Q3
2018

Epiroc interim report Q3

July - September 2018 in brief

- Orders received increased 10% to SEK 9,413 million (8,591), organic growth of 3%
- Revenues increased 27% to SEK 9,651 million (7,610), organic growth of 19%
- Operating profit was SEK 1,898 million (1,520), including costs of SEK 126 million (15) related to the split from Atlas Copco and change in provision for long-term incentive programs
- Operating margin was 19.7% (20.0), negatively affected with 1.3 percentage points (0.2) by the costs related to the split and incentive programs
- Basic earnings per share were SEK 1.18 (0.88)
- Operating cash flow of SEK 777 million (1,242)
- Agreement signed in October to acquire the Canadian manufacturer of exploration drilling tools, Fordia Group Inc., with annual revenues of about SEK 580 million

Key figures

SEK million	2018 Q3	2017* Q3	Δ	2018 Q1-Q3	2017* Q1-Q3	Δ	2017* Full year
Orders received	9,413	8,591	10%	29,932	25,773	16%	33,831
Revenues	9,651	7,610	27%	27,727	22,900	21%	31,364
Operating profit	1,898	1,520	25%	5,223	4,402	19%	5,930
Operating margin, %	*19.7*	*20.0*		*18.8*	*19.2*		*18.9*
Profit before tax	1,861	1,501	24%	5,085	4,350	17%	5,793
Profit margin, %	*19.3*	*19.7*		*18.3*	*19.0*		*18.5*
Profit for the period	1,412	1,067	32%	3,814	3,194	19%	4,298
Operating cash flow	777	1,242	-37%	1,642	3,666	-55%	4,610
Basic earnings per share, SEK	1.18	0.88	34%	3.18	2.63	21%	3.55
Diluted earnings per share, SEK	1.18	-		3.17	-		-
Return on capital employed, %				30.9	-		27.4
Net debt/EBITDA ratio				0.39	-		0.75

*Financial statements prior to 2018 are combined. See page 12.

CEO comments

A solid quarter with strong revenue and profit growth
Revenues and profits grew significantly and order volumes were somewhat higher than last year. Revenues increased with 19% organically to SEK 9,651 million, and orders received reached SEK 9,413 million, up 3% organically. Our operating profit reached SEK 1,898, including costs of SEK 126 million related to the split from Atlas Copco and a change in provision for personnel option programs. The operating margin was 21.0%, excluding the costs related to the split and incentive programs.

Demand development and trend
We saw a continued good sentiment and customer demand in the market. Mining production remained high in all major markets and activities in infrastructure continued to be good. The order intake was higher than the previous year, and I am pleased with the strong order development for our service business and also for our surface equipment. We had, however, lower order intake than in the past two record quarters. This was partly due to fewer large orders received. Such large orders are not evenly distributed over time, and will consequently impact quarterly order intake. Orders received are also typically lower in quarter three compared to quarters one and two. For mining equipment a majority of the orders continued to be for expansion in existing mines. In the quarter we have seen a decrease in metal prices, but in the near-term future we do not expect the overall market sentiment to change significantly. We expect the demand to remain at current level.

Improved factory output supported the strong revenue growth
The equipment deliveries were largely in line with the second quarter. Our factory capacity has improved and our efforts to bring it on par with the demand are yielding results. The operating margin was strengthened by currency and also by the growth, primarily in the Equipment & Service segment. For Tools & Attachments, the margin improved somewhat compared to the most recent quarters, reinforced by our efficiency actions. Working capital increased in the quarter. This is not satisfactory and we continue to address the issue both short-term and long-term.

Innovation
Our innovation initiatives in new technologies generate strong interest from our customers and a high share of our equipment delivered is ready for automation. Our newly inaugurated Control Tower in Örebro, Sweden, is designed to be an innovation arena for exploring and developing automation solutions. We will introduce the second generation of battery-operated equipment in the fourth quarter. All-in-all, our customers will benefit from increased productivity, safety and energy efficiency.

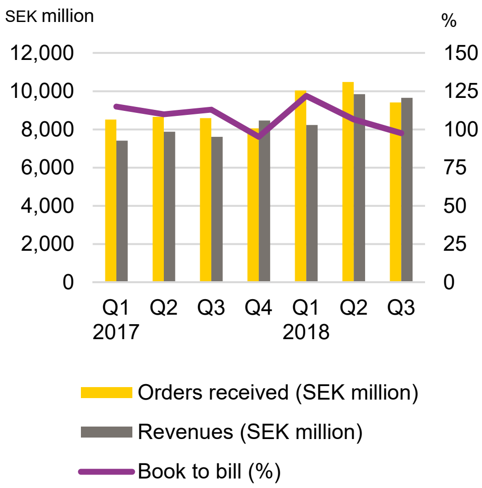
The journey of value creation continues
Our goal is to deliver profitable growth. It is essential that we focus on what will create value going forward. We have comprehensive strategies for sales growth and several programs for excellence: in supply-chain, manufacturing, sourcing and service, as well as initiatives to improve our agility. Our journey continues.

Per Lindberg
President and CEO

Q3
2018

Epiroc Group – Q3 review

Orders and revenues



Epiroc Group

SEK million	2018 Q3	2017 Q3	Δ	2018 Q1-Q3	2017 Q1-Q3	Δ
Orders received	9,413	8,591	10%	29,932	25,773	16%
Revenues	9,651	7,610	27%	27,727	22,900	21%
Operating profit	1,898	1,520	25%	5,223	4,402	19%
Operating margin, %	*19.7*	*20.0*		*18.8*	*19.2*	
Return on capital employed, 12 months, %				30.9	-	

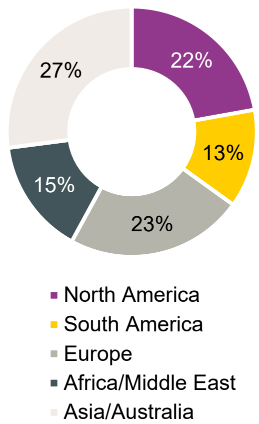
Market development and orders received
The demand for Epiroc Group's products and services remained strong in the third quarter 2018. Orders received increased 10% to SEK 9,413 million (8,591), corresponding to 3% organic growth. Sequentially, the orders received for the Group decreased by 10% compared to the record Q2 2018, partly due to fewer large equipment orders.

Orders received increased in all geographic regions with the exception for Africa/Middle East where orders were down compared to a strong Q3 2017. Europe had the highest growth rate in the quarter.

Mining customers represented approximately 70% of orders received.

Revenues
Revenues increased 27% to SEK 9,651 million (7,610), corresponding to 19% organic increase. Revenues from acquisitions and contract manufacturing of road construction equipment contributed with 3% growth and currency with 5%. The book to bill ratio was 98%. Asia/Australia had the Group's highest revenue share in the quarter.

