.40**
Payout ratio, %				47	49	56	51	49**
Redemption per share, SEK						3.00		

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

** Proposed by the Board of Directors.

Financial definitions

Alternative performance measures

Key figure	Description	Reason for use
Adjusted operating margin	Adjusted operating profit in % of revenues.	A measurement of the operational profit which enables comparisons over time by excluding items that are irregular in frequency or size.
Adjusted operating profit	Operating profit adjusted for items affecting comparability.	It enables comparisons over time - and between companies - by excluding items that are irregular in frequency or size.
Book-to-bill	Orders received divided by revenues.	An indicator of demand trends.
Capital employed (average)	Average total assets [1] less average non-interest-bearing liabilities/provisions. Capital employed for the segments excludes cash, tax liabilities and tax receivables.	It shows how much of total capital is tied to operations.
Capital employed turnover ratio	Revenues [2] divided by the average capital employed [1].	It shows how efficiently Epiroc generates revenues from the capital utilized to run operations.
Capital turnover ratio	Revenues [2] divided by average total assets [1].	It shows how effectively total assets are used.
EBITDA	Earnings before interest, taxes, depreciation and amortization. Alternatively; the operating profit plus depreciation, impairment and amortization.	An indicator of cash generating ability.
EBITDA margin	EBITDA as % of revenues.	An indicator of cash generating ability.
Equity ratio	Equity including non-controlling interests, as % of total assets.	A measure of financial risk showing how much of Epiroc's total assets that have been financed with equity.
Gross margin	Gross profit as % of revenues.	It measures how much of Epiroc's revenues are left after paying the costs of goods sold.
Items affecting comparability	Items such as operating profit/loss from acquisitions and divestments, one-time items (restructuring) and change in provision for share-based long-term incentive programs.	It shows how non-recurring items have affected the result.
Net debt	Interest-bearing liabilities and post-employment benefits, adjusted for the fair value of interest rate swaps, less cash and cash equivalents and certain other financial receivables.	A measurement of the financial position.
Net debt/EBITDA ratio	Net debt in relation to EBITDA.[2]	A measurement of financial risk.
Net debt/equity ratio	Net debt in relation to equity, including non-controlling interests.	A measurement of financial risk.
Net working capital	Working capital net of inventories, trade receivables, trade payables, other operating assets and liabilities.	It measures Epiroc's liquidity and capital efficiency.
Operating cash flow	Cash flow from operations and cash flow from investing activities, excluding company acquisitions/divestments, as well as other adjustments.	It indicates Epiroc's ability to generate sufficient positive cash flow to maintain and grow operations.
Operating cash flow per share	Operating cash flow divided by basic number of shares outstanding.	It improves the ability to make comparisons over time.
Operating margin	Operating profit as % of revenues.	It helps monitor Epiroc's fulfillment of the financial goal of having market leading profitability.
Orders received and order growth	Orders received in MSEK in a period. The total order growth includes the contribution from organic growth, currency and structure.	It is a good indicator of demand for Epiroc's equipment and aftermarket.
Organic growth	Organic growth is total growth excluding the contribution from currency and structure. Alternatively, the growth that is based on volume and price.	It explains how volume, price and product/service mix changes drive the growth.
Pay-out ratio	Dividend per share as % of basic earnings per share.	The rate facilitates following up Epiroc's financial target of a payout ratio of 50%.
Profit margin	Profit before tax as % of revenues.	An indicator of profitability.
Return on capital employed	Operating profit [2] as % of average capital employed [1].	It measures how efficiently Epiroc generates profits from the capital utilized to run operations.
Return on equity	Profit for the period [2] divided by average equity, excluding non-controlling interest [1].	It shows Epiroc's ability to generate a return on the investments made by shareholders.

1) Calculated as an average of five quarters. In 2016 and 2015, however, it was calculated as an average of two periods.
2) 12 months' value.

On the cover: The Scooptram ST14 Battery is a zero-emission loader for large scale mining operations. Energy regeneration will ensure low energy consumption and extend the driving range. With the electric drive, this battery loader outperforms diesel equivalents.

Further information

Capital markets
For shareholders and financial analysts
ir@epiroc.com

Media
For journalists
media@epiroc.com

Corporate responsibility
For non-governmental organizations and others
cr@epiroc.com

Sales and services
For customers
www.epiroc.com

Postal address
Epiroc AB
P.O. Box 4015
SE - 131 04 Nacka
Sweden

Visitors address
Sickla Industriväg 19
SE - 131 54 Nacka
Sweden

Telephone
+46 10 755 00 00

www.epirocgroup.com

Investment case

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

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