Geographic distribution of revenues



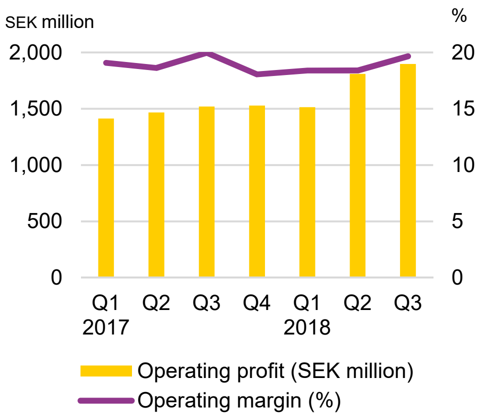
Sales & profit bridge

Epiroc Group

	Orders received SEK million, Δ, %	Revenues SEK million, Δ, %	Operating profit SEK million, Δ	Margin, %, Δ, pp
Q3 2017	**8,591**	**7,610**	**1,520**	**20.0**
Organic	+3	+19	+309	+0.2
Currency	+5	+5	+168	+1.0
Structure and other	+2	+3	-99*	-1.5
Total	+10	+27	+378	-0.3
Q3 2018	**9,413**	**9,651**	**1,898**	**19.7**

*Includes operating profit/loss from acquisitions, contract manufacturing, one-time costs, and change in provision for share-based long-term incentive programs.

Operating profit and margin



Profits and returns
The operating profit increased to SEK 1,898 million (1,520) and includes costs related to the split from Atlas Copco and change in provision for long-term incentive programs of SEK 126 million (15). Costs related to the split and the listing process were SEK 70 million and change in provision for share-based long-term incentive programs was SEK -56 million (-15). The costs for Epiroc Group's corporate functions were SEK 63 million in the quarter.

The operating margin was 19.7% (20.0), affected positively by currency and negatively by split and incentive program costs. The costs related to the split and the change in provision for the long-term incentive programs had a negative impact of 1.3 percentage points (0.2) on the margin.

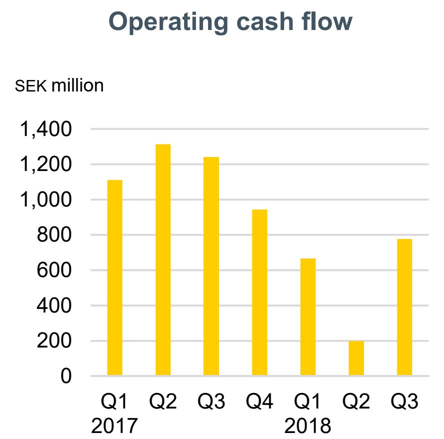
Net financial items were SEK -37 million (-19). Net interest was SEK -34 million (-13).

Profit before tax amounted to SEK 1,861 million (1,501), corresponding to a margin of 19.3% (19.7). Income tax expense amounted to SEK -449 million (-434), corresponding to an effective tax rate of 24.1% (28.9).

Profit for the period totaled SEK 1,412 million (1,067). Basic earnings per share were SEK 1.18 (0.88).

The return on capital employed during the last 12 months was 30.9%. Return on equity was 32.6%.

Epiroc Group – Cash flow and Balance sheet

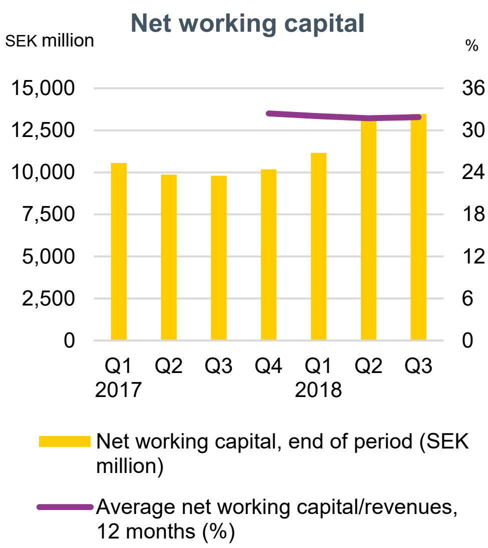


Operating cash flow

Operating cash flow was SEK 777 million (1,242). Net cash flow from operating activities was SEK 920 million (1,419). Net financial items paid was SEK -88 million (27). Taxes paid in the quarter was SEK -741 million (-210), affected by payments of preliminary income taxes. Working capital increased by SEK 599 million (114), mainly due to higher inventories. Net investments in rental equipment were SEK 101 million (66). Net investments in property, plant and equipment were SEK 128 million (69) and investments in intangible assets were SEK 102 million (108).

Acquisitions and other investments

No acquisitions of subsidiaries and associated companies took place in the quarter (SEK -65 million). Other investments were SEK 292 million, net, including divestment of some Payment Solutions credit portfolios.

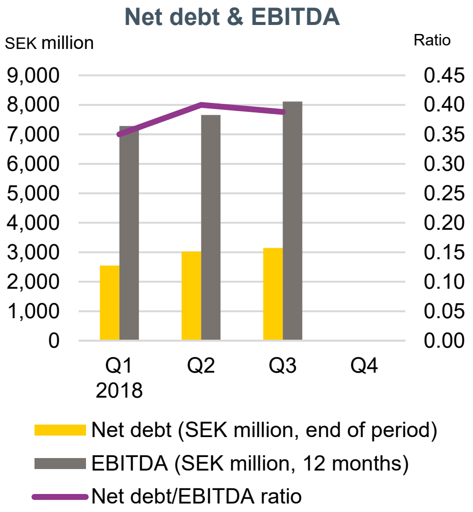


Net working capital

Net working capital was SEK 13,465 million (9,795) at the end of the period, an increase of 37% compared to last year, mainly driven by higher volumes and the related increase in inventories and receivables, partly offset by higher payables. As a percentage of revenues last 12 months, the average net working capital was 31.9%. Sequentially the average net working capital as percentage of revenues remained at approximately the same level as in Q2 2018.

Supply-chain program

The supply-chain improvement program that was initiated in the first quarter, with the aim to improve delivery service to customers, reduce costs, e.g. for transport, and reduce capital tied-up in inventories, continued according to plan. The North American markets will implement the new supply-chain set-up in the fourth quarter.



Net debt

The Group's net debt amounted to SEK 3,146 million, of which SEK 212 million was attributable to post-employment benefits. The net debt/EBITDA ratio was 0.39. The net debt/equity ratio was 18.1%.

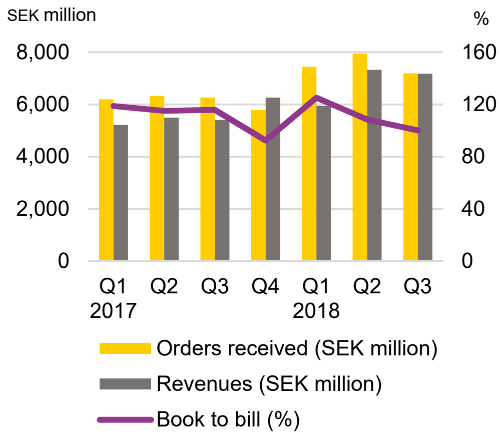
The net debt was affected by share buy-backs related to the long-term incentive programs. As of September 30, Epiroc had repurchased own shares to a total amount of SEK 1.1 billion.

Equipment & Service

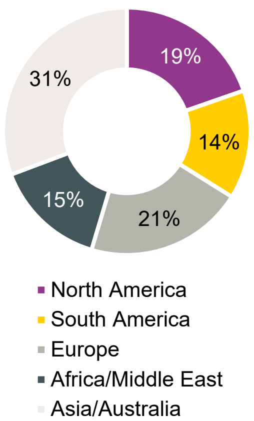
The Equipment & Service segment provides rock drilling equipment, equipment for mechanical rock excavation, rock reinforcement, loading and haulage, ventilation systems, drilling equipment for exploration, water, oil and gas, as well as related spare parts and service for the mining, infrastructure and natural resources industries.

- Organic order growth of 7%
- Continued high organic revenue growth of 25%
- Operating margin improved to 24.6% (23.3)

Orders and revenues



Geographic distribution of revenues



Equipment & Service

SEK million	2018 Q3	2017 Q3	Δ	2018 Q1-Q3	2017 Q1-Q3	Δ
Orders received	7,190	6,263	15%	22,579	18,786	20%
Revenues	7,178	5,406	33%	20,446	16,121	27%
Operating profit	1,764	1,261	40%	4,875	3,669	33%
Operating margin, %	*24.6*	*23.3*		*23.8*	*22.8*	

Market development and orders received

The orders received for Equipment & Service increased by 15% to SEK 7,190 million (6,263), corresponding to 7% organic growth.

Geographically, orders received increased in all regions except for Africa/Middle East where orders were down compared to a strong Q3 2017. Europe outperformed the other regions in relative terms with a strong order growth.

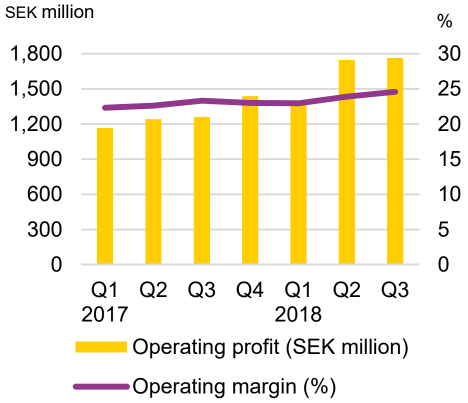
Equipment had an organic growth of 2% and orders received amounted to SEK 3,601 million (3,281). The demand for equipment from mining and infrastructure customers was good both in surface and underground. Orders for surface equipment grew, while orders for underground equipment were somewhat lower compared to last year. Sequentially the orders for equipment decreased compared to the record Q2 2018, mainly due to fewer large orders. Most of the orders from mining customers continued to relate to expansion in or adjacent to existing mines rather than to replacement.

The service business continued to perform well and orders received increased by 20% to SEK 3,589 million (2,982). The organic growth was 13%, supported by a continued positive market development and additional marketing and sales activities. Acquisitions contributed with 3%.

Revenues

Revenues increased by 33% to SEK 7,178 million (5,406), corresponding to an organic growth of 25%. Currency contributed with 5% and revenues from acquisitions and contract manufacturing of road construction equipment with 3% growth. The book to bill ratio was 100%. Equipment accounted for 50% (45) of the revenues in the segment and service 50% (55). Asia/Australia had the segment's highest revenue share in the quarter.

Operating profit and margin



Sales & profit bridge

Equipment & Service

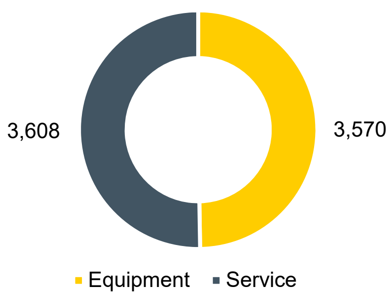
	Orders received SEK million, Δ, %	Revenues SEK million, Δ, %	Operating profit SEK million, Δ	Margin, %, Δ, pp
Q3 2017	**6,263**	**5,406**	**1,261**	**23.3**
Organic	+7	+25	+348	+0.5
Currency	+5	+5	+145	+1.2
Structure and other	+3	+3	+10*	-0.4
Total	+15	+33	+503	+1.3
Q3 2018	**7,190**	**7,178**	**1,764**	**24.6**

*Includes operating profit/loss from acquisitions and contract manufacturing.

Sales bridge

	Equipment		Service	
	Orders received SEK million	**Revenues** SEK million	**Orders received** SEK million	**Revenues** SEK million
Q3 2017	**3,281**	**2,414**	**2,982**	**2,992**
Organic,%	+2	+39	+13	+14
Currency,%	+5	+5	+4	+4
Structure and other,%	+3	+4	+3	+3
Total,%	+10	+48	+20	+21
Q3 2018	**3,601**	**3,570**	**3,589**	**3,608**

Revenues Q3 2018
(SEK million)



Operating profit and margin

Operating profit was SEK 1,764 million (1,261), corresponding to a margin of 24.6% (23.3). The margin was supported by currency and volume, but negatively affected by dilution from acquisitions and contract manufacturing.

Business development

A Control Tower was inaugurated in Epiroc's facilities in Örebro, Sweden. In the Control Tower visitors can explore remote controlled and automated machines which can be operated anywhere around the globe. Epiroc automation and digital solutions are displayed through telematics and integrated systems, demonstrating the digital and connected mine.

Innovations launched in the quarter

Minetruck MT2200 is a truck with the same dimensions as its predecessor MT2010, but can transport 10 percent heavier loads. The truck is ergonomic, provides safety essentials, speed, high maneuverability and serviceability.

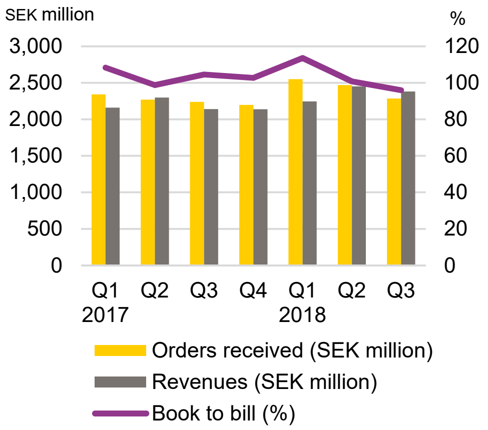
RigLife agreement is the latest addition to Epiroc's service agreements portfolio. The scope of RigLife is the collection of machine data through Certiq (Epiroc's telematics system), RigScan audits (inspections) and extended warranty. This provides customers with information and guidance for more efficient machine maintenance.

Tools & Attachments

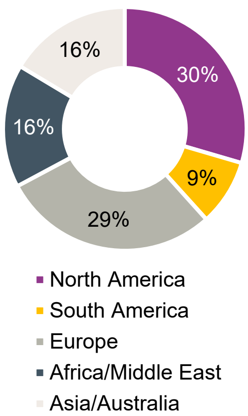
The Tools & Attachments segment provides rock drilling tools and hydraulic attachments that are attached to machines used mainly for drilling, deconstruction and recycling as well as rock excavation. It also provides related service and spare parts and serves the mining, infrastructure and natural resources industries.

- Orders received decreased 4% organically
- Organic revenue growth of 5% and improved operating margin
- Agreement signed in October to acquire a Canadian manufacturer of exploration drilling tools

Orders and revenues



Geographic distribution of revenues



Tools & Attachments

SEK million	2018 Q3	2017 Q3	Δ	2018 Q1-Q3	2017 Q1-Q3	Δ
Orders received	2,285	2,239	2%	7,305	6,850	7%
Revenues	2,382	2,141	11%	7,079	6,599	7%
Operating profit	324	279	16%	915	928	-1%
Operating margin, %	*13.6*	*13.0*		*12.9*	*14.1*	

Market development and orders received

The business environment in both the infrastructure and mining industry continued to be good for Tools & Attachments. The orders received increased by 2% to SEK 2,285 million (2,239), corresponding to an organic decline of 4%. The negative development is partly due to strong comparisons in Q3 2017, partly due to measures to improve the product mix and efficiency actions in the rock drilling tools business.

Geographically, North America had a positive development, while Europe had the largest decline.

Revenues

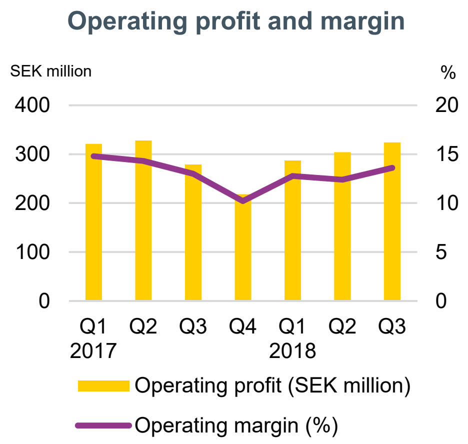
Revenues increased to SEK 2,382 million (2,141), corresponding to an organic growth of 5%. Currency contributed with 5%. The book to bill ratio was 96%. North America had the segment's highest revenue share in the quarter.

Sales & profit bridge

Tools & Attachments

	Orders received SEK million, Δ,%	Revenues SEK million, Δ, %	Operating profit SEK million, Δ	Margin, %, Δ, pp
Q3 2017	**2,239**	**2,141**	**279**	**13.0**
Organic	-4	+5	+17	+0.1
Currency	+5	+5	+25	+0.5
Structure and other	+1	+1	+3*	+0.0
Total	+2	+11	+45	+0.6
Q3 2018	**2,285**	**2,382**	**324**	**13.6**

*Includes operating profit/loss from acquisitions.



Operating profit and margin
Operating profit was SEK 324 million (279), corresponding to a margin of 13.6% (13.0). The margin was positively affected by currency. Sequentially the margin improved.

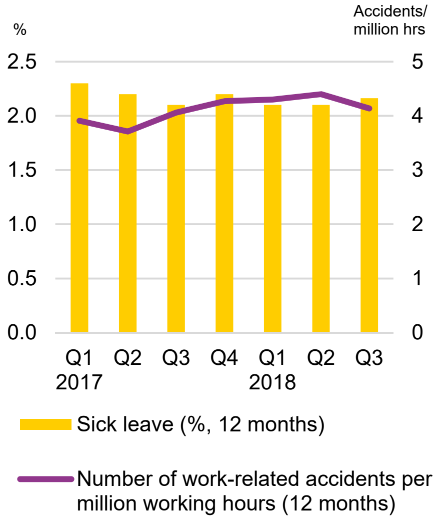
Business development
In October, an agreement was signed to acquire Fordia Group Inc., a Canadian manufacturer of exploration drilling tools. Fordia has about 250 employees and had revenues for the 12 months ending September 2018 of about CAD 85 million (SEK 580 million). The acquisition is expected to be completed in the first quarter 2019.

Innovations launched in the quarter
A new range of reverse circulation drill pipes without o-rings were introduced. Reverse circulation is used in exploration and the pipes without o-rings significantly reduce pressure drop in the drill string. This contributes to higher productivity, lower cost per meter and better samples recovery and quality.

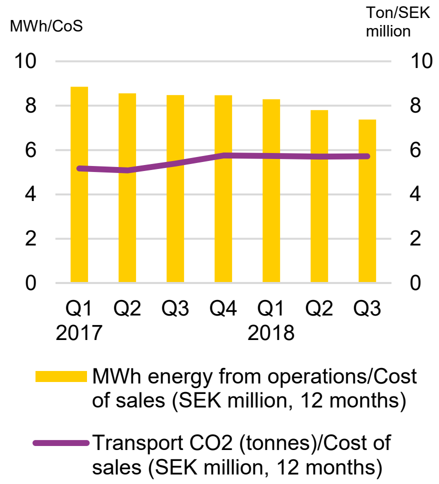
Sustainability development

- Accidents remained on the same level year-on-year
- High demand increased air freight and CO_2 emissions from transport
- Energy savings from concentration of production

Sick leave and accidents



Energy and CO_2



Sustainability measurements

	2018 Q3	2017 Q3	2017 Full year
Number of work related accidents per million working hours (12 months)	4.1	4.1	4.3
Sick leave (%, 12 months)	2.2	2.1	2.2
MWh energy from operations/Cost of sales (SEK million, 12 months)	7.4	8.5	8.5
Transport CO_2 (tonnes)/Cost of sales (SEK million, 12 months)	5.7	5.4	5.8

Accidents
Work-related accidents remained on the same level compared to the 12-month period ending September 30, 2017 and decreased compared to the full year 2017. There is a continued focus on training and activities to reduce the number of accidents.

Energy and CO_2 emissions
MWh energy from operations/Cost of sales has continued to decrease in the last 12 months period from concentration of production to fewer entities in US and China.

CO_2 emissions from transport increased compared to the 12-months period ending in September 2017. The high customer demand continued to require use of more air freight.

Employees
On September 30, 2018, the number of employees was 13,837 (12,579). The number of consultants/external workforce was 1,706 (1,310). For comparable units, the total workforce increased by 11% from September 30, 2017. The increase of the workforce mainly took place in service. Sick leave continued to stay on a low level.

Epiroc Group January - September 2018 in summary

Orders received in the first nine months of 2018 increased to SEK 29,932 million (25,773) corresponding to an organic growth of 14%. Revenues were SEK 27,727 million (22,900), corresponding to 19% organic increase.

Operating profit was SEK 5,223 million (4,402) including costs for the split from Atlas Copco of SEK 269 million and change in provision for share-based long-term incentive programs of SEK -133 million (-113). The operating margin was 18.8% (19.2). Excluding split and incentive program costs, the operating margin was 20.3% (19.7).

Profit before tax was SEK 5,085 million (4,350), corresponding to a margin of 18.3% (19.0). Profit for the period totaled SEK 3,814 million (3,194). Basic earnings per share were SEK 3.18 (2.63). Operating cash flow amounted to SEK 1,642 million (3,666).

On June 18, Epiroc entered into two credit facility agreements with a group of banks, a SEK 4,000 million revolving credit facility (not utilized) and a SEK 6,000 million bridge facility. The revolving credit facility has a maturity of five years with two one-year extension options. The bridge facility has a maturity of twelve months with two six-month extension options. SEK 5,000 million of the bridge facility is utilized and the intention is to replace the bridge facility with medium and/or long-term financing. In addition, Epiroc has been granted a bilateral loan of EUR 100 million from the European Investment Bank with a maturity of four years.

Key events after the end of the period

In October, an agreement was signed to acquire Fordia Group Inc., see page 9.

Risk and uncertainty factors

The Group's and Parent Company's significant risks and uncertainty factors include market and external risks, financial risks, operational and commercial risks, and legal risks. Further information on risks and risk management can be found in the prospectus "Admission to trading of shares in Epiroc AB on Nasdaq Stockholm" published in May 2018. See www.epirocgroup.com/en/investors.

Nacka, October 25, 2018

Epiroc AB

Per Lindberg
President and CEO

This report has not been audited.

Accounting principles

The consolidated financial statements of the Epiroc Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The accounting principles applied in the preparation of this interim report apply to all periods and comply with the accounting principles presented in the prospectus “Admission to trading of shares in Epiroc AB on Nasdaq Stockholm” in note 1 Significant accounting in the combined financial statements except for the adoption of new standards effective as of January 1, 2018, which comply with the accounting principles presented in note 2 Changes in accounting policies in the combined financial statements. The interim report is prepared in accordance with IAS 34 Interim financial reporting.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. Comparative information was not restated. Among other things, IFRS 9 introduced a new model for impairment of financial assets. The purpose of the model is to recognize credit losses earlier than IAS 39. Additionally, the classification of some financial instruments have changed. For Epiroc there were no material effects due to the implementation of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts and IAS 18 Revenue. The standard has been applied by Epiroc Group from January 1, 2018, using the full retrospective method. The same accounting principle for revenue recognition has therefore been applied for all periods presented in the interim report. For further details regarding the effects on the timing of revenue recognition due to the implementation of IFRS 15, see note 2 Changes in accounting policies in the combined financial statements in the prospectus “Admission to trading of shares in Epiroc AB on Nasdaq Stockholm”.

IFRS 15 impact on the financial statement

Balance sheet

SEK million	Sep 30, 2017 before restatement	Restatement	Sep 30, 2017 after restatement
Deferred tax assets	347	12	359
Inventory	7,797	137	7,934
Equity	12,564	-43	12,521
Other liabilities and provisions	3,027	192	3,219

Income statement

SEK million	Q3 2017 before restatement	Restatement	Q3 2017 after restatement
Revenue	22,921	-21	22,900
Cost of sales	-14,563	25	-14,538
Income tax expense	-1,155	-1	-1,156

Combined financials

The term “combined financial statements” refers to financial information prepared by aggregating financial information for entities under common control that do not meet the definition of a group according to IFRS 10. The formation of the Epiroc Group comprised transactions between entities that are under common control. Since these transactions are not covered by any IFRS standard, a suitable accounting principle has been applied in accordance with IAS 8. A suitable and established method is to use the previous carrying amount (predecessor basis of accounting), which is the principle that the Epiroc Group has applied.

The accounting principles are also available in the prospectus “Admission to trading of shares in Epiroc AB on Nasdaq Stockholm” published in May 2018. See www.epirocgroup.com/en/investors.

Accounting principles of the parent company

The interim financial statements of Epiroc AB have been prepared in accordance with the Swedish Annual Accounts Act and the accounting standard RFR 2, accounting for legal entities. The most recent annual financial statements of Epiroc AB have been prepared in accordance with the Annual Accounts Act and the standard from the Swedish Accounting Standards Board BFNAR 2012:1 Annual report and consolidated accounts (K3). The transition did not have an impact on the parent company.

Subsidiaries
Participations in subsidiaries are accounted for by the Parent Company at historical cost. The carrying amounts of participations in subsidiaries for the group are reviewed for impairment in accordance with IAS 36, Impairment of Assets.Transaction costs incurred in connection with a business combination are accounted for by the Parent Company as part of the acquisition costs and are not expensed.

Employee benefits
Defined benefit plans
Defined benefit plans are not accounted for in accordance with IAS 19. In the Parent Company defined benefit plans are accounted for according to the Swedish law regarding pensions, ”Tryggandelagen” and regulations issued by the Swedish Financial Supervisory Board. The primary differences as compared to IAS 19 are the way discount rates are fixed, that the calculation of defined benefit obligations is based on current salary levels, without consideration of future salary increases and that all actuarial gains and losses are included in profit or loss as they occur.

Financial guarantees
Financial guarantees issued by the Parent Company for the benefit of subsidiaries are not valued at fair value. They are reported as contingent liabilities, unless it becomes probable that the guarantees will lead to payments. In such case, provisions will be recorded.

Group and shareholders’ contributions
In Sweden, Group contributions are deductible for tax purposes but shareholders’ contributions are not. Group contributions are recognized as appropriations in the income statement. Shareholders’ contributions are recognized as an increase of Shares in Group companies and tested for impairment.

Condensed consolidated income statement

SEK million	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 Full year
Revenues	9,651	7,610	27,727	22,900	31,364
Cost of sales	-6,095	-4,874	-17,596	-14,538	-20,101
Gross profit	**3,556**	**2,736**	**10,131**	**8,362**	**11,263**
Marketing expenses	-630	-526	-1,906	-1,683	-2,280
Administrative expenses	-691	-469	-1,968	-1,552	-2,121
Research and development expenses	-217	-189	-696	-563	-795
Other operating income and expenses	-120	-32	-338	-162	-137
Operating profit	**1,898**	**1,520**	**5,223**	**4,402**	**5,930**
Net financial items	-37	-19	-138	-52	-137
Profit before tax	**1,861**	**1,501**	**5,085**	**4,350**	**5,793**
Income tax expense	-449	-434	-1,271	-1,156	-1,495
Profit for the period	**1,412**	**1,067**	**3,814**	**3,194**	**4,298**
Profit attributable to					
- owners of the parent	1,410	1,067	3,808	3,194	4,298
- non-controlling interests	2	0	6	0	0

Key ratios

SEK million	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 Full year
Basic earnings per share, SEK	1.18	0.88	3.18	2.63	3.55
Diluted earnings per share, SEK	1.18	-	3.17	-	-
Basic number of shares outstanding, millions	1,210	1,212	1,210	1,212	1,212
Diluted number of shares outstanding, millions	1,211	-	1,211	-	-
Operating margin, %	19.7	20.0	18.8	19.2	18.9
Equity per share, period end, SEK			14.45	10.33	9.94
Return on capital employed, %			30.9	-	27.4
Return on equity, %			32.6	-	29.1
Net debt/EBITDA ratio			0.39	-	0.75
Net debt/equity ratio, period end, %			18.1	32.2	45.0
Equity/assets ratio, period end, %			50.5	45.3	43.7
Number of employees, period end			13,837	12,579	12,948

Condensed consolidated statement of comprehensive income

SEK million	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 Full year
Profit for the period	**1,412**	**1,067**	**3,814**	**3,194**	**4,298**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit pension plans	-31	0	-29	61	65
Income tax relating to items that will not be reclassified	8	0	5	-14	-14
Total items that will not be reclassified to profit or loss	**-23**	**0**	**-24**	**47**	**51**
Items that may be reclassified subsequently to profit or loss					
Translation differences on foreign operations	-417	-442	-71	-1,047	-756
Total items that may be reclassified subsequently to profit or loss	**-417**	**-442**	**-71**	**-1,047**	**-756**
Other comprehensive income for the period, net of tax	**-440**	**-442**	**-95**	**-1,000**	**-705**
Total comprehensive income for the period	**972**	**625**	**3,719**	**2,194**	**3,593**
Total comprehensive income attributable to					
- owners of the parent	973	625	3,715	2,194	3,594
- non-controlling interests	-1	0	4	0	-1

Condensed consolidated balance sheet

SEK million	2018 Sep 30	2017 Sep 30	2017 Dec 31
Intangible assets	3,532	3,076	3,121
Rental equipment	1,277	1,220	1,215
Other property, plant and equipment	2,421	2,213	2,271
Investments in associates	91	95	94
Financial assets and other receivables	1,199	1,426	1,101
Deferred tax assets	526	359	425
Total non-current assets	**9,046**	**8,389**	**8,227**
Inventories	10,789	7,934	8,440
Trade receivables	7,821	5,707	6,271
Other receivables	1,277	984	1,362
Income tax receivables	576	111	287
Financial assets	1,029	3,769	1,152
Cash and cash equivalents	3,949	728	1,808
Total current assets	**25,441**	**19,233**	**19,320**
Total assets	**34,487**	**27,622**	**27,547**
Share capital	500	20	21
Retained earnings	16,859	12,495	12,020
Total equity attributable to equity holders of the parent	**17,359**	**12,515**	**12,041**
Non-controlling interest	47	6	6
Total equity	**17,406**	**12,521**	**12,047**
Interest bearing loans	1,097	6,194	2,250
Post-employment benefits	212	177	181
Other liabilities and provisions	418	251	289
Total non-current liabilities	**1,727**	**6,622**	**2,720**
Interest bearing loans	5,786	733	4,808
Trade payables	4,421	3,387	3,966
Income tax liabilities	683	1,140	436
Other liabilities and provisions	4,464	3,219	3,570
Total current liabilities	**15,354**	**8,479**	**12,780**
Total equity and liabilities	**34,487**	**27,622**	**27,547**

Fair value of derivatives and borrowings

The carrying value and fair value of the Group's outstanding derivatives and borrowings are shown in the tables below. The fair value of derivatives and other loans are based on level 2 in the fair value hierarchy, no financial instruments are valued in category 3. Compared to 2017, no transfers have been made between different levels in the fair value hierarchy for derivatives and borrowings and no significant changes have been made to valuation techniques, input or assumptions. The carrying value of borrowings per December 31, 2017 corresponds to fair value since the interest duration is short.

Outstanding derivative instruments recorded to fair value

SEK million	2018 Sep 30	2017 Dec 31
Current assets and liabilities		
Assets	87	193
Liabilities	24	21

Carrying value and fair value of borrowings

SEK million	2018 Sep 30	2018 Sep 30	2017 Dec 31	2017 Dec 31
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Other loans	6,883	6,890	7,058	7,058

Condensed consolidated statement of changes in equity

SEK million	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Opening balance, January 1, 2018	**12,041**	**6**	**12,047**
Impact of change in accounting policy	1	-	1
Restated balance January 1, 2018	12,042	6	12,048
Changes in equity for the period			
Total comprehensive income for the period	3,715	4	3,719
Transactions with shareholders	2,692	37	2,729
Acquisition and divestment of own shares	-1,100	-	-1,100
Share-based payments, equity settled	10	-	10
Closing balance, Sep 30, 2018	**17,359**	**47**	**17,406**
Opening balance, January 1, 2017	**15,813**	**-**	**15,813**
Impact of change in accounting policy	-47	-	-47
Restated balance January 1, 2017	15,766	-	15,766
Changes in equity for the period			
Total comprehensive income for the period	2,194	0	2,194
Dividends to Atlas Copco	-3,956	-	-3,956
Transactions with shareholders	-1,531	6	-1,525
Share-based payments, equity settled	42	-	42
Closing balance, Sep 30, 2017	**12,515**	**6**	**12,521**
Opening balance, January 1, 2017	**15,813**	**-**	**15,813**
Impact of change in accounting policy	-47	-	-47
Restated balance January 1, 2017	15,766	-	15,766
Changes in equity for the period			
Total comprehensive income for the period	3,594	-1	3,593
Dividends to Atlas Copco	-5,178	-	-5,178
Transactions with shareholders	-2,096	7	-2,089
Share-based payments, equity settled	-45	-	-45
Closing balance, December 31, 2017	**12,041**	**6**	**12,047**

Financing activities and transactions with shareholders

Transaction with shareholders represents the shareholder contribution from Atlas Copco of SEK 4.1 billion, offset by the acquisition of subsidiaries owned by Atlas Copco of SEK 1.3 billion and other cash transfers between Atlas Copco and Epiroc, totaling SEK 2.7 billion net as cash transfer between Epiroc and Atlas Copco.

Consolidated statement of cash flow

SEK million	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 Full year
Cash flow from operating activities					
Operating profit	1,898	1,520	5,223	4,402	5,930
Depreciation, amortization and impairment	362	285	1,019	913	1,254
Capital gain/loss and other non-cash items	199	3	182	-22	-134
Net financial items received/paid	-88	27	-459	-65	-344
Taxes paid	-741	-210	-1,421	-486	-666
Pension funding and payment of pension to employees	-10	-26	-56	-77	-90
Change in working capital	-599	-114	-2,290	-246	-403
Investments in rental equipment	-215	-189	-658	-550	-793
Sale of rental equipment	114	123	297	291	422
Net cash from operating activities	**920**	**1,419**	**1,837**	**4,160**	**5,176**
Cash flow from investing activities					
Investments in property, plant and equipment	-136	-85	-426	-309	-424
Sale of property, plant and equipment	8	16	24	31	70
Investments in intangible assets	-102	-108	-313	-216	-289
Acquisition of subsidiaries and associated companies	-	-65	-482	-137	-137
Other investments, net	292	3,043	101	3,312	6,323
Net cash from investing activities	**62**	**2,801**	**-1,096**	**2,681**	**5,543**
Cash flow from financing activities					
Dividend to/from Atlas Copco	-	-3,727	-	-3,956	-5,178
Acquisition of non-controlling interest	-	-	-	6	6
Sale/ Repurchase own shares	-1,100	-	-1,100	-	-
Change in interest-bearing liabilities	-92	297	2,477	-945	-889
Net cash from financing activities	**-1,192**	**-3,430**	**1,377**	**-4,895**	**-6,061**
Net cash flow for the period	**-210**	**790**	**2,118**	**1,946**	**4,658**
Cash and cash equivalents, beginning of the period	4,205	610	1,808	481	481
Exchange differences in cash and cash equivalents	-46	-27	23	-47	-39
Other cash flow from transactions with shareholders	-	-645	-	-1,652	-3,292
Cash and cash equivalents, end of the period	**3,949**	**728**	**3,949**	**728**	**1,808**

Operating cash flow					
Net cash flow from operating activities	920	1,419	1,837	4,160	5,176
Net cash from investing activities	62	2,801	-1,096	2,681	5,543
Acquisition of subsidiaries and associated companies	-	65	482	137	137
Other adjustments	-205**	-3,043*	419**	-3,312*	-6,246*
Operating cash flow	**777**	**1,242**	**1,642**	**3,666**	**4,610**

*Mainly changes in cash-pool with Atlas Copco and currency hedges of loans.
**Mainly currency hedges of loans and divestment of Payment Solutions portfolios.

Condensed segments quarterly

Epiroc has two reporting segments, Equipment & Service and Tools & Attachments. In addition, Epiroc reports common group functions, which includes Payment Solutions, offering financing to customers, Group management and common functions, as well as eliminations. Payment Solutions receives payments from credit arrangements, for example financial leases, which is reported as financial income. Payment Solutions also has a rental fleet generating operating lease payments, which are reported as revenue.

Orders received

	2017				2017	2018		
SEK million	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Equipment & Service	6,200	6,323	6,263	5,788	24,574	7,442	7,947	7,190
Equipment	*3,147*	*3,142*	*3,281*	*2,676*	*12,246*	*4,054*	*4,234*	*3,601*
Service	*3,053*	*3,181*	*2,982*	*3,112*	*12,328*	*3,388*	*3,713*	*3,589*
Tools & Attachments	2,341	2,270	2,239	2,197	9,047	2,550	2,470	2,285
Common group functions	-21	69	89	73	210	44	66	-62
Epiroc Group	**8,520**	**8,662**	**8,591**	**8,058**	**33,831**	**10,036**	**10,483**	**9,413**

Revenues

	2017				2017	2018		
SEK million	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Equipment & Service	5,220	5,495	5,406	6,262	22,383	5,943	7,325	7,178
Equipment	*2,219*	*2,469*	*2,414*	*3,174*	*10,276*	*2,678*	*3,640*	*3,570*
Service	*3,001*	*3,026*	*2,992*	*3,088*	*12,107*	*3,265*	*3,685*	*3,608*
Tools & Attachments	2,161	2,297	2,141	2,139	8,738	2,245	2,452	2,382
Common group functions	30	87	63	63	243	45	66	91
Epiroc Group	**7,411**	**7,879**	**7,610**	**8,464**	**31,364**	**8,233**	**9,843**	**9,651**

Operating profit and profit before tax

	2017				2017	2018		
SEK million	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Equipment & Service	1,166	1,242	1,261	1,438	5,107	1,364	1,747	1,764
Tools & Attachments	321	328	279	218	1,146	287	304	324
Common group functions	-73	-102	-20	-128	-323	-136	-241	-190
Operating profit	**1,414**	**1,468**	**1,520**	**1,528**	**5,930**	**1,515**	**1,810**	**1,898**
Net financial items	-23	-10	-19	-85	-137	-57	-44	-37
Profit before tax	**1,391**	**1,458**	**1,501**	**1,443**	**5,793**	**1,458**	**1,766**	**1,861**

Operating margin

	2017				2017	2018		
SEK million	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Equipment & Service	22.3%	22.6%	23.3%	23.0%	22.8%	22.9%	23.9%	24.6%
Tools & Attachments	14.8%	14.3%	13.0%	10.2%	13.1%	12.8%	12.4%	13.6%
Epiroc Group	**19.1%**	**18.6%**	**20.0%**	**18.1%**	**18.9%**	**18.4%**	**18.4%**	**19.7%**

Split and incentive program costs*

	2017				2017	2018		
SEK million	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Change in provision for share-based long-term incentive programs	-45	-53	-15	-50	-163	0	-77	-56
Costs for split from Atlas Copco	-	-	-	-	-	-95	-104	-70
Epiroc Group	**-45**	**-53**	**-15**	**-50**	**-163**	**-95**	**-181**	**-126**

*Split and incentive program costs are reported in common group functions. Incentive program costs are reported as administrative expenses.

Geographical distribution of orders received and revenues

Geographical distribution of orders received

SEK million % currency adjusted	2017 Q1	Q2	Q3	Q4	2017 Full year	%	2018 Q1	Q2	Q3	%
Epiroc group	8,520	8,662	8,591	8,058	33,831	*+21*	10,036	10,483	9,413	*+5*
North America	1,967	2,092	1,897	1,657	7,613	*+19*	2,176	2,076	2,180	*+8*
South America	1,167	1,189	1,105	1,262	4,723	*+23*	1,488	1,844	1,236	*+6*
Europe	2,246	2,190	1,937	2,031	8,404	*+21*	2,488	2,503	2,388	*+20*
Africa/Middle East	1,033	990	1,339	1,220	4,582	*+14*	1,478	1,518	1,191	*-16*
Asia/Australia	2,107	2,201	2,313	1,888	8,509	*+25*	2,406	2,542	2,418	*+2*
Equipment & Service	6,200	6,323	6,263	5,788	24,574	*+25*	7,442	7,947	7,190	*+10*
North America	1,371	1,349	1,179	1,008	4,907	*+25*	1,426	1,385	1,572	*+26*
South America	928	1,015	896	1,062	3,901	*+25*	1,255	1,633	1,023	*+8*
Europe	1,518	1,498	1,280	1,368	5,664	*+25*	1,662	1,765	1,790	*+37*
Africa/Middle East	690	675	983	881	3,229	*+18*	1,127	1,056	811	*-22*
Asia/Australia	1,693	1,786	1,925	1,469	6,873	*+28*	1,972	2,108	1,994	*+1*
Tools & Attachments	2,341	2,270	2,239	2,197	9,047	*+12*	2,550	2,470	2,285	*-2*
North America	646	701	623	604	2,574	*+10*	737	662	689	*+3*
South America	239	174	216	201	830	*+13*	232	211	213	*-5*
Europe	709	677	646	641	2,673	*+14*	804	715	598	*-10*
Africa/Middle East	343	315	358	339	1,355	*+5*	350	462	380	*+1*
Asia/Australia	404	403	396	412	1,615	*+18*	427	420	405	*-1*

Geographical distribution of revenues

SEK million % currency adjusted	2017 Q1	Q2	Q3	Q4	2017 Full year	%	2018 Q1	Q2	Q3	%
Epiroc group	7,411	7,879	7,610	8,464	31,364	*+14*	8,233	9,843	9,651	*+21*
North America	1,806	1,722	1,785	1,823	7,136	*+14*	1,888	2,118	2,141	*+12*
South America	1,100	1,104	969	1,103	4,276	*+18*	1,024	1,199	1,230	*+21*
Europe	1,758	2,109	1,977	2,148	7,992	*+14*	1,864	2,471	2,224	*+9*
Africa/Middle East	997	1,003	1,037	1,048	4,085	*+2*	1,103	1,350	1,444	*+33*
Asia/Australia	1,750	1,941	1,842	2,342	7,875	*+19*	2,354	2,705	2,612	*+37*
Equipment & Service	5,220	5,495	5,406	6,262	22,383	*+17*	5,943	7,325	7,178	*+23*
North America	1,126	958	1,084	1,189	4,357	*+17*	1,173	1,410	1,412	*+18*
South America	827	880	745	859	3,311	*+21*	813	981	1,020	*+26*
Europe	1,323	1,564	1,484	1,710	6,081	*+20*	1,235	1,696	1,488	*-6*
Africa/Middle East	615	647	691	685	2,638	*+1*	766	972	1,054	*+41*
Asia/Australia	1,329	1,446	1,402	1,819	5,996	*+21*	1,956	2,266	2,204	*+47*
Tools & Attachments	2,161	2,297	2,141	2,139	8,738	*+9*	2,245	2,452	2,382	*+5*
North America	649	683	635	546	2,513	*+11*	700	681	703	*+2*
South America	189	184	196	213	782	*+7*	211	218	210	*+1*
Europe	638	694	641	620	2,593	*+8*	607	750	688	*+4*
Africa/Middle East	319	324	320	334	1,297	*+3*	337	378	390	*+14*
Asia/Australia	366	412	349	426	1,553	*+12*	390	425	391	*+7*

Condensed parent company income statement

SEK million	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	2017 Full year
Administrative expenses	-47	0	-117	0	-8
Marketing expenses	-3	-	-9	-	-
Other operating income and expenses	39	-2	-34	-2	-6
Operating profit/loss	**-11**	**-2**	**-160**	**-2**	**-14**
Financial income and expenses	-6	0	-9	0	-1
Appropriations	-	-	-	-	15
Profit/loss before tax	**-17**	**-2**	**-169**	**-2**	**0**
Income tax	0	0	36	0	-
Profit/loss for the period	**-17**	**-2**	**-133**	**-2**	**0**

Condensed parent company balance sheet

SEK million	2018 Sep 30	2017 Sep 30	2017 Dec 31
Total non-current assets	46,893	-	45,574
Total current assets	6,279	39	4,555
Total assets	**53,172**	**39**	**50,129**
Total restricted equity	503	24	24
Total non-restricted equity	46,345	13	43,886
Total equity	**46,848**	**37**	**43,910**
Total provisions	229	-	0
Total non-current liabilities	1,030	-	-
Total current liabilities	5,065	2	6,219
Total equity and liabilities	**53,172**	**39**	**50,129**
Assets pledged	3	-	0
Contingent liabilities	57	-	-

Acquisitions

Date	Company	Segment	Revenues SEK million*	Number of employees*
2018 Feb 1	Hy-Performance Fluid Power	Equipment & Service	50	26
2018 Jan 3	Rock Drill Services Australia	Equipment & Service	90	37
2018 Jan 3	Cate Drilling Solutions	Equipment & Service		35
2018 Jan 2	Renegade Drilling Supplies	Tools & Attachments		22
2017 Jul 4	Mobilaris MCE AB (34%)**	Equipment & Service	30	20
2017 Feb 2	Erkat	Tools & Attachments	110	38

*Annual revenues and number of employees at time of acquisition. For distributors, revenues are not disclosed.

**Included as an associated company.

Transactions with related parties

During 2018 there have been transactions between Atlas Copco Group and Epiroc Group related to lending and allocation of net debt between the groups. These transactions have been classified as transactions with shareholders and been carried out via equity and are presented in the consolidated statement of changes in equity. On March 31, 2018 Epiroc AB received an unconditional shareholder's contribution of SEK 4,150 million from Atlas Copco AB. As of April 26, 2018 the foreign exchange derivatives between Epiroc Treasury AB and Atlas Copco AB matured and was cash settled. On June 18, 2018 Epiroc AB repaid the borrowing of SEK 3,752 million to Atlas Copco AB. Receivables and payables between Atlas Copco and Epiroc from the period when Atlas Copco AB was the parent company, have been included in the balance sheet as external balances. The balances between Atlas Copco and Epiroc are not material. Since the distribution of the Epiroc shares from Atlas Copco on June 18, 2018, Atlas Copco is no longer a related party.

In the combined financial statements for the annual report December 31, 2017 accounts receivables and accounts payables include receivables and payables that will be collected and paid by another Group entity than the entity included in the combined financial statements.

Share buy-backs

The Board of Directors of Epiroc has been authorized to purchase, transfer and sell own shares in relation to Epiroc's performance based personnel option plans. More information regarding the option plans can be found in the prospectus "Admission to trading of shares in Epiroc AB on Nasdaq Stockholm" published in May 2018. See www.epirocgroup.com/en/investors.

In the third quarter, Epiroc purchased 11,860,359 shares class A and divested 514,480 shares class A in accordance with mandates granted. As of September 30, 2018, Epiroc AB held 11,345,879 shares class A.

The total numbers of issued Epiroc shares as of September 30, 2018 were 1,213,738,703 shares, whereof 823,765,854 shares class A and 389,972,849 shares class B.

Financial definitions

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

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Financial calendar

February 5, 2019	Q4 2018
March 13, 2019	Annual report 2018
April 30, 2019	Q1 2019
May 9, 2019	Annual General Meeting 2019
July 19, 2019	Q2 2019
October 25, 2019	Q3 2019
January 31, 2020	Q4 2019

This information is information that Epiroc AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 07:30 CEST on October 25, 2018.

Epiroc in brief

Epiroc is a leading productivity partner for the mining, infrastructure and natural resources industries. With cutting-edge technology, Epiroc develops and produces innovative drill rigs, rock excavation and construction equipment, and provides world-class service and consumables. The company was founded in Stockholm, Sweden, and has passionate people supporting and collaborating with customers in more than 150 countries. Learn more at www.epirocgroup.com.

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